

'Punching above its weight'

**An evaluation of DFID's PSPS, LAMIT and
ENLACE programmes in Latin America**

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Acronyms

AAA	Analytic and Advisory Assistance
AfDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
BRIC	Brazil, Russia, India and China
CABILICA	Capacity Building Fund for Local Institutions in Central America (DFID)
CAFTA	Central America Free Trade Agreement
CAM	Central America
CAR	Capability, Accountability, Responsibility Framework (DFID)
CAS	Country Assistance Strategy (WB)
CC	<i>Consejos Comunitarios</i> (Town Hall Meeting) (Colombia)
CENPROMYPE	<i>Centro para la Promoción de la Micro y Pequeña Empresa</i> (Centre for the Promotion of Micro and Small Enterprises)
CFAA	Country Financial Accountability Assessment
CGE	Computable General Equilibrium
CICA	<i>Consejo Indígena Centroamericano</i> (Central American Indigenous Council)
CONPES	<i>Consejo Nacional de Política Económica y Social</i> (National Council of Economic and Social Policy) (Colombia)
CSO	Civil Society Organisation
CSP	Country Strategy Process
DF	Decentralised Fund
DFID	UK Department for International Development
EC	European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
EITI	Extractive Industries Transparency Initiative
ENLACE	Social Inclusion Trust Fund
EQxIS	Social and Equity Indicators System
EU	European Union
FLACMA	<i>Federación Latinoamericana de Ciudades, Municipios y Asociaciones de Gobiernos</i> (Latin American Federation of Municipal Associations)
GCM	Grants and Cofinancing Management Unit (IDB)
GDLN	Global Development Learning Network (WB)
GNTP	<i>Grupo Nacional de Trabajo para la Participación</i> (National Working Group for Participation) (Bolivia)
GTZ	German Technical Cooperation
HD	Human Development Unit (WB)
HQ	Headquarters
HIV	Human Immunodeficiency Virus
IBAM	<i>Instituto Brasileiro de Administração Municipal</i> (Brazilian Institute of Municipal Administration)
IDB	Inter-American Development Bank
IDEA	International Institute for Democracy Electoral Assistance
IDS	Institute for Development Studies
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INT	Integration and Regional Programs Department (IDB)
KMG	Knowledge Management Group (IDB)
KNL	Knowledge and Learning Department (IDB)
LAC	Latin America and Caribbean Region

LACD	Latin America and Caribbean Department (DFID)
LAMIT	Latin America Growth, Markets and Trade Programme
LCR	Latin America and Caribbean Region (WB)
LCSPS	Latin America and Caribbean Public Sector Unit (WB)
LIC	Low-Income Country
LSE	London School of Economics
M&E	Monitoring and Evaluation
MAS	<i>Movimiento al Socialismo</i> (Movement for Socialism) (Bolivia)
MDG	Millennium Development Goal
Mercosur	<i>Mercado Común del Sur</i> (Southern Common Market)
MGPR	Markets and Governance for Poverty Reduction (WB)
MIC	Middle-Income Country
MIF	Multilateral Investment Fund (IDB)
MIT	Massachusetts Institute of Technology
MMWFP	Making Markets Work for the Poor (DFID)
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MTP	Trade and Poverty Trust Fund (IDB)
NAC	National AIDS Committee (Belize)
NDI	National Democratic Institute
NGO	Non-Governmental Organisation
OAS	Organization of American States
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OMJ	Opportunities for the Majority (IDB)
OSU	Operations Services Unit (WB)
P&P	Permanent and Pensionable (DFID)
PAP	<i>Programa de Alivio a la Pobreza</i> (Poverty Alleviation Programme) (Bolivia)
PAR	<i>Programa de Aprendizaje Regional</i> (Regional Learning and Exchange Programme)
PBL	Policy-Based Loan
PCR	Project Completion Report
PEMCE	<i>Promoviendo la Equidad Mediante el Crecimiento Económico</i> (Promotion of Equity through Pro-Poor Growth)
PEP	Poverty and Economic Policy Research Network
PER	Public Expenditure Review
PIRS	Poverty and Inequality Reduction Strategy (Colombia)
PPA	Partnership Programme Arrangement
PPP	Purchasing Power Parity
PREM	Poverty Reduction and Economic Management Unit (WB)
PRS	Poverty Reduction Strategy
PSIA	Poverty and Social Impact Analysis
PSPS	Accountable and Responsive Public Sector Management and Political Systems Programme
PSTAC	Public Sector Technical Assistance Credit (WB)
RAP	Regional Assistance Plan (DFID)
RE2	Region II (IDB)
RECURSO	Governance and Accountability in the Decentralised Social Sectors (WB and DFID)
RUTA	Regional Unit for Technical Assistance
SDS	Sustainable Development Department
SECCI	Sustainable Energy and Climate Change Initiative (IDB)
SIF	Strategic Impact Fund

SICA	<i>Sistema de Integración Centro Americana</i> (Central American Integration System)
Sida	Swedish Agency for International Development Cooperation
SME	Small and Medium Enterprises
SWAp	Sector-Wide Approach
TC	Technical Cooperation
TF	Trust Fund
TFFP	Trade Finance and Facilitation Program (IDB)
ToR	Terms of Reference
TRC	Technical Review Committee
TTL	Task Team Leader (WB)
UK	United Kingdom
UN	United Nations
UNDP	UN Development Program
UNICEF	UN Children's Fund
UNIFEM	UN Development Fund for Women
US	United States
USAID	US Agency for International Development
VPC	Vice Presidency for Countries (IDB)
WB	World Bank

Executive summary

This report contains the findings and lessons of the final evaluation of three DFID programmes in Latin America: the Latin America Markets and International Trade (LAMIT) programme; the Political Systems and Public Sector (PSPS) programme and the ENLACE social inclusion programme. The LAMIT and PSPS programmes were the principal components of the Latin America Regional Assistance Plan (RAP) whose implementation began in the early months of 2005.

Given that this evaluation is taking place at a relatively early stage for all programmes and that the outcomes or results from each may need more time to make themselves felt, *the evaluation is intended to assess whether each programme is 'on track' on the basis of ongoing progress and the achievement of milestones, rather than to determine whether objectives have been reached in full.*

The evaluation is based on field visits carried out in the second half of 2008 to Washington, DC and to the Department for International Development (DFID) regional offices (Central America, the Andes and Brazil), as well as documentary analysis and interviews undertaken in London. The findings for LAMIT and PSPS are discussed jointly in Section 2 of the report; the ENLACE programme is addressed separately in Section 3. In addition, the report contains a final section (Section 4) highlighting key messages and lessons that emerge from DFID's experience in Latin America with these programmes. Separate annexes with more in-depth information on the PSPS and LAMIT programmes, as well as on the Washington-based Trust Funds (TFs) for those two programmes and broader issues on relations between DFID and the IFIs, are also included.

The findings for all three programmes set out in Sections 2 and 3 are presented in the form of responses to the five sets of questions contained in the evaluation's terms of reference (ToR) (Annex 4). This summary follows the same sequence.

Overview

This evaluation complements the interim evaluation carried out at the mid-term of the RAP. It analyses the experience with LAMIT and PSPS in greater depth and on the basis of a longer period of implementation (slightly more than three years). It also covers ENLACE, which was not formally a RAP component and therefore was not considered by the mid-term evaluation. This evaluation's findings are broadly consistent with those of the mid-term evaluation. *They suggest that DFID's performance in Latin America has been good and in some respects outstanding in delivering relevant, efficient and effective programmes in difficult circumstances.*

This experience as a whole deserves to be brought to the attention of DFID senior managers and offices working in other developing regions of the world. As a region, Latin America continues to offer a wealth of experience and lessons useful and relevant to DFID's work elsewhere. At the same time, DFID's *RAP strategy of using its programmes to influence the policy environment at the regional level rather than seeking to effect direct impacts on the poor was innovative and has proven viable and effective.* The strategy of working 'with, through and around' the World Bank (WB) and the Inter-American Development Bank (IDB) was relevant and appropriate in view of DFID's limited funding for Latin American programmes and its reduced presence in the field. The approach includes a number of elements that seem highly suitable for replication in other contexts in the developing world.

Partnerships, dialogue and collaboration with multiple actors at multiple levels and in multiple policy spaces were the essential ingredients in the success of each of the three programmes evaluated. This approach capitalised on DFID's ability to deploy experienced and knowledgeable staff with excellent communication, networking, negotiating, management and analytical skills.

Under the RAP, provisions were made to support PSPS and LAMIT for an original period of three years, and the programmes are in the process of coming to a close. ENLACE was also in place for three years and has run its full course. Technically, none of these programmes closed prematurely (and in the case of ENLACE non-renewal was not directly linked to DFID's new approach in the region). Nevertheless, ***the impacts they each promised are not likely to be fully realised within this short lifespan***. The changes and transformations envisioned by each require sustained donor engagement over the long term.

At least in the cases of PSPS and LAMIT, there was a widespread expectation among partners that a RAP II would be developed and that support would be renewed. DFID's decision to discontinue its Latin America programme, which to many seemed abrupt, is regrettable from both an evaluation and a policy point of view. It is also at variance with its commitments to a number of principles of aid effectiveness, and sits uneasily alongside DFID's claims to be a learning organisation in which decisions are based on evidence and experience.

How the programmes have fared

The evaluation finds that LAMIT, PSPS and ENLACE were well justified and appropriately designed. In different degrees and variations, LAMIT and PSPS combined all three modes of the 'working with, through and around' strategy. ENLACE (which only had TF resources and a secondee but no Decentralised Funds – DFs) focused on working 'with' and 'through' the IDB. The selection of the modes of working in each programme was justified in terms of existing WB and IDB strategies, the importance and salience within the region of the issues to be addressed and DFID's historical focus and experience in Latin America (built in part on the basis of its bilateral programmes).

The activities generated by the different programmes reflected their respective priorities and policies. In many instances, quite large-scale activities that went beyond the life of a particular project were instigated with modest financial inputs.

However, ***the architecture of the RAP was quite complex, and often some of the connections between the different components of the programmes took a considerable time to develop***. The DFs held by the sub-regional offices and the Washington-based TFs each had specific purposes and there was never an intention to join them up fully. Yet, complementarities and synergies might well have been expected, and this proved challenging. LAMIT and PSPS progressively developed better communication mechanisms to share information about programme activities at different levels. However, despite ongoing efforts, information sharing between DFs and TFs remained an issue throughout the life of the programmes. Apart from a few particularly compelling examples, ***synergies between the activities supported by the DFs and the TFs remained limited***, diminishing the potential for 'multiplier effects' between different parts of the LAMIT and PSPS programmes.

At the TF level, there were also concerns that the focus of each of the programmes was too broad and needed to be sharpened. Overall, there was an appreciation that much of the work within the TFs entailed a process of 'learning by doing', so that some flexibility around thematic issues was desirable, especially early on as each programme was finding its footing. Yet, ***it was also felt that DFID could have provided greater guidance and more strategic direction in terms of how the agency wanted these programmes to evolve***. Over time, DFID

and the Banks engaged in various attempts to accomplish this, but with the closure of the programmes this collaboration did not have enough time to develop fully. Ongoing efforts in this direction were also sometimes interrupted by changes in staff and programme direction.

The DFs were, with few exceptions, allocated to innovative projects that reflected the local contexts and capabilities of each sub-regional office. In some cases, these were complementary and loosely coordinated (as in work on political systems in the Andes and Central American offices). In other cases, the programmes were Latin-America-wide in nature (as in the case of the *Programa de Aprendizaje Regional* (Regional Learning and Exchange Programme – PAR), or the project on municipal simplification undertaken with the International Finance Corporation – IFC). Yet others were intended to be specific to a sub-region (as in the case of a few of ENLACE’s projects or the LAMIT work with the *Centro para la Promoción de la Micro y Pequeña Empresa* (Centre for the Promotion of Micro and Small Enterprises – CENPROMYPE), a small and medium enterprise (SME) partner in Central America); some were focused on a particular country (again, as in the case of many of the ENLACE projects, or a WB study on financial exclusion in Guatemala funded by PSPS).

Overall, the programmes did what they said they would do, and did so efficiently. However, they faced some serious challenges related to staffing levels for Latin America within DFID, which were in general extremely low. The ambitious objectives and working methods adopted by the programmes placed a premium on continuity of relationships and the maintenance of a clear sense of direction by programme managers, especially in the field. In some cases, staff turnover among DFID personnel was unusually high, which made these requirements difficult to meet. This was an issue that dogged ENLACE. It also particularly affected the inception phases of the LAMIT and PSPS programmes, and was primarily a problem in the sub-regional offices. ***In regard to the TFs for these two programmes, staff turnover was not as big a challenge – changes were minimal or more easily managed.*** Staff secondments for LAMIT and ENLACE also helped to provide some continuity.

The assessment of PSPS, LAMIT and ENLACE suggests that the programmes were on track to achieving their objectives. There are numerous examples of DFID’s contributing to changes in discourse, processes, attitudes, policy content and behaviours within the IFIs as well as among other policy actors at the regional and national levels.

Thus, DFID contributed to the adoption of new country consultation processes at both the WB and the IDB; the development of a broader conception of social inclusion at the IDB; and the inception of innovative areas of work at both Banks (e.g. trade–poverty linkages at the IDB and micro-finance and micro-insurance at the WB). The Banks were engaged in new regional learning networks, such as those on local governance and micro-finance. The DFID programmes led to their working with partner organisations they would not otherwise have considered (e.g. CENPROMYPE and labour unions in Central America). Moreover, the effects were not limited to the IFIs’ ideas, relationships and behaviours, but to a greater or lesser extent affected country policy environments. ***Promising impacts of these kinds were achieved at relatively very low costs.***

Success factors

In working with IFIs at both Washington and regional levels, DFID’s influence has been based on partnership. It has been greatest when based on supporting individual champions or early adopters who wanted to i) innovate, ii) be more partner oriented in approach and/or iii) take a greater pro-poor focus; and where it was possible to identify a niche/area that the IFIs were interested in filling. An initial ‘meeting of minds’ has often facilitated further changes and the institutionalisation of new policy narratives and of an enhanced pro-poor perspective, as in the case of the right to identity agenda and the work on trade–poverty linkages at the

IDB, the work on micro-insurance at the WB and the development of data systems at both Banks.

Both before and since the start of the RAP, *DFID staff in Latin America have also successfully developed close partnerships with a small number of other (i.e. non-IFI) key individuals and organisations in the region.* This feature of working not only ‘through’ and ‘with’ IFIs but also ‘around’ them helped to give the LAMIT and PSPS programmes a platform from which to influence the IFIs indirectly. It gave the programmes a consistency, reach and credibility they would otherwise have lacked. Yet, experiences of working ‘around’ IFIs remained limited in number, and they were only able to take root in places where DFID had already built strong relationships and networks through a bilateral presence (on which see more below).

Bank staff both regionally and at the TF level have expressed strong satisfaction with the working relationships established with DFID. They consistently describe DFID and its staff with such terms as professional, expert, agile, committed, innovative, flexible, knowledgeable and credible. Within the IDB in particular, the secondees were also considered to have brought considerable added value to work in their respective sectors in terms of technical expertise and policy advice.

A key factor contributing to effectiveness across the evaluated programmes was the existence of a pre-RAP programme or relationship. Thus, the TFs institutionalised relationships that pre-dated the PSPS and LAMIT programmes, and ENLACE built on the success of an earlier DFID regional programme, the Capacity Building Fund for Local Institutions in Central America (CABILICA). Although some opportunities were missed, both LAMIT and PSPS in the sub-regions capitalised strongly on the partnerships and grassroots experiences built up by DFID’s bilateral programmes in Bolivia, Honduras, Nicaragua and Peru. This tends to confirm the fact that policy influencing interventions are cumulative processes that call for a long-term perspective as well as maintenance of at least some country-level presence and activity.

Another crucial element in the UK’s contribution to the policy environment for development and poverty reduction in Latin America has been *DFID’s ability to play the role of a ‘trusted broker’ between some of the major policy actors.* This was a feature of the bilateral programmes before 2005, and it was again central to the RAP programmes. In both periods, the impacts achieved were much more about the quality of the stakeholder engagement and the legitimacy and relative weight that DFID could bring as a partner than about the scale of the funding disbursed.

Knowledge and learning

Throughout the evaluation, *it was clear that an area that should have received greater attention was the monitoring and evaluation (M&E) and communications component of the three programmes.* In general, the formal M&E requirements were appropriate for the size and number of the projects funded. However, these arrangements were insufficient in view of the centrality of lesson sharing to the aims of the RAP. More systematic collection, communication and dissemination of lessons learned could have provided useful and relevant knowledge for DFID policymaking, both within the Latin American and Caribbean Department (LACD) itself and globally.

With respect to managing and sharing knowledge within the IFIs, the WB seems to have come further. Knowledge management has been central to all grant designs from the start, and the Bank was also able to hire a dedicated knowledge management specialist with a budget and a mandate to champion the results of the DFID partnership. In addition, experience working with the DFID TF has brought about important changes on how the WB’s

Latin America and Caribbean Region funds innovation. On the other hand, at the IDB, knowledge management has emerged as a key priority as a result of ongoing reforms to the Bank's technical cooperation (TC) and DFID-IDB engagement has contributed to the development of a new Knowledge and Learning Department (KNL).

One of the objectives of the PSPS and LAMIT programmes was to ***increase collaboration and joint work between the IDB and the WB. This has remained a challenge.*** Interviewees at both IFIs concurred that new channels of communication between the two institutions have been opened through the programmes (especially at the TF level), enabling greater information sharing and increased collaboration. However, such collaboration has remained at an *ad hoc* level and highly dependent on personal relationships. While the two Banks collaborate in many respects (and often beyond the DFID programmes), they are still competitors as lenders, which can make joint work difficult.

In summary

There is sufficient evidence to support the conclusion that the three evaluated programmes were appropriate, efficiently implemented and effective. Unfortunately, effectiveness has to be judged in terms of being suitably designed and on track to have the intended impacts, as the changes envisioned are perforce more long term, and the decision not to renew the RAP programmes substantially reduces the chances of actual impacts being realised. The evidence nevertheless supports the conclusion of the RAP mid-term evaluation that DFID's work in Latin America has been distinctive, highly promising and rich in lessons for the rest of DFID – a major example of UK development assistance 'punching above its weight'.

1 Introduction

1.1 Purpose of the evaluation

1. In the light of the ***closure of its Regional Assistance Plan (RAP) in Latin America*** by early 2009, the UK Department for International Development (DFID) Latin America and Caribbean Department (LACD) commissioned the Overseas Development Institute (ODI) to undertake an evaluation of its LAMIT (Latin America Growth, Markets and Trade), PSPS (Accountable and Responsive Public Sector Management and Political Systems) and ENLACE (Social Inclusion Trust Fund) programmes (which together constitute a large part of the RAP), and to document and review some of their most significant accomplishments and challenges to date.
2. Given that this evaluation is taking place at a relatively early stage for all programmes and that the outcomes or results from each may need more time to make themselves felt, the evaluation is intended to assess ***whether each programme is ‘on track’ on the basis of ongoing progress and the achievement of milestones, rather than to determine whether objectives have been reached in full.*** Because the programmes have closed or are due to close shortly, this evaluation is not meant to extract recommendations to improve their design or delivery. Instead, it is aimed at:
 - Assisting DFID staff to ***improve the design and implementation of similar programmes*** and respond to new institutional challenges; and
 - Drawing out the ***wider implications for DFID from the Latin America experience*** for the way DFID tackles governance, growth, markets and trade issues and influences international financial institutions (IFIs).
3. Further details on this evaluation report will be discussed below. Before turning to this, however, we present a brief ***overview of DFID’s engagement in Latin America and a summary of the key findings from a mid-term evaluation*** ODI undertook of the RAP as a whole in 2006 to describe the context of the current evaluation and to provide essential background information.²

1.2 Background: DFID’s engagement in Latin America

4. DFID launched its RAP for Latin America in 2004, to define DFID’s approach to poverty reduction in the region between 2004 and 2007.³ The RAP was designed in the context of DFID’s decision to close the majority of its bilateral assistance programmes and instead to operate on the basis of regional offices in Central America, the Andes and Brazil; only the bilateral programme in Nicaragua was preserved. This decision was the result of other major shifts in DFID policy, including in particular the introduction of the 90/10 division of total spending between low-income countries (LICs) and middle-income countries (MICs).
5. The goal of the RAP was ‘to reduce poverty and inequality in Latin America in line with the international community’s commitment to help achieve the Millennium Development Goals (MDGs) by 2015’. Its purpose was ‘to enhance the impact of international community support for poverty reduction in Latin America, focusing

² D. Booth, M. McNeil, E. Mendizabal, and L. Phillips (2007) ‘Interim Evaluation of DFID’s Regional Assistance Programme (RAP) for Latin America’. London: ODI.

³ See DFID (2004) ‘Latin America Regional Assistance Plan’. London: DFID.

primarily on the Inter-American Development Bank (IDB) and the World Bank (WB)'.

6. Below the purpose level, the RAP identified three objectives, the first of which was to: 'help the IDB and the WB better enable poor people to shape, participate in and benefit from':
 - Access to markets and international trade;
 - Accountable and responsive public sector management and political systems.
7. ***Thus, the RAP strategy was to engage with these multilaterals to enhance the quality of the policy environment rather than to seek to effect direct impacts on the poor.*** It sought to achieve this through a three-pronged strategy that involved the following:
 - Working ***through*** both IFIs (via Trust Funds – TFs);
 - Working ***with*** them (via secondments, joint activities, Decentralised Funds – DFs); and/or
 - Working ***around*** them⁴ (joint activities with other partners).
8. Subsequent to the publication of the RAP, the PSPS (£7.6m) and LAMIT (£7.6m) programmes were developed to address the RAP's first objective. As noted above, ***the activities in support of each of these two programmes are delivered through two main mechanisms intended to work 'through', 'with' and even 'around' them (relying on decentralised funds for that):***
 - Funds were transferred twice a year to three separate TFs held by the IDB and the WB (a Trade and Poverty – MTP – TF to focus on LAMIT and a Markets and Governance TF to focus on both LAMIT and PSPS at the IDB; and a Markets and Governance – MGPR – TF for both programmes at the WB held by the IDB and the WB).
 - Additionally, each DFID regional office had a budget of £600,000 per year of DFs, nominally split equally between the LAMIT and PSPS programmes. According to the RAP logic: 'the Decentralised Funds will provide a means for the Programme to work with other regional actors, strengthening their ability to work with the IFIs to enhance their effectiveness, and to support activities around country strategy processes within the region. The value of these Decentralised Funds is in enabling the Facility to impact not only the HQ departments of the Banks, but also at country office levels where working on the incentives of officials will be a key priority'.⁵
9. ENLACE, for its part, predated the RAP, but was integrated within it as a crosscutting programme. The programme ran from 2004 to 2007 and its aim was to enhance the IDB's capacity to tackle the social exclusion of poor women and men in Latin America, particularly in Central America, building on the success of an earlier

⁴ Working 'around' IFIs implies that there is significant independent involvement of other, local (i.e. non-IFI) stakeholders that can act as pressure levers on IFIs indirectly. As stated in the RAP mid-term evaluation, 'here the causal chain runs from DFID activities with regional partners other than the IFIs to changes in in-country relationships and institutions, and then back to the IFIs, who are compelled to change their behaviour because of changes in the country context' (D. Booth, M. McNeil, E. Mendizabal, and L. Phillips, 2007 'Interim Evaluation of DFID's Regional Assistance Programme (RAP) for Latin America'. London: ODI).

⁵ DFID (nd) 'Accountable and Responsive Public Sector Management and Political Systems Programme (Latin America) 2005-2009'. Programme Memorandum. London: DFID.

(sub-) regional programme, the Capacity Building Fund for Local Institutions in Central America (CABILICA). The ENLACE programme *consisted only of a TF at the IDB* (without an equivalent TF at the WB and no DFs).

10. With the RAP coming to an end, DFID is changing its approach to working in Latin America once again. The ENLACE programme is already completed. The LAMIT and PSPS programmes will run their course to March 2009. DFID's Latin America Regional Unit will also be significantly reduced and none of the TFs will be renewed or replenished. *While there had been an expectation that a 'RAP II' would be developed, DFID decided relatively recently (and, as will be discussed in this synthesis report, somewhat abruptly in the view of different stakeholders) that it would close its regional offices in Central America (Nicaragua) and the Andes (Bolivia). The office in Brazil will focus entirely on the BRICs (Brazil, Russia, India and China) and climate change agendas.*
11. Nonetheless, *total funding* to the region *will increase over the period 2008–2011*, but will no longer be delivered through bilateral or regional programmes in the traditional sense. Rather, it will be *delivered through partnership programme arrangement (PPA) partners working in the region, research programmes managed in London, contributions to the WB and the European Union (EU) and other channels as yet to be defined.*

1.3 RAP mid-term evaluation: Key findings

12. As mentioned, ODI undertook a mid-term evaluation of the RAP as a whole between 2006 and 2007.⁶ Some of the most significant findings relevant to this current evaluation effort include the following:
 - *The RAP's approach was appropriate in its emphasis on influencing the policy framework rather than direct impacts on poor people.* Its focus on the two IFIs (the IDB and the World Bank) also seemed appropriate, given the reduced scale of DFID's commitment to Latin America.
 - The design of the outputs was also appropriate. *A successful model of indirect influence on policy processes and development outcomes could already be discerned in late 2006*, the critical ingredient being the combined effects of three elements: Washington-based trust funds; secondments of DFID staff to IDB and WB advisory positions; and use of DFs.
 - *DFID staff secondments to the IDB and the UK's Washington presence more generally contributed* towards providing consistency and direction to the visualised 'consultations' with the IFIs.
 - *Particularly promising results were observed where the Washington operations were strongly reinforced by country and sub-regional activities with governments and other stakeholders, usually building on previous country-level partnerships.* The approach was more likely to be successful where DFID retained a significant presence and at least some continuing partnerships within at least one country of the sub-region, which was clearly the case in Nicaragua and Brazil, and more questionably so in the Andes, where all of the former country offices were closed.
 - Problems identified in the mid-term evaluation included an *over-complicated programme structure*, which prevented the three components from working as closely together as would have been desirable.

⁶ D. Booth, M. McNeil, E. Mendizabal and L. Phillips (2007) 'Interim Evaluation of DFID's Regional Assistance Programme (RAP) for Latin America'. London: ODI.

13. As this evaluation report will endeavour to show, *none of the findings of the current evaluation in the Andes sub-region conflict with this basic assessment.*

1.4 *Evaluation report: Approach and structure*

14. This report brings together findings and analysis that emerged from *field visits and interviews*⁷ carried out in London, Washington, DC, Central America (Nicaragua), the Andes (Bolivia and Peru) and Brazil by the ODI team between July and September 2008 (a list of all the people we spoke with as part of this evaluation is provided in Annex 5).⁸ In addition, it draws on a lengthy *review of key documents* provided by both DFID and the IFIs. In general, we found that interviewees were exceptionally forthcoming in sharing their experiences with and opinions about the different DFID programmes. Findings and insights from the different field visits were also triangulated and compared to ensure that a fully fledged picture of each of the programmes and of the key lessons emerging from DFID's work in Latin America emerged.
15. As requested by DFID, this report seeks to address the four primary questions (and related sub-questions) posed in the Terms of Reference (ToR) (see Annex 4) for each individual programme, as well as a fifth, crosscutting question. These questions are:
- Was each programme (LAMIT, PSPS and ENLACE) appropriate and justified?
 - Did the programme and its activities reflect priorities and policies?
 - Did the programme do what it said it would do efficiently?
 - Was the programme effective?
 - How well has collaboration with the IDB and the WB worked?
16. In order to do so, the *report is organised around three main sections, besides this introduction. Section 2 discusses the PSPS and LAMIT programmes jointly, highlighting key findings. Section 3 focuses on the ENLACE programme. Section 4 draws out some conclusions that emerge from DFID's experience in working in Latin America* with these three programmes and highlights key lessons with a view to inform DFID policy and practice in other developing regions of the world. That section, alongside the Executive Summary, should provide the reader with a good overview of the evaluation and the key lessons that emerge.
17. *For greater detail and information, separate thematic reports, prepared as part of this evaluation, are included as annexes. Annex 1 is on PSPS, Annex 2 is on LAMIT and Annex 3 focuses on the Washington-based TFs and broader issues dealing with relations between DFID and the IFIs.* The annexes on LAMIT and PSPS include information on the Washington-based TFs as relevant, as well as key messages that emerge from the analysis in each respective section on relations between DFID and IFIs. However, these issues are addressed in much greater detail in Annex 3 on TFs and broader DFID-IFI relations. The report also includes several other appendices on the following: the ToR for this evaluation (Annex 4); a list of all of the people we spoke with as part of this exercise (Annex 5); information on performance against indicators for LAMIT (Annex 6); information on performance

⁷ Interviews were set up in person, and over the phone with relevant stakeholders whom the ODI team could not meet face to face.

⁸ The core team consisted of Alina Rocha Menocal, David Booth, Malcolm Geere (who joined from DFID as an independent member of the evaluation), Lauren Phillips and Bhavna Sharma. Enrique Mendizabal provided inputs on a more selective basis.

against indicators for PSPS (Annex 7) and the full list of ENLACE projects and some of their key contributions (Annex 8).

18. The team collected large amounts of information in the regional field visits and in Washington about various past and ongoing activities, and had to be selective about which and how many of these to highlight in the main body of the report. *Greater details on examples of good practice and promising activities supported by the TFs and/or the DFs* are provided in Annexes 1, 2 and 3.

2 Key findings from the PSPS and LAMIT programme reviews

19. This section synthesises the evaluation’s main findings regarding the PSPS and LAMIT programmes. It draws on both the evidence collected from the three sub-regional offices of DFID and the results of the evaluation of the Washington-based TFs. The findings are reported and analysed in greater detail in Annexes 1, 2 and 3 on PSPS, LAMIT and the TFs, respectively. To the extent possible, the findings are organised following the five questions provided in the evaluation ToR.

2.1 *Were the programmes appropriate and justified?*

PSPS goal, purpose and outputs

20. As stated in the Programme Memorandum,⁹ the goal of PSPS has been to enhance the impact of the IDB and the WB on ‘the ability of poor people to shape, participate in and benefit from more accountable and responsive public sectors and political systems’. The programme’s purpose was defined as supporting the two IFIs in ‘delivering a governance focus which is more politically attuned and in which accountability, rights and the participation of the poor are central pillars’. Four interrelated outputs (or strands) would enable DFID to achieve this programme purpose. Paraphrasing, these were:¹⁰

- Building on good practice to enable IFI *country strategies and core evaluative analyses* to reflect issues of exclusion, the political environment and poverty-sensitive monitoring and evaluation (M&E);
- Demonstrating good practice on the political *representation and participation* of the poor, and promoting lesson learning across the region from this work;
- Demonstrating good practice on transparent, accountable and responsive *budgets*; and
- Improving the generation, accessibility and use of *evidence and data*.

21. The selection of the strands was justified in terms of the range of existing WB and IDB strategies on modernisation of the state, civil society, social development and participation, and in terms of DFID’s ability to build on previous collaborations with the IFIs and others in the region.¹¹ The primary focus was to be on Output 1.

22. ***The decision to include in DFID’s RAP a large programme focused on politics and the state in Latin America was correct in the evaluators’ assessment.*** It is supported not only by DFID appraisals but also by a number of substantial studies supported by the IDB, the WB and the United Nations Development Program (UNDP), among others.¹²

⁹ DFID (nd) ‘Accountable and Responsive Public Sector Management and Political Systems Programme (Latin America) 2005-2009’. Programme Memorandum. London: DFID.

¹⁰ *Ibid*, p. 4.

¹¹ *Ibid*, p. 8.

¹² D. de Ferranti, G. Perry, F. Ferreira and M. Walton (2004) *Inequality in Latin America: Breaking with History?* Washington, DC: World Bank; IDB (2005) *The Politics of Policy: Economic and Social Progress in Latin America*. 2006 Report. Washington, DC: IDB; E. Stein. and M. Tommasi, eds (2008) *Policymaking in Latin America: How Politics Shapes Policies*. Washington, DC, and Cambridge, MA: IDB and David Rockefeller Center for Latin American Studies, Harvard University; UNDP (2005) *Democracy in Latin America: Towards a Citizens’ Democracy*. New York: UNDP.

23. The focus on PSPS has also been correct in view of DFID's ability to rest the programme on a solid foundation of previous work and continuing partnerships in some of the countries in the Latin American region. ***Our only doubts in this regard are those that were expressed in the mid-term evaluation, regarding the feasibility of continuing to build on previous experiences and partnerships without doing anything to renew them by maintaining a presence in the field.***
24. ***PSPS practice over the evaluation period made quite substantial use of a mechanism focused on brokering change in multi-stakeholder environments.*** Although it was not strongly emphasised in the PSPS programme memorandum, this approach was well established in both the public sector and the trade work of the Latin America team prior to the RAP, and this influenced the way PSPS was shaped in practice.
25. The PSPS programme logic, understood in this way, involves using very intensive work with partner organisations, including but not restricted to IFI offices, to achieve changes in working relationships between key stakeholders. In other words, in addition to working directly with and through IFIs, the programme has sought more indirect avenues of influencing, involving the construction of partnerships and mobilisation of actors other than the IFIs themselves. ***Thus, to varying degrees and combinations, the PSPS approach applied all three modalities – working 'through', 'with' and 'around' the IFIs.***

LAMIT goal, purpose and outputs

26. As with PSPS, the LAMIT programme logic was derived from the wider RAP logic, in which the goal of reducing poverty and inequality in Latin America is promoted through efforts to enhance the quality of IDB and WB policies and practice and by optimising countries' participation in regional and global development dialogue. The programme purpose is to assist the IDB and the World Bank Group to better facilitate the access of poor men and women to markets and international trade.
27. The LAMIT logframe identifies three interrelated outputs through which to achieve the programme's purpose:
- IDB and WB develop and disseminate good practices enabling ***country strategies to be more responsive*** to poor and excluded people's interests in the areas of markets and international trade;
 - Innovative policies and ***approaches to private sector development*** that promote pro-poor market access are created and disseminated by and within IDB and WB Groups;
 - Innovative policies and ***approaches to international trade*** that promote poverty reduction and sustainable development are created and disseminated by and within IDB and WB Groups.
28. Throughout Latin America, high levels of poverty and inequality persist, despite improved growth rates and a considerable move towards trade liberalisation and integration over the past two decades. In this context, there has been a growing concern among (domestic and international) policymakers and other relevant stakeholders to identify mechanisms through which markets and trade can be made more pro-poor. ***Against this backdrop, the LAMIT programme approach was well justified and the design of the outputs is also appropriate.***

29. The LAMIT programme has also involved different aspects of *working ‘through’, ‘with’ and ‘around’ IFIs*.
30. *For both programmes, there has been an important ‘meeting of the minds’ that characterises DFID collaboration with the IFIs*, both regionally and in Washington DC, founded on the basis of strong partnerships.

Delivery modalities

31. As explained in Section 1, both PSPS and LAMIT rested on a combination of two primary delivery modalities: TFs, located at the headquarters (HQ) of the WB and the IDB in Washington, and DFs, administered by the three sub-regional DFID offices, in Managua, La Paz and Brasilia. An important third element was the use of staff secondments or placements in different offices of the two IFIs.
32. *These arrangements were not entirely symmetrical*. The key elements of the PSPS programme were two Washington-based TFs on Markets and Governance for Poverty Reduction (one at the IDB – Knowledge Management Group – KMG – and the other at the WB – MGPR), both shared with LAMIT; DFs in the three DFID regional offices; and staff secondments in IFI offices in Lima and La Paz. Unlike LAMIT, PSPS did not have a secondee in either of the banks in Washington.
33. The LAMIT programme consisted of the following elements:
 - The KMG TF at the IDB, mentioned above, shared with PSPS;
 - A TF located in the Integration and Regional Programs Department (INT) of the IDB on Trade and Poverty (MTP);
 - The MGPR fund at the WB shared with PSPS;
 - DFs within all three of DFID regional offices; and
 - A secondee placed within the INT division at the IDB.
34. As argued by the mid-term evaluation, *these arrangements were plausible in conception*. On the other hand, the architecture of the RAP was quite complex. *The major questions they posed, therefore, concerned their ability to generate synergies*, so that they would add up to more than the sum of their individual components.

Monitoring and evaluation

35. *Given the relatively modest scale of both programmes, the arrangements for M&E were understandably light*. Consistent with DFID policy, authority for the approval of projects was delegated downwards to the TF technical review committees (TRCs) and the regional heads of office. As individual projects funded by DFs were all very small by DFID standards, there were no procedural requirements to monitor and report on the outcomes of each. However, the multi-stranded nature of the programmes placed a premium on regular checking for overall coherence and consistency as well as lesson learning and dissemination.
36. DFID did assess progress against programme logframes at several points in the implementation period. *However, it is not clear that these efforts were as systematic as they needed to be for consistency and lesson-learning purposes*. Both PSPS and LAMIT developed predominately coherent programmes, but this was a reflection largely of the high quality of the staff leading the programmes rather than the result of institutional mechanisms. The more systematic efforts at lesson learning and

dissemination that have now been adopted¹³ seem to have started relatively late in the programme period.

2.2 *Did the programmes and their activities reflect agreed policies and priorities?*

Overview of PSPS

37. ***In each of the three sub-regions, the main components of the PSPS programme seem to have been well selected and designed in terms of its objectives.*** In all three of the DFID regional offices, PSPS projects constituted a major part of their activities portfolio over the evaluation period.
38. DFID Central America centred its PSPS projects on supporting IFIs' country strategy processes (CSPs) in Nicaragua, Honduras and Guatemala. It supported the improved representation of the poor and excluded in political processes by funding a regional initiative on capacity building of political parties. In the Andes, too, most of the PSPS work using DFs was concentrated within the first two PSPS outputs, IFIs' work on country strategies and IFIs' support to political representation and participation of the poor. Programme activities corresponded quite closely to the programme purpose and the monitoring indicators for these two outputs. Under different circumstances, DFID Brazil has carried out substantial work since 2006 on consolidating a programme on governance that is consistent with the goals and objectives of the PSPS programme. In Brazil, however, there was less of a focus on citizen participation than on public financial management.
39. ***The most significant difference between the three offices in the operationalisation of PSPS was with regard to the relative emphasis given to working 'with' and 'around' the IFIs.*** Both the Andes and Central America achieved a strong mix of working 'with' and 'around'; Brazil focused on working 'with'.
40. In the Andes, a good number of initiatives were based on bilateral links between DFID and the IDB or the WB, corresponding closely to the theme of working 'with' the IFIs. On the other hand, two large activities – the *Programa de Aprendizaje Regional* (Regional Learning and Exchange Programme: PAR) and political parties and poverty reduction – fell more clearly under the heading working 'around' the Banks with other partners, such as International IDEA (Institute for Democracy Electoral Assistance) and the Impact Alliance.
41. Many of the projects of DFID Central America, too, were formally undertaken with the WB or the IDB, some of them involving both IFIs at some point of the project. Projects supported have involved three main types of activities: technical assistance, studies (research and analysis) and dissemination of findings. Bank activities supported with DFs have included public expenditure reviews (PERs) (Nicaragua, Honduras and Guatemala), evaluations, workshops and conferences. On the other hand, PSPS Output 2 was addressed by an initiative that worked 'around' the IFIs:

¹³ For example, DFID has commissioned work from Panos and Social Development Direct on communication of key lessons. It has co-hosted international dissemination seminars on PSPS topics with ODI, the Institute for Development Studies (IDS) and the London School of Economics (LSE); on LAMIT topics with the IDB and Chatham House; and on social inclusion topics with the IDB. The Action Plan for Knowledge Management drawn jointly with the IDB and the World Bank in early 2008 (to run from 2008-2009) is a significant initiative as well.

work on political parties in Central America, supported by multiple donors and involving all countries in the region.

42. ***In the Andes and Central America, the relative flexibility that was a feature of the DFs enabled DFID to try things other donors found too risky.*** These included working with the private sector in negotiations with the government or taking a lead in the work with political parties.
43. ***In Brazil, the focus was more exclusively on working ‘with’ the IFIs, the WB in particular*** (which is also true of their LAMIT experience). DFID Brazil played to its strengths on public financial management and related governance issues, and established good relationships with other partners, such as some parts of government, public think-tanks, UNDP and some non-governmental organisations (NGOs).
44. ***The Brazilian PSPS programme was appropriately designed, given the context in which it was operating – a large MIC with very high levels of income inequality and a very sophisticated and capable government.*** The Brazil office developed the view that working more with the public sector and political systems in Brazilian states would contribute to better outcomes for the poor and in turn help reduce inequality.

PSPS: Working ‘with’ the Banks

45. ***In several cases, the activities supported by DFID in the RAP period represented, in the view of the IFIs’ field staff, the continuation of previous support going back a number of years.*** In some cases, DFID funds from previous strategy periods were still being used up until 2008. This affected the way the IFIs staff evaluated DFID support, perhaps quite appropriately. There was also no clear distinction in the views of many informants, even within DFID, between activities with the IFIs that were PSPS- or LAMIT related.

PSPS: Working ‘around’ the Banks

46. ***The PSPS programme developed two large clusters of activity which, while they had the WB and IDB in their sights, were designed to operate primarily to work around them:*** PAR and a programme of work on political parties.
47. ***PAR*** is a vehicle for policy development focused on sub-national governance and poverty reduction. It is geared to PSPS Output 1, influencing IFI analytical work and strategies, particularly in view of the IDB’s priority of developing lending to sub-national tiers of government. It also relates strongly to Output 2, regional lesson learning on representation and participation of the poor. It has a Latin American regional scope (seven to eight countries) and involves four types of organisations in a multilayered partnership: NGOs and think-tanks, municipal associations, municipal authorities and DFID. PAR activities include ‘engineering spaces’ in which salient experiences can be shared, discussed and disseminated in a multi-stakeholder environment, and brokering of dialogue and joint policy work between local government, national governments and the IFIs.
48. ***PAR operates on the basis of a small number of substantive themes, which are taken as the focus of intensive work for a period.*** After an initial phase dedicated to assembling and disseminating a compendium of innovations in municipal management, PAR adopted two primary themes:

- Large city governance and poverty reduction, including social protection; and

- Regional governance in border areas between the Andean countries and Brazil.
49. Activities around these themes have among their ultimate objectives the facilitation of well-designed and effectively utilised IDB lending to new local and regional authorities, where capacity is often limited. ***They are therefore well chosen as means of operationalising the PSPS objectives.***
 50. ***The Political Parties and Poverty Programme:*** DFID Latin America has a significant track record, going back well before the RAP period, of working on and with political parties and poverty reduction. DFID has been one of the few bilaterals recognising the limitations of an exclusive focus on civil society organisations (CSOs) as advocates of pro-poor change and prepared to take the risk of becoming involved in ‘political’ issues. The PSPS programme picked up the strands of this previous work, which had been focused in Central America, Peru and Bolivia, and added new elements corresponding to the RAP objectives. ***It took somewhat different directions in the Andes and Central America.***
 51. In the Andes, the work built particularly on regional studies with International IDEA’s Lima office and country studies undertaken by the National Democratic Institute (NDI). For practical reasons (including the location of the DFID regional office in La Paz, which provided important openings), most of the work in the RAP period took place in Bolivia, oriented towards the two dominant preoccupations on the Bolivian political scene, constitutional reform and the emergence of sub-national democratic polities in the regions. It involved partnerships with the La Paz office of the NDI and the Bolivian Association of Political Scientists.
 52. The work on political parties in Central America had similar pre-RAP origins, but in the RAP period took a somewhat different form, as a multi-donor initiative funded by DFID, the Swedish Agency for International Development Cooperation (Sida), Spain, Finland, IDB and UNDP. As a regional project managed by UNDP, it was able to address issues that would have been too contentious at the national level.
 53. Overall, however, while ***working ‘around’ the IFIs*** was an important element of the overall DFID RAP approach, ***the number of projects or activities dedicated to this remained relatively small within PSPS*** when compared with the initiatives supported to work ‘with’ and ‘through’ the multilaterals (and the same holds for LAMIT).

PSPS: Working ‘through’ the Banks

54. ***The PSPS projects supported by the TFs seem to reflect the programme’s policies and priorities well.*** One of the concerns raised about the TFs at both the IDB and the WB was that the area of governance was extremely broad and that, as a result, the TF contributions to PSPS may have lacked sufficient focus. While there was an appreciation that much of the work within the TFs entailed a process of ‘learning by doing’, so that some flexibility around thematic issues was desirable, especially early on as each programme was finding its footing, ***it was felt that greater guidance from DFID would have been desirable.*** Nevertheless, all of the projects supported do address one or more of the programme outputs outlined above. Moreover, during the life of the TF scheme, some attempts have been made to narrow the scope of issues that should be covered so as to provide a greater strategic focus to programme activities – but now that the TFs are coming to a close it will not be possible to tell what kind of programmatic impact such efforts would have had.
55. The TFs at both Banks funded considerable work in areas related to improved country analysis and governance assessments (Output 1) and citizen participation and

accountability (Outputs 2 and 3). For example, work on governance assessments is one of the high points of DFID collaboration with the IDB. The TF supported the development of a series of governance reviews to assess, in a systematic and participatory manner, the institutional and governance constraints in a given country, as well as the causes of these limitations and future governance scenarios. Fund resources were used to design a common methodology and its application on a pilot basis in Colombia, Ecuador and Peru. DFID advisors in regional offices provided comments on the methodology and made an important contribution in sharpening its pro-poor and social inclusion aspects. While these reviews started as pilots, they have become institutional practice under President Moreno and have high-level support.

56. ***At both Banks, PSPS work has been particularly solid in the areas of citizen participation and accountability*** (related to Output 2 in the PSPS logframe), with emphasis on the sub-national level of government (e.g. an IDB project on Accountability in Colombia: Engaging a Wide Range of Actors and Promoting Innovation; a WB project on strengthening accountability in social service delivery in Central America) and fiscal and budgetary governance (e.g. an IDB project on Building Political Consensus for Fiscal Reform in Central America), while helping to build each Bank's ability to carry out political economy analysis throughout.
57. At the WB as well, PSPS projects have supported delicate dialogue (e.g. around judicial reform in Mexico for the 2008-2012 Country Partnership Strategy, or technical assistance to improve performance-based management at the sub-national level in Chocó, Colombia), ***giving the Bank a way into a very difficult political area and allowing it to have a more open dialogue with the government.***
58. In addition, a significant focus of the PSPS programme in the two Banks was on Output 4, where ***the TFs have supported both the IDB and the WB in making important progress in building a variety of systems to improve the generation, accessibility and use of evidence and data.*** DFID has been one of the very few donors within both IFIs with a strong interest in the generation of data, its dissemination and integration into projects as a key basis for evidence-based policymaking. This emphasis on data generation and its improved use was unique to the TFs and was not an area of work pursued through DFs.

Overview of LAMIT

59. ***LAMIT has made excellent progress in creating several genuinely regional projects and catalysing and supporting significant innovations in the work of the IFIs (through both DFs and TFs).*** As a result, the programme has made considerable strides towards achieving many of its outputs.
60. ***This has been the case despite some weaknesses in the coherence and execution of the programme in two of the three regional offices (Andes and Brazil).*** It has also been achieved in the face of insufficiently strategic utilisation of the TF at the WB, while substantial progress has been made at the IDB to turn LAMIT into a coherent programme.
61. Overall, LAMIT was insufficiently focused in its early stages. The London, regional and Washington-based teams learned together throughout the implementation period that more precise strategic priorities were needed to guide the independent parts of the LAMIT programme towards coherence.
62. ***The LAMIT programme's activities fall into two broad categories:*** large, regional initiatives in which DFID worked in tandem with a strong outside partner to execute a

major programme and effect change; and smaller, generally country-based initiatives that did not always fit well into the broader thematic framework. Examples of the former type are the major success stories of LAMIT. They include:

- A project with the WB's International Finance Corporation (IFC) on municipal simplification that is truly regional in scope and represents one of the few examples (within LAMIT or PSPS) of joined-up work between TFs and DFs;
 - Work with the *Centro para la Promoción de la Micro y Pequeña Empresa* (Centre for the Promotion of Micro and Small Enterprises – CENPROMYPE), a small and medium enterprise (SME) partner in Central America, that is another, and thus far very promising, example of collaboration between a TF (Trade and Poverty at the IDB) and decentralised funds (from Central America);
 - Work with the INT at the IDB to analyse the links between trade and poverty;
 - Work to support President Moreno's Opportunities for the Majority (OMJ) initiative at the IDB; and
 - Projects funded through the WB TF on Micro-Finance and Micro-Insurance, which have also been supported to a limited extent by DFs.
63. Examples of smaller initiatives include one-off projects undertaken in the Andes, Brazil and Central America as well as some less strategic individual TF grants (predominately made in the Markets and Governance TFs at both Banks).

LAMIT in Central America

64. ***The Central American office of DFID has done substantial work since 2006 on consolidating a programme on growth and international trade consistent with the goals and objectives of the LAMIT programme.*** Coherence of the portfolio improved over time, as strong relationships were built with strategic partners in the region, including not only the IFIs but also CSOs in the private sector. Leading LAMIT projects in the region include work with the Regional Unit for Technical Assistance (RUTA), IFC and CENPROMYPE.
65. This package of projects contributed collectively to the achievement of LAMIT outputs, in terms of both development impacts and improving the pro-poor focus of the IFIs. In addition to these strategic partnerships, the DF has been used to fund discrete and timely studies to enhance the poverty focus of larger WB- and IDB-funded projects or to allow the IFIs to include components that they would not otherwise have funded.

LAMIT in the Andes

66. The largest LAMIT project (£174K) funded by the Andes was part of the regional programme led by the IFC on municipal simplification. Other large projects in terms of financial outlays included:
- A sustainable tourism pilot project in Bolivia that is difficult to reconcile with the LAMIT logframe (£58k);
 - Funds allocated to flood response activities by World Vision International in Trinidad, Bolivia (£50,000); and
 - A WB Productivity and Job Creation Programme organised out of the La Paz office (£52,000).
67. A number of smaller funding allocations were also made to conferences and studies dealing with trade and social economy issues in the sub-region.

68. For the most part (and with the notable exception of the IFC work), these large activities were disarticulated from other DFID-supported activities in the sub-region. They were, at most, worthwhile one-off exercises without cumulative or interactive benefits. ***Thus, for the Andean sub-region, LAMIT activities only partially reflected the agreed policies and priorities.***
69. It is not immediately obvious why this should have been the case. ***The Bolivia bilateral programme (as well as the one in Nicaragua) had had an innovative and promising programme called Making Markets Work for the Poor (MMWFP).*** This programme was unable to continue once the bilateral programme was closed.¹⁴ Arguably, a promising venture was cut short. However, it had done enough to be ripe for the kind of piggyback activities that in other parts of the Latin American programme were used to give substance to the RAP. Several conjunctural and personnel-related issues contributed to this, in particular the fact that the DFID advisor on trade and markets was seconded to the IDB and no suitable replacement was found for him.

LAMIT in Brazil

70. ***The Brazilian LAMIT programme was substantially smaller than in either of the other two sub-regions:*** only 23% of the Brazilian DFs were spent on LAMIT. This is largely to do with the staffing difficulties that the markets team faced (see discussion on management efficiency in Section 2.3). Nonetheless, good projects have been funded and these activities have contributed to the achievement of LAMIT outputs in general.
71. ***In Brazil, LAMIT projects (like PSPS ones) have mostly followed the logic of working ‘with’ rather than ‘around’ IFIs.*** The most significant contributions in value terms were:
- The Brazil component of the programme on ***simplification of municipal business regulation*** being undertaken by the IFC;
 - A study conducted by several researchers at the Massachusetts Institute of Technology (MIT) which ***challenges the widely held assumption in the academic literature that regulatory frameworks on tax, labour and the environment are a drag on growth in various Brazilian regions.***
 - A project planned for FY 2008/09 with the WB which aims at studying ***ways in which to link SMEs in the Amazon region to markets.*** This project is expected to contribute to the increased focalisation of the LAMIT programme on SMEs.

The Washington-based TFs and LAMIT

72. The TFs at both the IDB and the WB have supported a number of important initiatives or projects that have been consistent with the overall goal, objectives and intended outcomes and impacts of LAMIT.
73. At the IDB in Washington, LAMIT has worked both ‘through’ and ‘with’ the Bank via the two TFs and also via a secondee placed within the INT.

¹⁴ The equivalent project in Nicaragua did not suffer the same fate because a bilateral programme continued there.

74. The most significant contribution that the LAMIT programme has made (through the MTP TF) to the IDB is helping *to bring linkages between trade and poverty to the centre of the IDB's agenda. But this is also perhaps the single strongest example of IFI influencing at the TF level that DFID has been able to achieve in either of the Banks through the LAMIT and PSPS programmes.* This agenda has become a major formal operational area of support and a key strategic objective within INT (see Annex 3 for more detail on this).
75. *Through the KMG TF at the IDB, LAMIT also provided crucial support to President Moreno's OMJ initiative in its early stages.* In 2006, the IDB launched the OMJ to pilot a novel approach that seeks to engage poor and low-income communities, together with private businesses, in the development and delivery of quality products and services, the creation of employment opportunities, enhanced access to markets and the integration of the majority in the productive sector. LAMIT funds from the KMG TF provided seed support to develop and position the new Bank initiative (through a project on Empowering the Economic Base of the Pyramid and the establishment of a baseline on the purchasing power parity (PPP) of the poor in Latin America). PSPS and ENLACE funds were also used to support projects relating to the issue of 'right to identity'. This was a new area of work for the IDB, considered one of the strategic goals of the OMJ at the start but then removed from the initiative because the focus of the OMJ is on the private sector. DFID's engagement with the OMJ also drew on other important resources drawn from the experience of DFID bilateral programmes in Latin America. For example, the proactive technical dialogue and interchange of experiences with DFID's programmes in Bolivia and Nicaragua on MMWFP helped to strengthen OMJ's pro-poor focus and enriched the potential operational applications of the OMJ facility.
76. *At the WB, DFID has worked mostly through the TF, as neither the LAMIT nor the PSPS programme had a secondee. The first three tranches of TF projects were skewed heavily in favour of PSPS as opposed to LAMIT, partly because of the TF's positioning within the Poverty Reduction and Economic Management (PREM) unit.* This was addressed in tranches IV and V, where the balance was evened out.
77. The most significant successes of the LAMIT programme at the WB were the Municipal Scorecard project (US\$150,000) with the IFC and the rather innovative and cutting-edge work on micro-finance and micro-insurance, which one of our informants described as 'the World Bank's finest hour'. The former benefited from close interaction between the WB and DFID regional offices, and was subsequently replicated across and outside the Latin America and Caribbean (LAC) region. These are two of relatively few examples of genuine coherence between the use of DFs and TFs, with funding being drawn from both sources to fund technical exchanges, conferences and workshops at country level.

2.3 *Did the programmes do what they did efficiently?*

Calibre of staff

78. The evaluation evidence points strongly to *the importance of human resources that DFID brings to the table in its engagement with partners.* One of the key strengths of the DFID programme highlighted across all three sub-regions and in Washington was the expertise and commitment of its staff (including the secondees).
79. The almost universal praise for DFID advisors (in the field, at the IDB and in DFID HQ) usually referred both to their personal commitment and expertise and to DFID's

‘supportive’ and innovative approach. ***Rather than trying to impose its own agenda, DFID has worked with partners to improve their effectiveness, and this style of working is widely appreciated.***

80. In Central America, for example, both CENPROMYPE and IFC report that DFID resources, not only financial but also in the form of technical advice and expertise, were instrumental in allowing them to take their work ‘to the next level’ by moving from analysis to implementation. DFID Andes and Brazil also have an excellent reputation for the quality of their staff, which in turn means that DFID as a whole is seen as ‘well placed and well respected’, ‘very objective’ and ‘by far the cleverest agency around’. In all the sub-regions, the PSPS programme was managed in an exemplary way, with exceptional energy, consistency of vision and attention to detail.
81. DFID’s LAMIT secondee at the IDB has also been praised considerably and perceived as enabling an ongoing dialogue between DFID and the Bank, as well as bringing essential human capital and technical knowledge to the MTP TF and beyond. In general, DFID staff are held in very high regard by the IFI staff in charge of the TFs in Washington.

Management efficiency

82. ***This is remarkable because DFID staffing resources often seemed barely sufficient.*** It is testimony to the quality of the different DFID advisors that they were able to accomplish as much as they did while operating at bare minimum. In most areas, DFID has been able to deliver well-linked interventions at relatively low cost, with no obvious examples of waste or inefficiency. In general, projects produced their outputs or are on track to do so. An indication of the relatively low cost of the operations is that one of the largest undertakings, PAR, in its most active phase, absorbed only £200,000 over two financial years. Many projects were completed for less than £50,000. At the IDB, UK contributions through TFs are rather small compared with other donors (accounting for less than 2% of the total available in 2007). Yet, most of our interviewees there agreed that DFID had been able to use these relatively scarce financial resources strategically and ensure that they go a long way through the kind of policy advice, knowledge, ongoing dialogue, technical assistance, analysis, brokering of relationships, leverage, etc. that the agency provides in addition to the money it disburses into the TFs.
83. ***Within this context, there are some points to note about the way programmes and projects were managed, from which there may be useful learning to be extracted.*** PAR partners could not avoid mentioning the rather extended experimentation that has characterised the programme’s management structure. It appears that some of the changes were made under the influence of the current policy mantra of reducing the share of administrative costs in spending. To the extent this is the case, there is a lesson to be learned by DFID global. It is a mistake to make decisions about programme management on the basis of general norms of ‘efficiency’ (taken to mean a low staff/spend ratio). Inappropriate use of these kinds of criteria may seriously compromise the features of the programme that are most important to its effectiveness.
84. The LAMIT programme faced a number of challenges that impaired the efficiency of its delivery, especially at the regional level and in the earlier years of the programme. ***Staffing was foremost among these challenges and affected all three regional offices at one point in the life of the programme.*** The office most severely affected by staffing issues was Brazil, where the initial advisor had difficulties establishing the programme owing to a long absence from Brazil (where contacts and networks are

particularly important), which was followed by a long period in which there was no trade and markets advisor at all. The Andes and Central American offices also suffered LAMIT-related staff shortages and changes. The Andes office in particular lost the advisor who had been in charge of the LAMIT work when he was sent to the IDB as the secondee. Yet, considering the kind of work that the secondee was able to undertake at the Bank, especially in terms of the trade and poverty agenda (which is likely to be one of the most meaningful and resilient legacies that the DFID TFs leave behind), the trade-off involved in seconding him seems to have paid off.

85. ***At the TF level, the PSPS window of the KMG TF at the IDB seemed to suffer from considerable management problems, which may have detracted from its efficiency and made it difficult to build a more programmatic approach.*** The PSPS programme may have suffered from not having a secondee at the IDB who could have helped bring greater coherence and unity to the PSPS window. At the WB, on the other hand, the management of the TF was tight and was considerably strengthened when the fund was moved from PREM to the Operations Services Unit (OSU), after the mid-term evaluation of DFID's RAP raised concerns that the fund had been captured by governance experts.
86. ***Interestingly, within the IFIs in Washington, staff turnover at DFID was not perceived as a serious problem.*** At both IFIs, communication with DFID London has been good, particularly on an administrative level. While there were some concerns about the relatively high turnover rates among advisors, especially at the HQ level, there was no generalised impression that such staff turnover led to a real loss of institutional memory, since new DFID staff seemed to be well briefed and up to speed with the TFs. Crucially, at the IDB, the LAMIT secondee (as well as the one for ENLACE) remained a constant presence throughout (most of) the life of the TFs, which helped provide continuity.

Regional vision

87. ***To what extent did DFID staff share a concept of working 'regionally' under the RAP?*** This was discussed at some length in the mid-term evaluation. The answer still seems to be that the different sub-regional offices, as well as the TF teams, took somewhat different views of the matter. However, each view had merits in its sub-regional context and the different views added up to something that made sense in the context Latin America as a whole.
88. ***In Central America, DFID staff have a clear sense of the Central American sub-region and of their priority countries within it*** (Guatemala, Honduras, El Salvador and Nicaragua). This is reflected in both the LAMIT portfolio and the selection of partners (e.g. RUTA and CENPROMYPE), each of which work across all six Central American countries. In addition to the IFC project discussed, another important regional initiative within Central America is the Economic Commission for Latin America and the Caribbean (ECLAC) climate change project, which uses the Stern Review framework to identify key climate change issues in each country and ones that are common to the region. The project has a poverty focus, strong buy-in from all players and will be used by the Banks for loan and grant opportunities in the region.
89. ***The annual Unit Papers produced by the DFID Central America office to guide allocation of the DFs are specific about the criteria used to determine whether a project could be considered regional or not.*** Unlike the other DFID regional offices, DFID Nicaragua maintained a bilateral programme alongside the regional programme. This may have made allocation decisions easier, as it removed any bias towards funding Nicaragua-based programmes from regional resources. There is also

evidence of useful complementarity between the bilateral and regional programmes in Central America (e.g. *Promoviendo la Equidad Mediante el Crecimiento Económico*, or Promotion of Equity through Pro-Poor Growth (PEMCE)/LAMIT).

90. ***In the Andes, PAR has been ambitiously regional (that is, Latin America wide).*** The Andes office has also worked sub-regionally, utilising contacts in Lima to pursue IFC simplification work in Ecuador and Colombia, and engaging with the WB's sub-regional office in Lima on governance.
91. ***The Brazilian team's vision of a regional programme remains the most distinct from the sub-regional approach employed by the Andean and Central American teams.*** After initial uncertainty about how to pursue work on a regional basis, the Brazilian office has come to view Brazil as its region for most purposes. It supports work in selected parts of Brazil which can then be applied in other regions of the country (e.g. work on municipal simplification with the IFC that was first completed in São Paulo and is now being replicated in the northeast of Brazil). Given the size of the country and the diversity of development challenges that Brazil faces, this seems a sensible, if not entirely consistent, strategy.
92. ***An additional way the office hoped to work regionally was by advocating Brazilian examples of best practice for use in other parts of Latin America (or the world), as well as to showcase IFI (especially WB) innovative and pilot exercises in Brazil*** to be replicated in other Bank country offices/regions and/or to become institutionalised at the HQ level in Washington. For this, they depended on the IFIs' disseminating lessons learned from work undertaken in Brazil (e.g. the *Bolsa Familia* work, or the sector-wide approach (SWAp) study by ODI) or the work done with the National Audit Office, which was discussed in the mid-term RAP evaluation. More rarely, the Brazilian office has worked regionally in a more traditional sense by funding work that compares experience across South America. Examples of both of these ways of working are more limited to the PSPS programme.
93. ***As for the Washington-based TFs, their country focus was not automatically consistent with DFID's priority on the poorest countries of the region.*** Some progress was made over time (especially at the WB) in ensuring that more TF-supported projects were undertaken in the poorer countries, although there remain some questions about whether this kind of targeting makes sound sense. As some IFI interviewees pointed out, there is considerable value added in being able to support work in 'more developed' countries in the region for the lessons they may help generate and the leverage and reverberation effects they may have in other, less developed countries. In addition, some team leaders we interviewed highlighted that one of the advantages of the TFs was precisely that they made it possible to fund interesting and innovative work in countries that are not often eligible for such funding because of their MIC status.

2.4 *Were the programmes effective?*

94. Effectiveness is about downstream results. ***In the case of three-year programmes that are still in the process of being closed, this question is largely about being on track rather than about actual outcomes or impacts.***
95. Many of the PSPS and LAMIT projects are still ongoing and there is still a significant amount of money to be spent. Under all circumstances, a time-lag would be expected before any goal- and purpose-level results would be achieved by interventions of this type, and establishing attribution is notoriously difficult. For these and other reasons, modern thinking about 'theory-based' evaluation suggests that the assessment of

programme effectiveness is best focused on whether the programme logic, its ‘theory of change’, remains plausible and valid in the light of the implementation experience. ***This is the approach taken here.***

96. As the discussion below helps to highlight, the ***PSPS*** programme ***was able to achieve important milestones/successes*** in terms of working ‘with’, ‘around’ and ‘through’ IFIs. Significantly, however, ***the building of synergies between different modalities (especially developing greater complementarity between DF and TF activities) remained limited.***

Effectiveness of PSPS: Working ‘with’ the Banks

97. ***The theory of change supporting the work done ‘through’ or ‘with’ the IFIs argues that it enables Bank staff to do things that they might have wanted to do but would not have been able to do without DFID’s support.*** It claims furthermore that this can enrich the country policy context either through the impact of the Banks’ analytic and advisory assistance (AAA in WB terms) on country policies or institutions, or by influencing their lending portfolio.
98. Examples of significant changes in the lending portfolio are relatively hard to come by, and there are many sceptics who doubt the influence of ideas on the pattern of IFIs’ lending, given the other large forces influencing these things. However, ***convincing examples of activities being undertaken that would not otherwise have happened, with likely effects on the content and calibre of the policy debate in the country/region, are numerous.***
99. ***Several of the most attractive examples are about the cumulative effect of DFID-supported activities starting before the RAP period.*** Strictly, this falls outside the ToR of this evaluation. However, it seems reasonable to consider views expressed on this subject, given the typically rather extended payoff period of activities intended to influence policy environments.
100. ***There are different views regarding the value of those activities that simply involve wider civil society consultations about the IFI’s Country Assistance Strategies (CASs).*** On the one hand, in the Andes sub-region, some informants are very sceptical about the value of this type of support. On the other hand, the WB’s in-country consultation process for country strategies includes the Nicaragua consultation process as a best practice case.
101. Doubts are also expressed about DFID’s support to the dissemination of the WB’s analytical work, particularly if the work itself is not path breaking and the dissemination is done unimaginatively. ***The best examples refer to cases where the findings were of more than a routine sort and/or where some imagination was shown in the mode of dissemination*** – taking messages outside of the capital and into the oral milieu in which much of the political debate about policy options takes place.
102. A good example of this is the first phase of the WB’s Governance and Accountability in the Decentralised Social Sectors (RECURSO) exercise in Peru, whose focus was quality and accountability in health and education provision – although this is one of the experiences rooted in the pre-RAP period. Equivalent examples can be cited for Central America. These are significant add-ons that staff from the IFIs say they could not have benefited from in the absence of DFID’s support, which had an operational flexibility that is rare. ***They tend to confirm the realism of a programme theory that sees guided marginal additions to funding for AAA activities by the WB as a route to transform country policy environments.***

103. ***Secondments or co-funding of advisory appointments are another strand of working ‘with’ the IFIs that remains plausible in the light of this experience.*** Though there were no secondees in Washington, the PSPS programme did have secondees at the sub-regional level. The assumption is that secondees are likely to work best when the appointees are well chosen, which seems to have been the case of the IDB placement in La Paz and the co-funded governance post in Lima. It is worth noting that DFID advisory staff such as Saul Morris (Statistician leading on Strand 4) and Ernesto Jeger (Governance Advisor in Brazil leading on Strand 3) also carried out ‘mini-secondments’ to help the IFIs design programmes.
104. ***The activities ‘with’ the IFIs that are most interesting and potentially effective are, however, those that include a link to working ‘around’.*** A case in point is the major WB study on social protection in Bolivia. This was supported with DFID international networking (e.g. funding of a visit by an expert from the International Poverty Centre in Brazil). But it has also been enriched by the documentation of a practical experience in urban social protection arising out of the ‘learning laboratories’ organised by PAR in Santa Cruz.
105. ***The attention given to influencing country policy environments via the AAA work of the IFIs, rather than through their loan portfolios, is particularly relevant to the case of Brazil.*** In the PSPS logframe, many of the results indicators are about incorporation of new policy priorities into loans. However, achievement of these results is compromised by the fact that the Brazilian government no longer wishes to borrow from the IFIs. The IFIs, for their part, are only just beginning to lend to sub-national governments, in the face of some resistance from the central government. In this context, the Banks are having to find new ways of working in Brazil.
106. ***There are therefore good reasons for the focus of DFID Brazil collaboration with both Banks to centre on relatively sophisticated country analytic tasks.*** Two major examples of such work are the commissioned political economy analysis of sub-national public sector reform and the study of the politics of the budget in Latin America.
107. The impacts of this type of activity are hard to establish. DFID Brazil staff are acutely aware of the attribution problems involved in demonstrating progress towards indicators in the logframe (e.g. under Output 1: ‘three IDB and/or WB country strategies better reflect use of new governance, political and inequality analysis by end of year 2007/08’). However, ***the new 2008 WB country strategy for Brazil is consistent with many of DFID’s objectives in that country.*** The country strategy puts emphasis on working as a knowledge institution and improving governance at state levels. It also addresses income inequality. None of these was a priority for the WB in Brazil under previous country strategy papers.
108. ***There is also evidence that DFID Brazil contributed to the PSPS purpose ‘to support the IDB and World Bank to better integrate citizenship and rights of the poor and excluded in their approach to governance’.*** This was done through their work on gender and race, which was largely following up on work that had been commissioned through bilateral funds in the pre-RAP period.

Effectiveness of PSPS: Working ‘around’ the Banks

109. As argued earlier, ***an innovative aspect of the RAP programme logic lies in seeking to influence IFIs through different modalities – by working not only ‘with’ and ‘through’ but also ‘around’ them, in some combination.*** This feature of the PSPS

programme provided it with an additional lever for building credibility and influencing the IFIs from the outside (with partners exerting pressure or creating opportunities from the bottom up). The approach of working ‘around’ IFIs was not as frequently adopted as working ‘with’ and ‘through’ the IFIs, in either LAMIT or PSPS. It nevertheless proved an effective way of working in some areas.

110. The mid-term evaluation suggested that a most promising example of this within PSPS was PAR. This evaluation confirms that conclusion.
111. ***The programme logic of PAR is a variant on the general formula of engaging and brokering constructive relationships in a multi-stakeholder environment.*** PAR has been slower to reach maturity as an organisation than might have been expected. However, it has done enough in the past three years to make it clear that it represents a viable model, enabling an official bilateral donor to impact on country policy and institutional environments in a way that would have been impossible by means of direct, bilateral policy dialogue, or via the IFIs alone.
112. For reasons to be explained, this does not seem to be a model that will be sustainable in the absence of the official donor support. However, ***it is certainly one that would be worthy of emulation in regions of the world to which DFID remains committed.***
113. General features of the PAR setup that lend plausibility to the underlying ‘theory of change’ include the following:
 - ***Despite first appearances, PAR is not simply a network of NGOs interested in policy advocacy;*** it combines the specific added value provided by each of its members, including crucially local government bodies, specialised NGOs with their feet planted firmly in particular grassroots situations and an official development agency with considerable high-level networking capacity and convening power.
 - While it represents one of the purest examples of ‘working regionally’ within the RAP, PAR’s credibility and functionality rests upon the fact that ***DFID had previously been working closely with several of the NGO partners in the context of bilateral programmes.***
 - The way the substantive themes of the PAR work were selected is ***a positive example of the power of strategic opportunism and ‘gap filling’.***
114. ***The full PSPS programme logic was less easily articulated in the case of the political parties work.*** At least in the Andes, that logic cannot yet be said to have been tested by experience in implementation.
115. ***The starting point of the work is unquestionably correct.*** Donor promotion of pro-poor governance has in general paid too much attention to cultivating demand for change via support to civil society and has not done enough to facilitate the supply of political responses via work on and with political parties. The DFID support has also produced useful contributions to the Latin American debate on political parties, which centres on their limited and possibly reducing ability to perform the theoretically expected function of aggregating social demands and generating policies. They have underlined the strongly clientelistic character of party structures, and the way in which this helps to generate a particularly unpredictable form of presidentialist electioneering and rudderless government.
116. However, much depends on the ability of the analytical work to provide hooks for multi-stakeholder engagements that address practical steps forward. Despite the

strong partnerships established with IDEA in Lima and NDI in Washington and La Paz, *only limited headway has been made in concretising and rolling out actual interventions within party systems designed on the basis of the diagnostic work.*

117. *Latterly, the DFID Andes political party work included an additional strand based on joint working with the Bolivian Association of Political Scientists.* Still partly based on support to the writing and dissemination of studies, this collaboration included drawing donors and country stakeholders into forum-style discussions on party reform and conducting opinion surveys on the subject. Unlike the NDI work, it has generated specific proposals for reforming the party system to make it more relevant to today's political realities, by combining elements of direct as well as representative democracy.
118. The mixed experience working 'around' IFIs confirms *the essential importance of DFID maintaining 'a foot on the ground'* – a basic minimum of in-country programming – to be able to nurture relationships with non-IFI partners on an ongoing basis.

Effectiveness of PSPS: Working 'through' the Banks

119. *It is too early to assess the effectiveness of most of the PSPS projects supported through the TFs. However,* many of the individual projects undertaken at each Bank have been innovative, have enabled considerable experimentation and risk taking, have had important catalytic effects and/or have enabled the Banks to tackle issues they would have otherwise not been able to and to engage with partners outside the 'usual suspects'. In this respect, *they have created considerable added value.*
120. *The WB saw the policy approach and priorities of DFID's RAP as closely aligned with its own in many areas.* It acknowledged a 'meeting of minds' over DFID's institutional perspective and expansive view on governance systems, as well as its use of political economy analysis. These were areas that the Bank was moving into and it recognised in DFID a willing partner. *The WB valued the DFID TF in particular for the liberty it provided Bank staff to experiment and push boundaries.* As a result of the partnership, the Bank acknowledges that it became more comfortable thinking about political systems and political actors, and in engaging with non-traditional partners like unions (e.g. project on Strengthening Accountability in Social Service Delivery in Central America). Many PSPS projects also helped support a delicate dialogue with respective country governments, giving it a way into difficult political areas (e.g. work in the Department of Chocó in Colombia, which is among the poorest and most violent).
121. *In the IDB, the governance reviews that started as pilot projects with KMG funding have now become institutionalised and have been undertaken on a more systematic basis in a series of countries.*
122. At both IFIs, one of the most significant contributions of the PSPS programme has been *the priority it has given to the generation of data and their dissemination and integration into projects as a key basis for evidence-based policymaking.* Several different systems have been developed or expanded, including the Social and Equity Indicators System (EQxIS) and DataGob at the IDB and the regional award for innovation in statistics at the WB.

Effectiveness of LAMIT

123. ***LAMIT has made considerable progress towards many of its objectives, despite challenges discussed in the previous sections.*** All but one of the logframe indicators have been either fulfilled or partially fulfilled. LAMIT has gone a long way towards meeting Objective 1 in particular, in terms of developing (and disseminating) good practices and thus enabling country strategies to be more responsive to poor and excluded people's interests in the areas of markets and international trade. It has also made good progress in terms of the programme's second objective, to develop innovative policies and approaches to private sector development within the IFIs that promote pro-poor market access.
124. ***In the sub-regions, activities supported with DFs have in a few cases led to actual changes in loan portfolios at the country level.*** For example, a DF-funded technical review of the Design of a Partial Credit Guarantee Facility resulted in the WB's including a US\$4.5m credit for such a facility within its new \$20m loan for SMEs in Nicaragua.
125. ***Such easily discernible impacts cannot, however, be established for all of the DF-funded studies.*** For example, neither the Virtuous Circles report, a WB flagship publication intended to sharpen WB thinking on portfolio design, nor the WB study on financial exclusion in Guatemala, have yet delivered longer-term improvements to the effectiveness of the IFIs (though in the case of Guatemala the documentation suggests that it was a strong and useful study). Activities such as these, and the Study of Migration of Rural Nicaraguan Families, remain as standalone pieces of work, with no subsequent operational impact or take up within LAMIT or by partners.
126. ***At IFI HQ, more consistent results have been achieved in the markets objectives of the logframe than those related to trade (Objective 3). As has been noted, there is strong evidence that INT of the IDB has significantly changed its analytical and policy thinking on the incorporation of the poor in international trade, increasing its focus on gender and ethnicity – and this is perhaps the strongest example of DFID influencing across all three programmes at the TF level.*** On the other hand, success with the WB in this area has been more limited, partly because the TFs have tended to focus on activities linked to Objective 2 (market access – e.g. IFC and work on micro-finance).
127. ***One of the takeaways of the LAMIT experience is that strong and focused partnership is a crucial determinant of programme success.*** The evidence emerging from our various field visits (both to the regions and to Washington) suggests as well that ***these partnerships were articulated on the basis of shared interests*** rather than on DFID bringing an agenda from the outside that lacked resonance among partners. There is also a widespread perception that ***their effectiveness was in turn enhanced by the existence of the DFID bilateral programme in Nicaragua and the legacies of the bilateral programmes in Honduras, Peru and Bolivia.***
128. ***The value of partnerships is a theme across all three modalities of DFID working – 'through', 'with' and 'around' IFIs.*** TF support was instrumental in making all of these projects happen and engagement with IFIs at the country/regional level proved essential in many key respects as well. ***Another important aspect of working 'with' the IFIs relates to the considerable contributions the secondee at the IDB made to the LAMIT programme*** both through the MTP TF and more generally.
129. As for working 'around' IFIs, in instances where major non-IFI partners were engaged with (namely in Central America, with RUTA and CENPROMYPE), DFID

support entailed, among others, helping to build their credibility as regional players and positioning them with the IFIs (as well as with governments and the private sector) as strong partners for development that the Banks would otherwise not be engaging with. The work with CENPROMYPE is also the leading example of IFI engagement with an organisation representing SMEs, which is one of the programme's objectives.

130. ***Beyond Central America, however, LAMIT engagement with partners other than IFIs and governments has remained rather limited.*** As with PSPS, a strategy of working 'around' IFIs in particular is likely to be unfeasible in the absence of some ongoing engagement in the field.
131. Several of the big LAMIT successes seen in this section were also made possible in large part by ***the existence of a (prior) history of bilateral presence at country level.***

LAMIT modalities and synergies

132. ***The RAP-LAMIT framework, combining direct funding (TFs) and working 'with' the IFIs by funding projects in the region and placing a secondee at the IDB, proved capable of achieving results.*** Both DFs and TFs contributed to achieving the objectives set out in the logframe. As with PSPS, the relative flexibility of both sets of funds was seen as a source of strength. In all three regional offices, as well as at TF level, funding flexibility helped make things happen quickly and enable IFIs and other partners to be innovative, explore new areas of work and/or try things that other donors found too risky (e.g. working with the private sector in Central America in negotiations with the government and the work on micro-finance and micro-insurance at the WB). Users of the TFs commented that the untied nature of the funds was a major advantage, as was the lack of geographic restriction on the funds, as it allowed staff to access money for projects in MICs that are otherwise hard to fund (see also the discussion on regional vision in Section 2.3).
133. However, as was the case with PSPS, ***the fieldwork and documentation suggest that, while LAMIT benefited from both modalities (DFs and TFs), it was less successful at achieving synergies between them.*** Again, DFs and TFs each had certain purposes and there was never an intention to join them up fully. Yet, complementarities and synergies between the different components of LAMIT (as well as PSPS) might well have been expected, and were expected in at least some of the DFID offices. This proved challenging. There were notable exceptions: CENPROMYPE, the IFC work on municipal simplification and the WB work on micro-finance and micro-insurance – and all of these projects proved to be particularly successful in part as a result of the 'multiplier effects' they were able to generate by linking up the different modalities.
134. ***Despite ongoing efforts to improve the flow of information and coordination at various levels, communication and synergies among offices – and particularly between the three regional offices and Washington – were seen by many as problematic for both PSPS and LAMIT.*** In Central America, for example, poor communications with Washington via London created a sense of disconnection between TF and DF activities in the Central America region, which prevented the regional staff from identifying the right interlocutors in DC. Staff also believe that there was a lack of clarity at the outset about the role of advisors on the ground. In the Andes, local IFI officials took very varied views on whether the Washington TFs were good for them. In Brazil, the WB office was keen to be seen as separate from Washington, and thus synergies were minimal.

135. As with PSPS, *LAMIT experiences of working ‘around’ IFIs* proved very fruitful, but in general were not *nearly as frequent as working ‘through’ and ‘with’ IFIs*. Once again, influencing the IFIs indirectly by engaging with other, non-IFI partners *could only be sustained where DFID had a continuing presence in the field*.

Sustainability of PSPS and LAMIT

136. *There is a general problem affecting the sustainability of PSPS and LAMIT programmes and projects at the sub-regional level*. This does not reflect particular weaknesses of programme design or failures of implementation. It arises from the inherent difficulty of achieving the kind of results the programmes were targeting within a three-year time horizon.
137. *The most significant sub-regional projects within PSPS were, quite rightly, not designed to become self-sustaining within the space of two to three years*. In the case of PAR and the political parties work in the Andes, impact would have been achieved only if DFID had remained actively engaged for an extended period. The DFID contribution to PAR involves far more than funding (in principle, an alternative funding source could be identified). DFID acted as a connector or trusted broker, which has been one of the things differentiating PAR from other NGO networks in the region. This contribution will now be missing.
138. *In Central America, too, the sustainability of the gains from PSPS is going to be minimal*. While the political party work will continue with funding from other donors, no other actors can fill the role played by DFID on IFI CSPs. Without DFID technical input and support, it is unclear how future CSPs will have the same focus on the poorest and most marginalised that DFID has consistently brought to the table.
139. *In Brazil, partners commented that ‘DFID is stepping away a bit too early’ for the work to come to fruition*. The timing of the changeover from PSPS and LAMIT to a ‘BRICs agenda’ is also politically inconvenient, as there is a presidential election in 2010 and more work is needed to ensure that governance work in particular continues to have an impact on and after that election. For what it is worth, the reaction to the latest change in DFID strategy was less dramatic in Brazil than the reactions to the closure of the bilateral programme (as reported in the mid-term evaluation).
140. *More positive things may be said about sustainability in two areas*. One is where sub-regional partnerships have been developing for some time, with backing from a bilateral country programme. There are also some encouraging findings where IFI HQ are concerned (especially in the case of data systems, which have become firmly institutionalised within each respective Bank).
141. The successes of LAMIT in Central America were closely linked to partnerships, networks and projects developed through DFID’s bilateral programmes before the RAP and maintained by the Nicaragua programme since. The experience, which confirms the value of keeping a ‘foot on the ground’ in certain countries even when working sub-regionally, has helped create some relatively strong organisations. The key DFID civil society partners in Central America (CENPROMYPE and RUTA) have become well established. CENPROMYPE in particular was transformed through its relationship with DFID: it has secured funding from a range of donors and the IFIs themselves, and is now much clearer about its mandate than it was at the start of DFID’s engagement. *This makes the organisation less vulnerable to other donors’ agendas and may be considered a sustainable impact*.

142. *The sustainability of several of the most significant initiatives at IFI HQ is also unlikely to be threatened by the closure of the programme.* The IFC work on municipal simplification, for example, seems to have acquired a life of its own and is moving forward. The work on micro-finance and micro-insurance at the WB has also become fully integrated into the Bank's agenda – although the gap left by the closure of DFID's TF is likely to be felt, especially in financial terms, as some interesting offshoots may not be able to be funded.
143. Similarly, *the agenda exploring the links between poverty and trade has become fully incorporated into IDB thinking and practice.*
144. *It is unfortunate that it was not possible to give continuity to the support LAMIT provided the OMJ initiative in its early stages.* While the early contributions focused on inclusion and identity, remain relevant and have acquired a life of their own in other guises at the IDB, there is some frustration that further LAMIT support failed to materialise as the initiative evolved. This does not owe to a lack of efforts to identify ways to continue to collaborate with OMJ. On the other hand, over time, LAMIT has become more inclined to fund projects that can demonstrate a clear link to trade, and the OMJ does not deal with trade as such. The OMJ itself seems to be struggling to find its footing within the IDB (despite backing from President Moreno).¹⁵
145. During the life of the TFs, DFID was generally a highly involved partner. *Such hands-on engagement does not seem to have applied to the way the closure of the different funds was managed.* Within both IFIs, there was a perception that the decision to close the TFs was abrupt and poorly communicated. There is a real sense that DFID will be missed as a strategic partner in both Banks and that its departure leaves a gap that will be difficult to fill. The IDB in particular has expressed the view that DFID may be reducing its development effectiveness by curtailing its working relationships with the IFIs, as this engagement has proven to be a strategy that works.

2.5 *How well has the collaboration with the IFIs worked?*

146. The analysis provided throughout this section has touched on several different aspects of how DFID collaboration with the WB and IDB has worked. This section draws these points together and addresses some questions relating to the relationships with and between the IFIs that cut across the PSPS and LAMIT operations.

General impressions on the relationship between the IFIs and DFID at both the regional and TF levels

147. Overall, *the impression of DFID within the IDB and the WB is very positive, and for the most part the relationship between the IFIs and DFID has worked very well.* In both IFIs, the perception of DFID as a reliable and trustworthy partner predates the PSPS and LAMIT programmes. The TFs helped institutionalise relations with DFID's advisors in London and in the region, and allowed them to engage in dialogue with staff in each respective IFI about the content of TF applications, as well as broader discussions about country strategies, governance issues and issues related to trade and market access.
148. Our interviewees at both the regional and the TF level often expressed that *DFID helped to push boundaries and innovate by identifying and supporting 'agents of change' within IFIs that shared similar interests but somehow lacked leverage,*

¹⁵ Based on conversations with Kai Hertz, Dana Martin, Luiz Ros and Elizabeth Davidsen at the IDB.

visibility and/or resources to pursue them to the extent they would have liked. The partnership also seems to have encouraged both IFIs to be more proactive in piloting new ideas and in (attempting to) managing knowledge by sharing best practice.

149. ***DFID is also perceived as different from other donors.*** Interviewees often described the agency as ‘the best’ and ‘most thoughtful’ they had worked with in the past.
150. Some of the qualities that they attributed to DFID include: agility; flexibility; openness; untied nature of support; capacity to respond rapidly; knowledge and expertise; genuine commitment to the issues it supports; willingness to innovate and/or engage with issues that other donors may be reluctant to address (e.g. political economy analysis; piloting of new ideas/initiatives; focus on indigenous people and gender; engagement with less obvious development partners; emphasis on the importance of data to inform policymaking; emphasis on the importance of knowledge management, etc.); and international credibility and legitimacy for the work undertaken through TFs.
151. The perception within IFIs is that, compared with other donors, UK funds are more responsive to the needs of users, have lower transaction costs and are more strategically oriented, which allows for faster commitments and quicker access to funds needed in the short term.
152. ***The experience with working with DFID TFs at both the IDB and the WB has helped inform processes to reform technical cooperation (TC) and fund innovation.*** Many of the people we spoke with at the IDB mentioned, for example, that the knowledge accumulated with the negotiation and execution of DFID TFs made important contributions to the discussions of the Bank’s working group on reforming TC. The way that the IDB has worked with DFID on managing the TFs as broader programmes rather than on a project-by-project basis, through biannual reviews focused on substance and results rather than transactions, has also been instructive.
153. ***At the WB, an important consequence of the TF has been the decision by the LAC region to introduce a small grants scheme through its operations budget.*** The scheme provides seed funding for each sector to test/pilot new ideas that would not be possible to fund through regular mechanisms. Such funding is intended to give staff the opportunity to shorten the ‘innovation cycle’ by getting fresh perspectives and analysis very quickly to where they are needed through demonstration effects, as well as to use a small amount of money to catalyse much bigger programmes.
154. Across the programmes and modalities, field interviews revealed that the ***quality of staff deployed by DFID is considered to have been critical to the value that DFID added to IFI work.*** The calibre of staffing enabled DFID to engage with IFIs (as well as other donors and partners) at a level well above that of its financial contribution.
155. ***Focused partnerships with IFI staff (at sub-regional level as well as at the TFs, especially at the IDB) have been instrumental in all the more successful initiatives within PSPS and LAMIT.*** Partnerships have typically been based on a ‘meeting of the minds’ rather than on DFID imposing an agenda or interests from outside.
156. ***DFID Brazil has formed an excellent and deep relationship with the WB Brazil office on PSPS as well as LAMIT, but has been less successful at finding concrete ways of working with the IDB.*** This owes not only to an excellent personal relationship between the governance advisors at WB Brazil and DFID, but also to the fact that WB advisors in Brazil are empowered to move things forward quickly. The process of devolution/decentralisation at the IDB remains slow (despite restructuring)

and task managers and sector leaders are based at HQ level. Thus, not surprisingly, work formally completed with the IDB (e.g. funding for the political economy of the budget studies) was based on good contacts with Washington rather than Brazil.

Depth of DFID engagement with the TFs in Washington

157. As has been noted, at the TF level, both IFIs greatly appreciated the relationship built with DFID, especially in terms of the ability/freedom DFID support provided Bank staff to undertake work that they would not be able to otherwise. Having said that, ***the level of engagement and policy dialogue went much deeper in DFID's relationship with the IDB than with the WB.*** The kind of work that DFID and the IDB were able to undertake together, mostly through the LAMIT programme, to redefine the substance of the Bank's work (institutionalise a more pro-poor approach to look at markets, trade and the private sector) has no equivalent in the WB.
158. ***This is in no way intended to diminish the very valuable contributions that the TF made at the WB.*** As discussed above, the TF was valued particularly in terms of the space that such funds provided for experimentation and the pushing of boundaries. Yet, in comparison with the IDB, the more substantial added value of the TF was its financial rather than technical or advisory contributions to the Bank's work. The WB valued inputs from DFID staff and frequent contact with advisors from London and regional offices, but overall the experience with the DFID TF is seen by the WB as more of a cross-fertilisation than a change of direction, and ***DFID's technical inputs do not seem to have been as significant to the WB as they were to the IDB.***
159. ***Some examples of institutional impact can be detected at the WB as well.*** Most notably, ***the experience with the DFID TF has led to some important changes in the manner in which the WB funds innovation*** (see the discussion on general impressions above). In addition, the TF had an impact on the approach the Bank takes to governance in the region, and it opened up opportunities to engage in areas of work that are considerably pro-poor (such as micro-finance/insurance, work on data). Yet ***the point remains that these innovations were enabled by financial inputs from the TF*** (which enabled the WB to be bolder and identify new areas of work), ***while the impact of DFID technical inputs remained far less detectable than at the IDB.***
160. At the IDB, non-financial inputs from DFID proved essential in shaping the content and conceptual direction of a majority of the projects supported by the LAMIT and PSPS TFs, but this was for the most part not the case at the WB. For instance, the sector manager for LCSPS (Latin America and Caribbean Public Sector Unit) at the WB expressed that, without a doubt, the TF had helped the Bank get more involved in political economy analysis and in sub-national governance, which was a direction they had wanted to go in. However, he also said that DFID could have pushed the Bank much further than it did in this direction, and that there was room for DFID to have been much more prescriptive in the allocation of funds. Similarly, the team leader in charge of the work on micro-finance and micro-insurance (one of the leading success stories at the WB), also noted that he had been disappointed not to have had more technical input from DFID.
161. Based on the evidence, a greater presence of DFID at the WB through its human capital (which need not only include a secondee but could take the form of greater prescriptive guidance from DFID London) could have contributed to view the TF in terms of not mainly its financial contributions but also its more substantive value.

Links between TFs and DFs

162. The ODI mid-term evaluation highlighted that the overall architecture of the RAP was unnecessarily complex. In particular, that review found that ‘the Trust Fund activities have not yet shown clear evidence of coming together with the activities supported by the decentralised funds under LAMIT and PSPS’.¹⁶ Overall, ***greater synergies and joined-up opportunities linking activities from both types of funds have remained limited and largely dependent on personal relationships***. This has diminished the potential for ‘multiplier effects’ between different parts of LAMIT and PSPS. At least with LAMIT it is possible to point to a few, if limited, examples of joined-up work; with PSPS this is more difficult. In Central America, for example, concerns were raised regarding the degree to which the TF-supported projects were contributing to the goals and purpose of the PSPS programme. The WB project on service delivery in Central America seems to be the main exception.
163. There was a sense among fund managers at the IDB and WB as well as DFID staff that there had been efforts to improve the flow of information between DFID (both at HQ and regional levels) and the Banks on the different LAMIT and PSPS activities funded via TFs and DFs. Yet, despite good intentions among all involved, in the end, more systematic and institutionalised ways to share information and lessons and build/capitalise on synergies do not seem to have been developed.¹⁷

Relationship between the IDB and the WB

164. From DFID’s perspective, part of the initial logic informing both LAMIT and PSPS was that the TFs should contribute to greater collaboration and joint work between the IDB and WB. ***In practice, they have opened a new channel of communication between the two institutions that has been useful in enabling greater information sharing, increased collaboration and better dialogue all around. Yet, most of this collaboration still depends a great deal on personal relationships***, both at the TF coordination level and at the individual project level, so it remains rather informal.
165. ***In all the sub-regions, the fact that the two banks are competitors in the loan and advice markets has been an obstacle to DFID efforts to facilitate collaboration between them, even in analytical work***. Exceptions tend to involve analytic work funded by bilateral donors or benefiting from DFID technical inputs.

Lesson learning and knowledge management

166. ***Lesson learning and knowledge management are areas in which DFID is considered to be at the cutting edge by both the IDB and WB, especially compared with other donors with TFs***. At the IDB it was mentioned that DFID’s focus on knowledge management is one of the more important legacies the agency is likely to leave behind – the ability to capture aspects of a particular project go beyond the

¹⁶ D. Booth, M. McNeil, E. Mendizabal, and L. Phillips (2007) ‘Interim Evaluation of DFID’s Regional Assistance Programme (RAP) for Latin America’. London: ODI, p. 12.

¹⁷ For example, the World Bank (2007) ‘Annual Report to DFID on the MGPR TF, April 2006 to March 2007’, noted that greater coordination between DFs and TFs would be helpful, and that there was also a need for ‘clear, consistent communication from Donor staff regarding the proposals and the likelihood of financing under either arrangement’ (p. 10). The report also noted that DFID would endeavour to provide more detailed information on what activities were being supported by each set of funds. In comments provided to an earlier draft of this report, the IDB also expressed that ‘[t]he role of the decentralized DFID funds for the IDB managed KMG/MTP funds has not been clear from the [out]set.’

project itself and generate lessons – thus extending the usefulness of the experience beyond the life of the project. At the WB, the knowledge management specialist also emphasised how the kind of knowledge management work DFID is interested in pursuing for its TF is unique among donors and quite innovative for that reason.

167. However, it is fair to say that, although LAMIT and PSPS (and ENLACE) emphasise the importance of lesson learning and the need to share and transfer lessons, with the partial exception of the WB TF, DFID did not engage in *systematised and strategic efforts to work on this until relatively late in the TF lifecycle*.
168. *DFID did not develop a joint Action Plan for Knowledge Management with the IDB and the WB to capture information, collect success stories and develop an actual lessons learned/knowledge management until early 2008*¹⁸ – which is arguably too late. While this plan was drawn in close collaboration between all three actors, now that the strategy has been elaborated, each Bank is likely to be working with that strategy and developing outputs separately.
169. *At this stage, the WB seems better prepared to run with this agenda than the IDB*, since it has emphasised knowledge management from the start and has a formal unit and expert in place. The WB has already been engaged in the production of TF-related outputs (especially in terms of publications) based on the Bank's En Brève short paper series and other WB formats that can be applied to the DFID TF (e.g. communities of practice, web portals, etc.) Lesson learning and knowledge management related to the TF have also been supported by the Bank's Global Development Learning Network (GDLN) (a partnership with 40 universities in Latin America and 120 around the world, which allows the Bank to run workshops and share materials and analysis virtually), as well as by different communities of practice (e.g. on statistics). And, of course, the TF small grants model mentioned earlier is now widely seen in the Latin America and Caribbean Region (LCR) of the WB as a key tool for leveraging and innovation.
170. The IDB has thus far lacked a systematic knowledge management strategy for its TC (though it has emphasised the reaching out to academic circles). *The approach to lesson learning and knowledge management related to the experiences and insights emerging from projects supported by the TFs seems to have been more ad hoc and fortuitous*, dependent on the individual initiative of team leaders to capture lessons and disseminate them. There are some good examples of this, including the production of books stemming from projects like the Trade and Poverty Forum organised with the PEP (Poverty and Economic Policy Research Network) in June 2007. Yet, for the most part, lesson learning and communications strategies tend to be included in a project at the very end (rather than incorporated at all stages). And they are focused on dissemination rather than the utilisation of knowledge.
171. *However, as a result of restructuring, knowledge management is currently on the rise; the IDB now has a Knowledge and Learning Sector with the objective of 'promoting initiatives to translate knowledge and best practices by the Bank and others into improved development effectiveness in the Bank's operations*. These are resources that those in charge of the DFID TFs within the IDB hope to be able to tap into as they roll out the Action Plan. The IDB was also closely involved (with DFID

¹⁸ As part of these efforts, as noted in footnote 13, DFID has also commissioned a project from the Panos Institute to capture the key lessons from its Regional Assistance Programme for Latin America and generate communications products for internal dissemination, as well as a series of case studies from Social Development Direct showcasing some of the successes DFID has achieved in Latin America.

and others) in the planning of a conference at Chatham House on Making Trade Work for Development in Latin America (November 2008), where it showcased the kind of work it has been undertaking in this area among a wide and varied audience.

172. An important lesson to emerge is that, as noted in the ENLACE section, *instruments devised with IFIs should develop a coherent knowledge management strategy from the start and specify how it will be managed and resourced. The experience with the TF at the WB can be instructive in this regard*, where knowledge management has been central to all grant designs – each having to set aside a certain percentage of funds for outreach, dissemination and lesson-sharing activities.

3 ENLACE Social Inclusion Trust Fund for Central America¹⁹

3.1 Introduction

173. In 2004, DFID established the ENLACE Trust Fund at the IDB. The TF, located in the Social Division of Region II of the Bank (RE2), provided £900,000 in funding for a period of three years to support the IDB's work on social inclusion in Central America. The core ENLACE team consisted of a TF coordinator, charged with administering the fund, and a social inclusion specialist, who was seconded from the DFID LACD in London and had responsibility for overseeing the management of the Fund. The TF RE2 coordinator also had an advisory role within ENLACE. In addition, the fund had a TRC responsible for operational decisions regarding the fund (including reviewing project proposals and providing quality control), composed of members from all divisions within RE2 as well as a representative from the Sustainable Development Department (SDS).²⁰
174. The ENLACE TF built on the success of an earlier DFID regional programme (CABILICA), which sought to promote the incorporation of social inclusion objectives and corresponding activities in IDB operations and to strengthen IDB country policy frameworks. The ENLACE fund was closed in mid-2007 as scheduled. Another, multi-donor fund on social inclusion was also established in 2004 in the SDS, to which DFID has contributed £400,000. This fund is still in operation.
175. The ENLACE TF predated DFID's Latin America RAP (2005) but was integrated within the RAP as a crosscutting programme. However, unlike the LAMIT and PSPS programmes, ENLACE was focused only on Central America and did not have additional DFs held in the DFID Central America office or a parallel fund at the WB. In this respect, *the ENLACE programme did not seek to work 'around' the IDB, but rather mainly 'through' it. It also worked 'with' the Bank via its secondee*, who remained in post as social development advisor until the fund closed.

3.2 Was the programme appropriate and justified?

ENLACE goal, purpose and outputs

176. As stated in the programme's logframe, ENLACE's goal was to strengthen the impact of the IDB on poverty reduction and social equity. Thus, as with LAMIT and PSPS, ENLACE's emphasis was on influencing the policy framework rather than on effecting direct impacts on the poor. The programme's purpose was defined as 'strengthen[ing] the IDB's policies and operations to tackle more effectively the social exclusion of poor women, men and children in ... Central America'. Four interrelated outputs were identified:

¹⁹ This section was prepared by Alina Rocha Menocal on the basis of numerous interviews with both DFID staff and IDB personnel, as well as key ENLACE documents supplied at different stages by DFID. A majority of the IDB interviews were carried out during the course of a field visit to Washington from 8-12 September; interviews with DFID staff were undertaken over the telephone during August and September 2008. All those interviewed are included in the list provided in Annex 5, which lists all the people the ODI team (including Malcolm Geere from DFID) spoke with as part of this evaluation exercise.

²⁰ See Enlace Social Inclusion Trust Fund (2005) *Operations Manual*, DFID and IDB.

- IDB operations to include social inclusion objectives and corresponding activities;
 - Increased capacity of national and local stakeholders to address social exclusion, especially in their engagement with the IDB;
 - IDB country policy frameworks strengthened to address social exclusion; and
 - Lessons learned and best practices effectively communicated within IDB and beyond.
177. *The focus of the ENLACE programme was well justified.* Social inclusion has constituted a key aspect of DFID’s long-standing institutional mandate to contribute to poverty reduction and greater social equity in Latin America, the most unequal region in the world, and it is aligned with the IDB’s commitments to the same goals.
178. *ENLACE was placed within an operational unit, which is very suitable in terms of giving the fund real operational focus and relevance,* and it was formally intended to have an impact throughout RE2. The fund was located in one of five sectoral operational units of the regional unit (the Social Division, or SO2, the others being Environment, Finance and Infrastructure, State and Society), and it was deemed to make important contributions to the Region. For instance, projects 1, 8, 10, 11 and 12 in Box 1 below were carried out by operational divisions other than SO2, indicating the use of the Fund across the Department and for sectors such as the environment and modernisation of the state, i.e. beyond the social sectors of the purview of SO2.
179. On the other hand, as expressed by several people interviewed within DFID and noted in ENLACE’s Output to Purpose Review Report as well²¹, DFID may have had broader ambitions for ENLACE, hoping that the programme would have an impact not only within the specific area within which it was located but across the whole of the IDB. *This ambition/expectation was probably too lofty, especially considering the very small size of the fund and the fragmented way in which the IDB works.* Moreover, as noted in an internal DFID document on ENLACE, ‘[s]ocial inclusion is not a sectoral issue though it does cut across all the sectoral divisions of the Bank and beyond the Bank remit in that it is fundamentally linked to human rights and issues of power and position in society, areas that despite recent progress do not sit well with multi-lateral development Banks, also confirmed in the Social Inclusion Survey regarding IDB’.²² All of this did not provide ENLACE with an obvious platform from which to influence Bank policies and operations more broadly. The aim to achieve such influence with a three-year TF also seems unrealistic.
180. The above highlights how essential it is to have a solid understanding of how change happens within and through an organisation so as to establish realistic expectations.

M&E and the sharing of lessons

²¹ M. Francke (2006) ‘ENLACE Output to Purpose Review Report’, Report for DFID Latin America Department and IADB SO2.

²² DFID (2007) ‘DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution’. Internal DFID document. Draft, p. 9. This draft report was prepared by the ENLACE seconded advisor to reflect on the experience of the DFID ENLACE fund at the WB and draw out preliminary lessons from the perspective of the secondee. The IDB provided comments and feedback to that draft document (“Enlace Social Inclusion Trust Fund for Latin America. RE2/SO2 Comments to: Preliminary Thoughts on the Experience prepared by Mary Thompson”), but a final draft addressing those comments/incorporating relevant changes had not been produced as of the time of writing this ODI evaluation report. It is important to keep in mind that the draft document does not necessarily reflect the views of the IDB.

181. ***M&E, as well as the dissemination and sharing of lessons, constituted a key objective/output of ENLACE, and several provisions were made on paper to see them through. In practice, these remained weak points within the programme throughout its lifespan.*** Admittedly, there may have been very little to share and communicate during the first year and a half of the fund's implementation, given that it took six months to get ENLACE off the ground and at least a year for the first projects to begin to show results (and many projects also experienced delays in their implementation). Yet ENLACE's Output to Purpose Review Report already noted that an 'analysis of project documentation shows that lesson learning and dissemination are not commonly included in the work plan; nor budgeted for by teams';²³ this seems to have remained unchanged throughout the duration of the programme.
182. In principle, team leaders are responsible for the technical monitoring of each project and an innovation that ENLACE tried to institute was that each project needed to produce a 'lessons learned note' at the end. In fact, as indicated in the Operations Manual, part of the responsibilities of the ENLACE coordinator included assisting teams to ensure that lessons were captured (including through reviews and interviews with team leaders) and properly disseminated. In practice, team leaders have few incentives (including lack of time and resources and the need to move on once a project is completed) to comply with fund M&E requirements, although they have in general been more willing to meet to discuss project outcomes. Thus, ensuring the production of such notes remained largely outside the control of the fund.²⁴
183. The task has become even more challenging since the fund closed. Owing to the Bank's restructuring and the change of responsibilities among shifting personnel in different departments, responsibility for compiling the remaining reports was not reassigned until March 2008, when the IDB's Grants and Cofinancing Management Unit/Vice Presidency for Countries (VPC/GCM) was put in charge. So far, ENLACE lesson-learning documents have not been completed for all projects, even though some case study material has been captured (according to information from the IDB, at least five are still pending).
184. ***The ENLACE mid-term evaluation made several recommendations on M&E and lesson learning,*** including: i) improving the fund's M&E framework; ii) developing and refining a lesson-learning strategy to find a more strategic way to generate knowledge focused on process and not only outputs; and iii) improving a communications strategy to share and disseminate lessons and insights with a broad set of stakeholders and target outputs accordingly.²⁵ An attempt to take these recommendations on board was made, though relatively late within the life of the TF. The effort yielded the production of a communication strategy document on ENLACE case studies in May 2007. However, this is all that has been done so far and, given the way the fund came to a close (see Section 3.6), it is unlikely that any additional work will be done on a formal communications and/or lesson learning strategy.

3.3 *Did the programme and its activities reflect priorities and policies?*

²³ M. Francke (2006) 'ENLACE Output to Purpose Review Report', Report for DFID Latin America Department and IADB SO2, p. 1.

²⁴ Based on several conversations with interviewees at the IDB. See also DFID (2007) 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft.

²⁵ D. Booth, M. McNeil, E. Mendizabal, and L. Phillips (2007) 'Interim Evaluation of DFID's Regional Assistance Programme (RAP) for Latin America'. London: ODI.

Overview of ENLACE portfolio: A 'projectised' programme?

185. In total, the **ENLACE programme supported 13 technical cooperation projects** (see Box 1 below and Annex 8 for further details on each project and its contributions). Some of these projects were still under execution when the ENLACE fund closed in mid-2007, but the ENLACE portfolio has been executed in full as of October 2008.²⁶ Of these projects, nine were country specific (including Belize, the Dominican Republic, El Salvador, Honduras, Guatemala and Panama); one was bi-national (focusing on the transborder region between Honduras and Nicaragua); and three were regional (campaign to promote birth registration in Central America; support for the IDB's Indigenous Peoples Strategy and Operational Policy; and project gender mainstreaming in the Puebla Panama Plan).

Box 1: Portfolio of ENLACE projects

1. A project on transborder regional development between Honduras and Nicaragua focused on poverty reduction and natural resource management
2. Final stage of the consultation process for the IDB's Indigenous Peoples Strategy and Operational Policy for Indigenous Peoples
3. Targeting mechanisms in poverty reduction strategies in the Dominican Republic
4. Development of a study on intercultural health for indigenous people in Guatemala
5. Improving the socio-cultural pertinence of social protection programmes in El Salvador
6. Technical and analytical support to advance inclusion in labour market intermediation services in Mexico
7. National AIDS Commission in Belize to combat HIV/AIDS
8. Communication campaign to promote birth registration in Central America;
9. Integration of ethnic, cultural and gender factors into Panama's social protection system
10. Analysis of the potential effects of the Central America Free Trade Agreement (CAFTA) on rural households in the Dominican Republic
11. Support for gender mainstreaming in the Puebla Panama Plan
12. Energy for poverty reduction in rural areas (mostly in Guatemala)
13. Support for the Honduras Autochthonous Population Strategy

186. All these projects are related to one or more of the outputs and are consistent with ENLACE's overall goal, objectives and intended outcomes. Five of these projects (Nos 3, 5, 6, 7, 9 and 13 in Box 1) have proven important in terms of their potential to leverage loans directly or indirectly.

187. However, as can also be appreciated in Box 1, for a programme of modest funding levels, ENLACE covered a very broad range of themes spread out across numerous countries. This raises questions as to whether the programme lacked sufficient focus and whether its different projects have added up to a more coherent strategic whole. As one interviewee put it, *the nature of the ENLACE programme remained 'projectised'*. On the other hand, as several of our interviewees expressed, one of the Fund's most advantageous characteristics was precisely its ability to respond flexibly and quickly to demands as they arose within the Bank. The Social Inclusion Survey undertaken by ENLACE (see paragraph 201 below) was intended in part to help focus Enlace efforts on particular operations and staff teams, to generate and respond to focused demand, but unfortunately its findings were not published until six months prior to Fund's closure.

²⁶ Some projects, like the one on Transborder Regional Development between Honduras and Nicaragua, are part of broader TC projects that are still ongoing and involve other donors and institutions. But the discrete contributions made by ENLACE have been completed.

188. In addition, DFID's expectation had been that ENLACE would focus on four countries in Central America: Nicaragua, Honduras, Guatemala and El Salvador. In reality it extended to the 10 countries of the IDB's RE2, which also includes the Dominican Republic (where ENLACE did have projects) and Haiti. From the Bank's perspective, this focus on a broader set of countries was justified in that lessons learned in these countries are likely to have wider applicability in Central America and Latin America in general (see also Section 2 for a discussion on differing regional perspectives for the LAMIT and PSPS programmes). In fact, one of the positive things interviewees highlighted about ENLACE is that *it enabled funding of projects in countries that would otherwise not be on a donor's particular radar*. Yet, to fully capitalise on this idea of sharing lessons across countries in Latin America, a more coherent and systematic approach needs to be developed towards communication, lesson dissemination and knowledge management. It is also essential to have a high level IDB champion with broader influence in the Bank.²⁷

ENLACE as more than just a TF

189. As conversations with interviewees and different programme documents suggest,²⁸ it may be unrealistic to expect that a fund like ENLACE, consisting of a small set of diverse projects, could come together as a coherent whole with the potential for deep and far-reaching influence within the IDB and beyond. This aspiration seems particularly challenging in light of the following:

- ENLACE's limited three-year life span and the small amount of funding available make the fund unviable for properly implementing a programmatic approach and for observing coherent impact on the other end. These mechanisms require time to be set up and implemented. The process took almost one year for ENLACE; by the time the fund closed in June 2007, only half of the approved projects were completed, and many of them are still ongoing.
- The 'silo style' prevailing in the IDB (at least until recently) and the scarce communications and lessons sharing between different divisions.
- The lack of a senior Bank champion connected with the ENLACE fund who had influence across the Bank.

190. On the other hand, ENLACE has made some very significant contributions to the Bank in terms of raising awareness and interest about social inclusion issues. Importantly, DFID did not bring social inclusion into the IDB as a new concern. *What the ENLACE programme was able to do was support social inclusion champions within the Bank by adding needed resources in a flexible and innovative manner* (which are DFID's hallmarks as a TF donor).

191. *In addition, ENLACE helped define social inclusion from a wider pro-poor perspective, rather than limiting it to an approach* (such as that adopted by another, multi-donor TF at the Bank on social inclusion) *focused on predefined groups such as women, indigenous peoples, afro-descendants and people with disabilities*, for example. While clearly concerned about these groups, ENLACE's broader perspective made it possible to fund social inclusion projects that were less

²⁷ This was a very strong finding emerging from the baseline survey on IDB staff perceptions on social inclusion. See M. Thompson (2007) 'Social Inclusion Survey: Staff Perceptions on Social Inclusion', ENLACE Programme, IDB (Regional Operations Department 2). See also Section 3.5.

²⁸ Including, for example, M. Francke (2006) 'ENLACE Output to Purpose Review Report', Report for DFID Latin America Department and IADB SO2; and DFID (2007) 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft.

mainstream in their approach to the issue, and would therefore not have been able to secure funding elsewhere. Examples of this include the project on regional border development for Honduras and Nicaragua, the campaign to promote registration at birth and the project analysing the potential effects of the CAFTA on rural households in the Dominican Republic. In this respect, ENLACE helped look at social inclusion not just as a social issue affecting specific groups, but also as a crosscutting one that could be applied to sectors/areas that have not traditionally incorporated such an approach (e.g. sustainable development, rural development, governance, human trafficking, youth development, etc.) This has been an important legacy of the ENLACE programme.

192. Beyond this, *ENLACE is more than a fund and a great deal of its added value comes not only from the financial resources it can bring to the table*, but also from the human resources, legitimacy and credibility that accompany them. Thus, the combination of a small pot of money with the provision of a social development expert as a secondee played an instrumental role in keeping issues related to social exclusion and inequality at the centre of the Bank's agenda.
193. Besides responsibilities for overseeing the ENLACE fund, the secondee had a mandate that included providing technical assistance to support social inclusion work within (and across) the Bank. Consequently, the secondee had the opportunity to participate in a wide variety of significant initiatives, including, among others, the Bank's Indigenous Peoples Policy before it was approved, as well as support to its implementation, programmes related to HIV/AIDS and trafficking in countries like Belize and Guatemala and high-level technical groups in the Bank on identity and human trafficking. In the case of identity, the person leading on this work within the IDB mentioned that the kind of support she got from the ENLACE secondee (including technical discussions, advice, analysis, serving as conduit to DFID HQ and DFID regional offices on the issue of identity and social inclusion, liaising with the UK executive director at the IDB and helping to organise a high-level conference on the right to identity at the IDB in 2006) was instrumental in making the issue of citizen registration and legal identity more visible within the Bank. The secondee also provided substantial *ad hoc* support to management review committees and other TFs. The flexibility of the ENLACE funds as well as the advocacy work undertaken by DFID's secondee (as well as the ENLACE fund coordinator) enabled timely interventions in support of other technical assistance projects, loan preparations for larg(er) investments and country strategy and policy processes. Thus, the ENLACE team helped to strengthen the social inclusion aspects of 23 TC projects not including ENLACE TFs, and provided technical support to 11 loans worth more than US\$200 million.²⁹

3.4 *Did the programme do what it said it would do efficiently?*

Management issues and staffing levels

194. Management issues dogged ENLACE during its three-year life cycle. *The Output to Purpose Review Report (2006) noted that the secondee often felt isolated and not properly supported by DFID management.* When ENLACE was originally established, the secondee was meant to report to the DFID Central America office. However, that did not work well for a variety of reasons – DFID Central America may not have had the resources necessary to undertake responsibility for the secondee and also there may have been a perception within the IDB (as centralised as it was, at

²⁹ DFID (2007) 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft.

least until the restructuring) that it was odd for the secondee to report to a field office rather than to the HQ. The management structure was therefore changed so that the secondee would report to DFID HQ. But the newly identified manager had to move shortly after that to the Andean DFID office for another staff cover, so the secondee's management once again fell through the cracks. There is no question that the secondee felt that she could talk to the staff at DFID HQ when and as needed, especially as she grew more comfortable with her role within the IDB. Yet, such support could have been provided in a more formal, institutionalised and consistent manner across the life of the programme. ***This also shows that staffing levels for the Latin America Programme within DFID were in general considerably stretched.***

Staff turnover

195. ***Many of the people we spoke to involved with ENLACE (within both DFID and the IDB) mentioned that the high turnover of DFID staff makes continuous engagement difficult and often leads to gaps in coordination and communication.*** There was a sense that institutional memory is lost when DFID staff leave, and that this has to be learned anew every time a new person comes on board.³⁰ As part of their mandate, ***secondments are intended to provide consistency when other DFID counterparts change more frequently*** – and this was the case of the secondees for both ENLACE and LAMIT. However, given that secondees are also meant to become an integral part of the IDB and that IDB staff at times preferred to liaise with DFID London directly, relying on the secondee may not always be sufficient.
196. DFID may not be able to change turnover itself, but ***better internal management and coordination mechanisms can be established to provide for greater consistency of handovers and for more effective storing of institutional information.*** The key issue here is that such mechanisms need to be designed in advance and not be left up to the enthusiasm of the individual to ensure proper handover. In the case of ENLACE at least, this more *ad hoc* arrangement has been the norm and it has placed a considerable burden on individual DFID staff members involved with the programme, while very often opportunities to reflect on experiences and distil lessons have been missed.

Relations with the DFID Central America office

197. As has been noted, unlike LAMIT and PSPS, the ENLACE programme did not include DFs in Central America in addition to TF resources. Nevertheless, as became clear from numerous conversations, there were close links and exchanges of information between the DFID Central America office and the ENLACE team at the IDB. ***The DFID staff based in Central America provided different kinds of support to the ENLACE programme that were greatly appreciated by the IDB staff.*** Echoing what many other DFID partners have said, the ENLACE team found that the DFID staff in Central America were well informed, very knowledgeable and eager to engage in a mutual exchange of ideas.
198. Some of the contributions made by DFID include the sharing of institutional intelligence, sustained involvement in some of ENLACE's projects (e.g. the transborder project for Honduras and Nicaragua), local knowledge capturing the pulse of a given country within the region and the identification of key contacts on the

³⁰ Curiously, this was less of an issue for the people at the IDB and WB HQs that we spoke with regarding LAMIT and PSPS. They did say that DFID faces had a tendency to change with relative frequency, which meant that they had to get acquainted with more people, but they felt the transfer of knowledge was well carried out in general from one person to the next.

ground. In addition, ENLACE worked closely with the DFID regional office on activities to support CSPs in Nicaragua, Honduras and Guatemala.

3.5 *Was the programme effective?*

199. Despite challenges discussed in previous sections, the ENLACE programme supported some very high quality and influential work within the IDB and, as noted in the programme's Project Completion Report (PCR),³¹ it has made ***considerable progress towards the achievement of its purpose and three of its four outputs*** (with 'lessons learned and best practices effectively communicated' remaining a weak link). ***In particular, ENLACE has been important in introducing and/or strengthening a social inclusion focus in a number of key strategies and CSPs; leveraging loans directly or indirectly (projects 3, 5, 6, 7, 9 and 13 in Box 1 above); integrating social inclusion issues in loan operations and Bank programming; raising awareness at the national programming level; and strengthening national governments capacity.***
200. However, as with the LAMIT and PSPS programmes, at this stage it seems more appropriate to speak about process and milestones rather than impact as such, given the difficulties to assess the latter.³² Our interviewees expressed that, for the most part, ENLACE projects seem to be of good quality (having to go through the TRC to be approved) and on track (although many of them had delays in their implementation and started later than expected). Nevertheless, given the problems related to M&E and lesson learning that have been noted, ***it has been challenging to obtain updated information about the progress of many of the projects.***³³ Keeping these caveats in mind, the discussion below highlights some of the most significant contributions the ENLACE programme has made thus far, emphasising where possible the catalytic, institutional and/or innovation impact of ENLACE-supported efforts.³⁴

³¹ DFID (2007) 'ENLACE Project Completion Report'.

³² For instance, small technical assistance projects can leverage substantial loan funding through the provision of strategic design inputs into loans and, as noted, almost half of the ENLACE projects have shown the potential to leverage loans directly or indirectly. The problem is assessing whether or not the implementation of the loan meets these expectations once under execution and the timeframe required for the evaluation of the loan itself to better understand the full extent of the technical assistance provided. As the internal 2007 document on preliminary lessons (DFID, 2007 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft) succinctly put it, 'Trust Funds, regardless of size, face considerable evaluation challenges apart from lack of technical project monitoring data: (i) evaluation of small technical cooperation projects is not cost effective, especially where in-depth field work is also required; (ii) where projects are linked to loans or where the TC itself has a substantial implementation period, it could be a considerable time before evaluation is feasible and where linked to a loan would depend on the likelihood of the loan itself being evaluated; (iii) a small fund with a diverse set of thematic projects could have problems in evaluation against more strategic objectives; (iv) similarly a small fund of limited project numbers that are designed to support a wide range of technical support functions from project preparation, project implementation and portfolio development to Bank priority agendas will face evaluation difficulties in terms of the diverse approaches' (p. 6).

³³ The ODI team has asked the IDB to send copies of the final reports and/or lesson-learning notes that the Bank has on file as of now for all the ENLACE projects that have produced them, but so far has not received any documents.

³⁴ The information provided in the rest of this section is based on the ENLACE PCR (DFID, 2007 'ENLACE Project Completion Report'), the communications strategy document prepared by the ENLACE fund coordinator (IDB and DFID (2007) 'ENLACE Social Inclusion Trust Fund for Central America. Communication Strategy: Case Studies'. Draft, May) and interviews with IDB staff involved with ENLACE. See also Annex 8 in this report.

201. **Baseline survey on IDB staff perceptions on social inclusion:**³⁵ This survey was undertaken by ENLACE early on in the life of the programme, and many of its findings were extremely informative and relevant to the work of ENLACE and to the overall work of the IDB on social inclusion. A key finding, for instance, is that leadership within the Bank at senior management levels to champion and validate a mainstreaming approach to social inclusion is essential.
202. Yet, unfortunately, survey results were not published and distributed internally until January 2007, and many of the report's recommendations have not been discussed internally or taken up (e.g. creating a high-level strategic oversight structure for the Bank's social inclusion agenda or reactivating the dormant High-Level Steering Committee on Social Inclusion). Many interviewees expressed that this was a 'missed opportunity' to get further traction on social inclusion issues while the survey was still fresh in the minds of Bank staff.
203. **Strengthening the design of the IDB's Operational Policy for Indigenous People** (Outputs 1, 2 and 3): In February 2006, the IDB's Board of Directors approved the Operational Policy for Indigenous Peoples, a binding document to renew the Bank's commitment to support the indigenous peoples in the region. The preparation and definition of this document included a thorough consultation process with indigenous organisations and their representatives, government agencies, NGOs and Bank staff.
204. In addition to the technical assistance support provided by the secondee before the policy's approval, the ENLACE programme provided funds to support two strategic initiatives related to the policy: i) the final consultation process; and ii) the development of Guidelines for Consultation and Participation. Beyond these two initiatives, discussed in further detail below, the ENLACE team (and especially the secondee) undertook important work to incorporate a discussion of indigenous people in CSPs in Nicaragua, Belize and Guatemala, thereby providing leverage to the Indigenous Peoples Policy. The ENLACE team also provided technical inputs into the preparation of Operational Guidelines for the IDB's work with indigenous people in Guatemala.
- **Consultation process:** With ENLACE funds, a socialisation meeting was held in Costa Rica in August 2005 with 32 representatives of indigenous organisations of 16 countries and two representatives of the *Consejo Indígena Centroamericano* (Central American Indigenous Council – CICA) in response to a specific request from groups that had participated in earlier consultation meetings to receive feedback on how the process finally evolved and to ensure the consultation was indeed legitimate. *This consultation supported by ENLACE helped the Bank build relations with groups not normally within its usual circle of partners, making the consultation more diverse and representative (especially among the poor and excluded) than it would have been otherwise.*
 - **Guidelines on participation:** The consultation process highlighted the need for the Bank to enhance its capacity to carry out meaningful consultation and participation processes throughout the lifecycle of Bank projects. This *generated a demand by Bank project specialists for the development of more detailed guidance and tools* to meet requirements for consultation incorporated in the Operational Policy on Indigenous Peoples. As a result, the following have been developed:
 - *Operating Guidelines for Implementation of the Indigenous Peoples Policy* to instruct the Bank staff on how to implement the policy requirements.

³⁵ M. Thompson (2007) 'Social Inclusion Survey: Staff Perceptions on Social Inclusion', ENLACE Programme, IDB (Regional Operations Department 2)

- *Guidelines for Consultation and Participation*, including a conceptual framework, a practical toolkit and specific methodologies for vulnerable populations. The preparation process was initiated with the support of ENLACE's communication strategy. Based on lessons learned arising from the ENLACE financed consultation process, the general guidance on consultation and participation is intended to be complemented by the development of additional tools that make the processes socio-culturally sensitive and adapted to the specific circumstances of indigenous peoples.

205. **Contributions to IDB's work on citizen registration and legal identity** (Outputs 1 and 2 especially): The ENLACE programme provided a combination of both financial and technical support to enable the development of a relatively new area of work within the IDB related to citizen registration and legal identity. The impetus behind this came from the realisation that very often poor people could not take advantage of a range of rights and programmes designed for their benefit because they could not prove who they were or that they existed as legal citizens to begin with. Work within this thematic area³⁶ was intended to become one of the key strategic goals of President Moreno's flagship OMJ policy, but given its focus on public institutions rather than the private sector, it was eventually removed from the OMJ and is now part of IDB's Institutional Capacity of the State Division.
206. While this work was still part of the OMJ initiative, ENLACE provided financial support by funding a campaign to raise awareness among national authorities, key actors (such as opinion leaders) and the population at large on the importance of birth registration in Honduras, Nicaragua and Guatemala. As part of this work, a 'participatory communications' methodology has been developed and piloted in different rural communities in each of these countries. According to one of the project's team leaders, *this constituted the first time that the IDB developed a manual for participatory communication that builds from the bottom up*. It is expected that this methodology, which is due to be finalised in October 2009, will be used for other areas of work, including human trafficking, for example.
207. Given the very sensitive political nature of this kind of project, it has not been possible to carry out the kind of advocacy work that had been envisioned in either Honduras or Guatemala, where the government has been less than supportive. On the other hand, the project was well received in Nicaragua and the government requested additional support from the IDB in the area of registration. There is also a current loan in negotiation with the government of Honduras to strengthen state institutions addressing issues related to citizen registration and legal identity. In addition, the project forms part of the process that underpins the Bank's institutional partnership with the UN Children's Fund (UNICEF) and the Organization of American States (OAS) in the context of the International Coalition to Make All Children Count.
208. Beyond this financial support, *the ENLACE team, and the secondee in particular, also provided key technical and advisory support for the development of the Bank's work on citizen registration and legal identity* (e.g. building connections between the IDB and DFID staff at both the HQ and the regional level to link up work on identity; providing technical inputs to Bank analyses and studies on registration; and participating in the IDB Working Group on the Right to Identity).³⁷

³⁶ Which was originally labelled as 'the right to identity' but was later renamed more neutrally to avoid language focused on rights.

³⁷ DFID and the IDB co-hosted a seminar on Legal Identity in London on Wednesday 10 September 2008 (The Citizenship Divide: Exploring Citizen Registration as a Crosscutting Entry Point to Poverty Reduction), which was a result of DFID's support to the IDB and provided an opportunity

209. **Support to CSPs** (Output 3 especially): The ENLACE programme (through TC but especially through its technical, analytical and advisory expertise) made several contributions to *the CSPs in countries like Belize, Guatemala and Haiti*.³⁸ A study on *intercultural health for indigenous people in Guatemala funded by ENLACE* proved very useful in informing the Guatemala country strategy. An indigenous health component was included in the inputs of the strategy, which according to one interviewee was quite innovative because it is rarely done. A sectoral note on indigenous health was also prepared, which was considered a big accomplishment for the kind of dialogue its dissemination encouraged across different parts of the Bank (for instance, our interviewee mentioned that health experts within the Bank tend not to focus on indigenous health issues).
210. *In the case of the Nicaragua CSP, interviewees also told us that support from ENLACE helped improve the quality of analysis on social exclusion.* A policy note on indigenous peoples and afro-descendants in Nicaragua was also prepared. The intention was that recommendations emerging from the policy note would feed into the development of the IDB's country strategy paper. However, the note did not have considerable take-up in within the Nicaraguan government and so, in the end, they had little incidence in the country strategy paper itself. Nevertheless, as one of our interviewees also emphasised, the fact that the country strategy paper itself failed to include a concern for social inclusion along the lines supported by ENLACE does not imply that such support is futile; on the contrary, the quality and participatory nature of the analysis remains, and they help position the IDB for future efforts in this area.
211. **Transborder regional development between Honduras and Nicaragua** (Output 2 especially).³⁹ This project, which has been funded by ENLACE as well as other donor programmes (Canada, Sweden and Switzerland), aims to provide capacity building for the participatory development of a Transborder Regional Development Plan to promote and support transborder social and productive activities and support the development of mechanisms for transborder policies and programmes. Partners include three municipal associations (on different sides of the border, comprising 32 municipal governments), two national governments and a recently-created bi-national development agency.
212. The project is considered particularly innovative because it is the first transborder 'bottom-up' initiative in the region to address economic, social and environmental issues from an integrated territorial perspective. Both the Nicaraguan and Honduran governments, as well as IDB country offices, have confirmed that the project has been unusual and valuable. There is a perception that the project has a great deal of potential for cross-fertilisation and replicability, although it is still too early for this to materialise (e.g. the IDB has an ongoing development programme for the southern border of Mexico with Guatemala and Belize that can learn from this project). DFID engagement has been more intensive than that of other donors, and its inputs into the

to discuss lessons learned to date in joint working with regional development banks, country governments and international NGOs to address under-registration.

³⁸ PSPS funds from the KMG TF at the IDB were also used to support country strategies in Nicaragua and Honduras, though with a different angle that did not focus on social inclusion.

³⁹ This project is still ongoing but the component supported by ENLACE (to strengthen the technical and institutional competencies of municipal governments and the bi-national cross-border technical unit to foster a regional/bi-national planning and investment system with the participation of the private sector and civil society) has been fully disbursed. Assessing impact at this stage is premature because this is likely to be a long-term process. In any case, no lessons learned note reflecting on the ENLACE experience has been prepared.

project (through technical advice provided by the secondee) proved important in sharpening its pro-poor focus and in addressing different forms of inequalities (e.g. between different associations). The DFID Central America office has also provided critical technical support.

213. **Support to the Social Safety Net Programme in El Salvador** (Output 1 especially): With the support of the IDB and the WB, the government of El Salvador developed a social assistance programme for families living in extreme poverty. ENLACE supported a socio-cultural analysis of the rural population which showed that indigenous people represented 10% of the total programme beneficiaries. This had not been taken into consideration in the programme design, and so the government revised it. The experience from El Salvador was replicated in the design of a Social Protection Programme in Panama (also supported by ENLACE) in order to ensure that programme interventions benefited the poorest populations in mostly rural and indigenous communities.

3.6 *How well has collaboration with the IDB worked?*⁴⁰

General impressions on the relationship between the IDB and DFID

214. *As with LAMIT and PSPS, the relationship between the IDB and DFID worked well on the ENLACE programme and there is a general feeling that the programme was able to make some important contributions to the Bank's work on social inclusion.* The untied, thematic, hands-off and flexible nature of the ENLACE TF enabled the funding of innovative social inclusion projects that may not have found support elsewhere, and the placement of a DFID secondee (as well as funding for a fund coordinator) within the programme was also crucial in providing key advisory, analytical and technical inputs that went beyond the TF itself.
215. On the basis of this combination of financial and human resources, the programme made important inroads in terms of ensuring that key Bank strategies include and/or strengthen measures to tackle social inclusion and poverty, as described above. Moreover, *as noted by some of our interviewees as well as project documents, the experience with the ENLACE TF proved instrumental in shaping the LAMIT and PSPS funds.* For example, best practices from ENLACE, such as the operations manual, were used by the Markets and Governance TFs and, on average, it took a considerably shorter time to establish the latter fund based on what had been learned from ENLACE. Every person we spoke with on ENLACE said that DFID's support would be sorely missed in the area of social inclusion.
216. Yet, despite this overall positive assessment, there were aspects of the IDB–DFID relationship related to the ENLACE programme that worked less well and, from the multiple conversations we held, it is our impression that there were more sources of tension within this programme than with either LAMIT or PSPS. These include management issues related to the way ENLACE was meant to work; collaboration between ENLACE and the multi-donor fund on social inclusion and the manner in which the ENLACE fund came to an end.
217. **Management issues:** There were management issues surrounding the way the ENLACE TF was intended to work that may have detracted from its efficiency and also contributed to some tensions within the ENLACE team. The TF did not have one

⁴⁰ Please note that many of the sub-questions raised in the ToR for this particular question have been addressed in earlier sections of the paper, where it was felt they fit more naturally.

but rather two governing technical documents: the DFID programme memorandum, a product of collaboration between DFID and the IDB prepared in 2003; and the IDB operation manual, developed within RE2 in 2005. This at times led to possible conflicts of interest, especially in terms of how they outlined personnel roles. Different ENLACE team members expressed that there was substantial confusion about roles and responsibilities, emanating in part from the fact that, unlike the programme memorandum, the operations manual envisioned the role of the fund coordinator as providing not only managerial support but also technical social inclusion expertise. As noted in an internal DFID document on ENLACE, ‘perhaps ... due to the existence of two governing documents, the roles of the DFID Seconded, the consultant ENLACE Fund Coordinator and the staff-member RE2 Funds’ Coordinator, were somewhat conflated, especially regarding responsibilities and reporting lines’.⁴¹ There is also disagreement within the team as to whether or not the ToR outlining respective roles were accepted and adhered to. As a result of all of this, relations within ENLACE (including the fund coordinator) did not always run smoothly. Several observers also noted that the ENLACE team could have taken greater advantage of the secondee and that the IDB could have provided this seconded advisor with better guidance from superiors (a point also highlighted in the 2006 Output to Purpose Review).

218. An important lesson for DFID from this experience is that *instruments and governing documents should be kept as simple and minimal as possible*.
219. Another important takeaway is that, *when considering placing a secondee within a given organisation, DFID needs to fully understand the organisational structure, roles and responsibilities before setting up TFs and to make sure that the division of responsibilities is clear and fully accepted by all involved parties at the outset*. DFID also needs to give serious consideration to management issues, as well as to issues related to personal fit and institutional affinity. Among other things, DFID should do more to ensure that the secondee gets the mentoring and guidance s/he needs both from HQ and from the organisation where s/he is being placed as well. In addition, as noted in the Output to Purpose Review, to minimise overlap and confusion (and ensuing tensions), ‘for future Trust Funds, analysis should be done to determine whether the role of the Trust Fund Coordinator is a fulltime role or whether the secondee or technical specialist could or should take the role of Trust Fund Coordinator in addition to the advisory role’.⁴²
220. **Relations between ENLACE and the multi-donor fund on social inclusion:** When ENLACE and the multi-donor Social Inclusion Trust Fund were established in 2004, DFID’s expectation had been that the two funds, though placed in different units, would work closely together and set an example of good practice on intra-IDB collaboration. The senior management of both funds were also supportive of such collaboration during the design phase of ENLACE. But this expectation did not bear out in practice, given the fragmented and ‘silo style’ manner in which the IDB has operated, at least until very recently. In effect, the knowledge part of the Bank (SDS) has been quite divorced from operations (an issue the Bank’s realignment has tried to address), which meant that the two TFs tended to work in relative isolation in their respective organisational locations without any real IDB buy-in for enhanced collaboration. Thus, while there was a good flow of information between the two funds and plenty of good intentions among the staff, attempts to set up TF

⁴¹ DFID (2007) ‘DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution’. Internal DFID document. Draft, pp. 8-9.

⁴² M. Francke (2006) ‘ENLACE Output to Purpose Review Report’, Report for DFID Latin America Department and IADB SO2, p. 11.

collaborative initiatives did not come to much. *This once again points to the need for DFID to develop good institutional analysis to better understand the structures and incentives driving the organisation it intends to work with, as well as greater leadership from senior management at the IDB to make collaboration across different units possible.*

221. **Closure of the ENLACE fund:** There is a general agreement both within DFID and at the IDB that the ENLACE TF did not close on a good note.⁴³ In the months before the fund was due to close, DFID staff at HQ and ENLACE TF representatives engaged in a series of discussions to attempt to design a suitable plan to dispense of the last £30,000 remaining in the fund in a way that helped build on lessons learned. However, the Bank restructuring was going on at that time, and the fact that RE2 was being closed down had a considerable impact on the substance and tone of discussions. Unfortunately, no arrangement that satisfied both the Bank and DFID could be identified, and in the end DFID asked for this money back.
222. Regardless of the possible reasons for this impasse between DFID and the IDB,⁴⁴ it is clear that *a key opportunity was missed to prepare properly for the fund's closure.* In particular, no appropriate steps were developed to ensure the adequate follow-up of projects that are still in progress or to put in place a sound dissemination and knowledge management strategy to share the lessons emerging from the programme.
223. Given the closure of the Fund and the lack of paid personnel and other financial resources, the Bank could not commit to undertake any further formal reporting. As a result, plans to develop proper case studies for all 13 ENLACE projects were truncated. As noted, a few case studies have been finalised, but many more need to be either updated or written almost in full, and this is no longer likely to happen. No annual report for 2007-2008 (April to March) will be prepared, and quarterly reports from the end of June 2007 onwards have been discontinued. As discussed as well, many projects have yet to submit lessons learned notes and/or final reports. IDB staff involved in the multi-donor Social Inclusion Trust Fund have been asked to put in a small proportion of their time towards following up on ENLACE's loose ends. However, this is mostly an informal arrangement that seems to depend on the goodwill of individual staff members, and it is therefore far from ideal.
224. *The repercussions of this can hardly be overstated.* A crucial opportunity for DFID and the IDB to work together on the production of high quality dissemination products that showcase some of the considerable achievements of the ENLACE programme has not materialised. One important lesson to emerge from this, as noted in an internal DFID LACD document on key lessons, is that *'a coherent knowledge management strategy, which includes consensus on resourcing, should be a feature of any new [DFID] instruments devised with IFIs [from the start].* This [would] remove the need for continuous negotiation about the direction and management of knowledge management during implementation.'⁴⁵

⁴³ The process was much more tense than for either LAMIT or PSPS, where the main complaint on IDB's side is that the closure was done rather abruptly without a proper 'exit plan' in place.

⁴⁴ And the reasons given by each vary considerably.

⁴⁵ DFID (2007) 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft, p. 2.

4 Key messages emerging from the evaluation and lessons to be drawn

225. This evaluation of DFID's PSPS, LAMIT and ENLACE programmes has generated a wealth of material about the way DFID has sought to work in Latin America. The preceding sections have provided a concise analysis of how DFID has engaged in the region, and what kinds of milestones/achievements it has been able to reach to date. This section pulls out key findings and highlights crosscutting themes that are derived from the fieldwork but, owing to space limitations, are not considered at such length in the main body of the report (please refer to Annexes 1, 2 and 3 on PSPS, LAMIT and the TFs and broader DFID–IFI relations for more detailed information on all of these). This section also seeks to draw out some of the most important messages and lessons that emerge from DFID's experience in Latin America that may be of relevance to the work of DFID elsewhere in the developing world.
226. The evaluation confirms many of the main conclusions of the mid-term evaluation of the RAP highlighted in Section 1, and deepens them in a number of critical areas. ***As stressed in Section 1, the main focus of the evaluation is on what the experience with the Latin American programmes can teach DFID globally.*** These lessons relate primarily to seven types of issues of wider relevance to DFID, each of which will be addressed in turn in the analysis provided in the remainder of this chapter:
- Influencing the development policy environment by working ***through, with*** and/or ***around*** major multilateral providers of development finance and advisory services;
 - Deploying limited financial resources along with intensive advisory staff inputs to influence the enabling environment for inclusive development;
 - Working with partners;
 - Using TFs in Washington-based IFIs;
 - Making staff secondments or co-funding advisory posts in IFIs;
 - Lesson sharing and knowledge management; and
 - Taking and communicating strategic decisions on aid policy.

4.1 Strategic influencing and the regional approach

227. ***This evaluation suggests that influencing the development policy environment by working i) through, ii) with and/or iii) around the major IFIs (rather than seeking to bring about direct impacts on the poor) is a viable and worthwhile strategy, and that it can be particularly effective when all three elements are combined.***
228. It also confirms the finding of the mid-term evaluation that ***the approach in full is only viable so long as DFID maintains a 'foot on the ground' in the form of bilateral assistance programmes*** in at least some countries. This is because DFID's credibility and influencing capacity depends in part on the depth of its understanding of national and grassroots realities and, in part, on its ability to engage with partners other than the IFIs.

DFID's performance

229. ***In the RAP period (2005/06 to date), DFID Latin America did a good and in some respects outstanding job in delivering relevant, efficient and effective programmes in difficult circumstances.*** The evaluation evidence suggests that most DFID advisors took seriously the RAP concept of working regionally rather than bilaterally.

They also scored some significant successes in this challenging task, with limited funding and staffing.

230. ***The successes tend to confirm the viability of the strategy.*** Two of the three evaluated programmes (PSPS and LAMIT) applied the three modalities of the ‘through, with and around’ strategy in different degrees and combinations. The ENLACE programme only consisted of a TF at the IDB and did not have any DFs within the DFID regional office in Central America. As such, it aimed mainly to work ‘through’ the IDB, while also relying on a secondee to work ‘with’ the Bank.

Particular lessons

231. ***Within the general approach, there are particular lessons to be drawn about each modality.*** Working ***through*** the IFIs was operationalised by means of the TFs. Working ***with*** the IFIs partly involved the uses made of DFs and other resources under the control of the DFID sub-regional offices. The other element of working ***with*** was undertaken by means of staff secondments or co-funding arrangements in various IDB and WB offices in the region and IDB HQ in Washington. There are important lessons to be drawn from these experiences, which are the subject of Sections 4.4 and 4.5 below.
232. The evidence from this evaluation suggests that ***there are many significant examples of DFID engaging directly in policy dialogue with the IFIs through the TFs and with IFI regional/country offices as well as with secondees placed at the IDB.*** The findings on this subject include numerous instances where the funded activities were the result of a ‘meeting of minds’ between DFID advisors and particular staff of the WB or IDB in country or at HQ. In a good many cases, however, ***the funded activities would not have taken place in the absence of DFID support (both financial and technical) as, for one reason or another, the Banks’ own resources were not forthcoming for these purposes. Therefore, there was a definite influence from the DFID programmes on what the IFIs did,*** even if the exchange of policy ideas was largely two-sided and mutual. The frequent suggestion that DFID funding to IFI activities in the region simply funded work that the Banks wanted to do anyway overlooks this aspect of DFID’s contribution.
233. In addition, ***some of the more substantial and durable influences on IFI behaviour were achieved by a combination of working not only through and with IFIs, but also around them.*** As the experiences in both Central America and the Andes clearly suggest, working with local partners ***around*** the IFIs can constitute an important element in achieving change within the Banks and thereby influencing country policy environments. Strong partnerships with local organisations, including government departments, sub-regional governments, membership organisations and NGOs, significantly increased DFID’s capacity to engage and influence IFIs ***indirectly.***

Conditions for success

234. ***Partnerships to work through, with and especially around IFIs were critical for DFID in Latin America and at the regional level these were able to be maintained only with considerable effort and ingenuity following the closure of the bilateral programmes everywhere except Nicaragua.*** LAMIT and PSPS projects worked best where there was a continuing bilateral programme or, at least, a sub-regional office based in a country (e.g. compare Nicaragua and Bolivia with Guatemala and Peru). It is not surprising, then, that many of the more successful stories of change highlighted in the evaluation report started in the bilateral period and built on pre-RAP networks and relationships.

235. *Within the TFs, policy dialogue and collaboration between DFID and the IFIs proved most successful and substantial when i) it was possible to identify a niche/area that the IFIs were interested in filling and ii) DFID was able to provide both the financial and, especially in the case of the IDB, the technical and advisory resources to enable it to do so (see Annex 3).*

Staffing challenges

236. Overall, the evidence shows that *staffing levels for the Latin America programme within DFID were in general extremely low and barely sufficient*. In particular, the extremely small size of the sub-regional offices during the RAP years made it difficult for the team to manage unexpected staff turnover, resulting in a loss of direction for a period in some areas. ENLACE also suffered from considerable staff changes/gaps at the DFID HQ level.
237. *Despite the above limitation, within LAMIT and PSPS, the DFs combined different sorts of activities with some success*. Even greater coherence would have been achieved but for unavoidable stresses and strains in programme staffing. ENLACE was also able to accomplish many of its milestones despite considerable staffing challenges, although its closure was hampered by the lack of paid personnel.
238. *Staffing levels and turnover within the trust funds were not identified as a significant problem for the functioning of PSPS and LAMIT.*

Managing a complex programme design

239. *As emphasised in the mid-term evaluation, the overall architecture of the Latin America RAP was complex and challenging to manage*. It involved working at various levels, with multiple actors in different countries and often overlapping agendas. The RAP design required this complex apparatus to be managed with an extremely slender staffing of sub-regional offices and HQ team. Some simplification of the structure was undertaken following the mid-term evaluation, with activities originally assigned to different RAP objectives concentrated in the main two programmes, LAMIT and PSPS. Nevertheless, each of the programmes continued to have a complicated internal structure (this was true even of ENLACE, which did not have DFs to contend with). *It was not always clear that the component parts (either within a programme or across different programmes) fitted into an organic whole in which all the potential synergies were able to be exploited.*
240. *Synergies between DFs and TFs have remained limited*. Despite efforts to improve the flow of information, more systematic and institutionalised mechanisms to share information about and lessons from the different activities being funded under each arrangement were not developed (the LAMIT secondee at the IDB helped in some way to provide critical information and act as a channel of communication between TFs and DFs, but this was not always easy). Yet, in the few cases where synergies between TFs and DFs were obtained, including the work with CENPROMYPE in Central America and with the IDB, the work with the IFC on municipal simplification and the work of the WB on micro-finance and micro-insurance, the results to date have been particularly fruitful and successful.

Relevance to DFID worldwide

241. These findings leave a question mark over how to integrate Washington TFs and sub-regional programmes better or enhance their complementarity, although each of these

mechanisms has made important contributions in its own right and had different purposes. The findings confirm previous evaluation conclusions about the excessive complexity and exiguous staffing of the RAP programmes. However, they underscore the validity of the strategic influencing approach, including the place given to working not only ‘through’ but also ‘with’ and ‘around’ the IFIs, on the condition that the programming at country level is sufficient to provide a firm ‘foot on the ground’. ***The experience as a whole deserves to be brought to the attention of DFID senior management and offices in other developing regions.***

4.2 Working on the enabling environment with limited financial resources

242. Although the evaluation was focused on the experience since 2005, ***many of the positive comments and testimonials collected by the evaluators at the regional level relate to DFID’s contribution in Latin America over the whole of the past decade.*** Interviewees in the three regions were usually of the view that there is a distinct DFID ‘tradition’ or working style and that, in at least some of the countries, it has been maintained during the past few years. The evaluation findings give a clear picture of what that tradition is. Again, there seem to be important lessons for DFID as a global agency.

The DFID style and focus in Latin America

243. The evaluation fieldwork in all three sub-regions indicates that, over the past decade as a whole, ***DFID has been consistent in pursuing a way of doing development work that is exceptional among donors, probably unusual within DFID globally and uniquely valuable.*** This tradition is both about style and about focusing closely on the enabling institutional and policy environments at regional and country level.
244. Observers in these sub-regions are often uncertain how much of the DFID style reflects DFID’s global orientation and how much the particularities of the Latin America programme or the personal style of successive heads of office. DFID’s orientation towards influencing policy environments for poverty reduction, rather than delivering benefits to poor people directly, is recognised. On the other hand, those with experience of DFID in more than one world region see substantial differences between the day-to-day working style of the Latin America team and that of DFID offices in other countries, particularly those disbursing large funds in budget support or sector programmes. As in other regions, the ***DFID staff in the field are often highly qualified and able to draw on substantial international experience. But they also set out to learn from the countries they are based in, try to understand its complexities and do not have fixed ideas about what is likely to work.***
245. ***DFID staff in Latin America are said to ‘get out and engage’.*** Hiring high quality local staff with precise and nuanced understanding of the local context and on the ground realities is a part of this story. As reported in the mid-term evaluation, this has been one of DFID’s key strengths in Latin America.

Almost like a think-tank

246. ***Together with the steer provided by successive heads of office and programme leaders, this feature has enabled DFID to work ‘almost like a think-tank’ at the regional level.*** In the Andes, advisors are said to have integrated themselves fully into the country environment, ‘sniffing out the situation’ and then developing relationships with like-minded individuals and organisations. Programme designs have typically come out of these kinds of dialogues with potential partners, rather

than ‘emerging pre-cooked from the donor kitchen’. In Central America, there is equivalent praise for DFID’s approach of *acompañamiento*. Rather than trying to impose its own agenda, DFID ‘accompanies’ its partners to improve their effectiveness: ‘They do the planning with you, not for you’. DFID Brazil is also seen as ‘well placed and well respected’ and sometimes ‘by far the cleverest agency here’.

247. ***Within the IDB and the WB, both in the field and at TF level, DFID is perceived as ‘innovative’, ‘catalytic’ and ‘knowledgeable’, among other things.*** IFI partners appreciate not only the funding that DFID provides (particularly its flexible and untied nature) but also its technical expertise, ongoing dialogue and willingness to engage in genuine partnerships. ***Comments of this nature apply to DFID headquarters staff and secondees as well as to those based in the sub-regional offices.*** This reputation has helped DFID’s agenda to have an impact without the need for imposition or micro-management. It has helped underpin DFID’s reputation in the IFIs for ‘punching above its weight’.
248. The style of working that has become established has permitted the formulation of ***interventions that are geared towards addressing critical institutional needs, logjams or policy blockages in close collaboration with effective partners both locally and within IFIs in Washington.*** Some very strong examples of this relate to the former bilateral programmes. However, the report also gives examples from the RAP period, where many regional initiatives have been built on the basis of earlier partnerships and projects and/or by working closely with specific ‘champions’ within the IFIs.
249. ***To the considerable credit of the teams in post during the RAP period, the evaluators found that most of the above is considered to be still true up to the present in each of the sub-regions.*** In other words, advisors and heads of office have managed to stay consistent with this operational tradition in spite of the constraints imposed by the closure of the bilateral programmes and the slimming down of the staffing complement. As Section 2 on PSPS and LAMIT shows, ***the DFID offices have been able to use relatively small funds to achieve relatively large impacts on the enabling environments for inclusive, pro-poor public sector reforms and market development.*** The same holds for the DFID TFs, especially at the IDB but also at the WB (see Section 4.4 below).
250. DFID has done this by being well informed about institutional issues, stakeholder roles and the underlying economic and political incentive structures. ***Analysing the political economy of particular policy problems has been the standard basis for programme design and the building of partnerships.***
251. ***This aspect of the DFID Latin America experience before and since the RAP is highly relevant for DFID globally.*** The organisation is actively building on the Drivers of Change idea and moving towards more ‘problem-focused’ political economy analysis, with more direct and specific carry-through to operational decisions. (See forthcoming ‘How to Note’ on political economy analysis). LAMIT and PSPS provide examples of one way of doing this.

DFID staff as a critical ingredient for success

252. ***The three programmes evaluated here also exemplify the payoff from regarding development assistance as primarily a facilitating activity, in which a high-calibre and very engaged advisory cadre is the critical resource.***

253. This is relevant to the decisions to be taken in senior management regarding the scale of staffing required to deliver an enhanced international aid effort. ***DFID's overall experience in Latin America (including regional and TF work) contradicts the notion that aid effectiveness can be enhanced by reducing the advisory cadre while increasing total spend.*** Adequate staffing remains a crucial ingredient to success and, during the timeframe of the evaluation, staff levels, especially in the regions, were at a bare minimum.

4.3 Working with partners

254. ***The attention given to building strong partnerships is a recurrent theme in the evaluation report and there are corresponding lessons to be drawn.*** The quality of the partnerships that DFID has been able to build, before and during the RAP period, has been a critical ingredient of its effectiveness. This applies both to partnerships with stakeholders inside the IFIs and to relationships with other organisations and individuals. Thus, the most considerable successes for all three programmes were the result of strategic, focused and effective partnerships with sections of the IDB and the WB (including the IFC). In addition, PSPS and LAMIT proved considerably effective when they were able to build on long-term relationships both within particular IFIs and with other partners in countries.

255. ***In practice, working with and influencing the Banks has required finding smaller internal partners or champions*** that are amenable to change and who can then act as conduits for wider impacts (and both the LAMIT and the ENLACE secondees at the IDB played a crucial role in this). Very often, it has also been essential to build relationships on a more individualised and informal basis. This is a more time intensive way of working as it requires extensive interaction and several stages of confidence building. It also makes the task of institutionalising such relationships particularly challenging, especially in situations where there is high staff turnover.

256. Building partnerships is, in general, a long, complex and expensive process. These investments are worthwhile. However, to extract the full benefit requires a longer and more stable commitment than the DFID programme in Latin America has been able to enjoy in recent years. ***This is one of several evaluation findings that suggest the lesson for DFID senior management that effective aid calls for a steadier hand on the strategic tiller.***

4.4 IFI Trust Funds

257. Overall, the evaluation findings on the TFs are somewhat mixed. However, they also suggest that ***this form of support has a relatively high impact on the quality of policy thinking at quite a low cost.*** TF initiatives may therefore well provide key lessons for other areas of the developing world where DFID wishes to remain involved but with limited resources.

A positive headline finding

258. ***DFID's reputation as a particularly innovative and responsive donor within the IFIs derives in part from the arrangements set up around the TFs.*** Now that initial teething troubles have been overcome, the DFID TFs have come to be regarded as an example that might be followed by other bilateral agencies. Both the IDB and the WB have reformed aspects of their own TC based in part on their experience working with DFID. Especially at the IDB, the TFs were valued not only for the flexible

financial resources they provide, but also and especially for the complementary expertise and dialogue that DFID advisors and secondees bring to the table.

259. One important lesson from the TF experience is the same as the conclusion drawn about the use of DFs in the sub-regions: ***agile and strategic application of relatively small amounts of financing in combination with technical expertise can generate quite large effects on policy environments***, with the potential for substantial impacts on development outcomes. This finding is hard to reconcile with the trend of thinking in DFID towards fewer and much larger financial undertakings accompanied by staffing reductions.

Specific lessons

260. A more specific lesson from the TF experience is that the ***instruments should be kept as simple as possible, with the clearest possible programme intention and ToR*** that all party organisations agree on and implement. In the case of ENLACE in particular, a simpler management structure and greater clarity on the management of the fund would have been particularly welcome and might have enabled the team to work more effectively and efficiently.
261. Both IDB and WB personnel welcomed the flexible and relatively ‘hands-off’ approach that DFID brought to its TFs. Overall, there was also an appreciation that much of the work within the TFs entailed a process of ‘learning by doing’, so that some flexibility around thematic issues seems essential, especially early on as a given programme finds its footing. However, there was also a view that ***greater guidance from DFID would have been desirable*** so that a sharper/clearer focus could have been brought to the themes of the different funds to correspond more closely with DFID’s strategic objectives. Closer guidance could have also been given on what countries to target within a given (sub-)region. Over time, DFID and the Banks engaged in various attempts to accomplish this but, with the closure of the programmes, this collaboration did not have enough time to develop fully.
262. ***In preparing to establish a TF, the donor should undertake serious analysis of the host organisation*** (with a focus on organisational culture, ways of working, opportunities for leverage and entry points for change). The fieldwork for this evaluation suggested that the chosen location of particular TFs within IDB and WB structures was not always ideal, given what DFID was seeking to accomplish.
263. ***The identification of ‘champions’ within IFIs at the TF level has been an important strategy for DFID engagement with the Banks. However,*** it is also important to keep in mind that there may be an implicit danger in the champion model that ***the TF may become unduly politicised or personalised***. It is therefore essential to make sure that adequate measures are in place to address problems that may arise from this, such as ensuring that the process of project/activities selection is transparent and enjoys wide(r) buy-in within, for example.
264. ***TFs of three-year duration are not long enough for properly implementing a programmatic approach of the kind that the RAP intended.*** Experience has confirmed the obvious fact that TF setup takes time, and so does each subsequent step – from calls for project proposals, through selection and implementation of projects, to final evaluation. Good work has been started with support from the DFID TFs, but it has taken some time to gain momentum. Promising initiatives have now taken off and lessons are beginning to emerge on how DFID can engage better with them. But this is happening within only a few months of the closure of the scheme. This

suggests that, *as a rule, a longer than three-year planning horizon should be required for any such initiative in the future.*

4.5 *Staff secondments*

265. ***Secondments or co-funding of advisory appointments constitute a significant strand of working 'with' the Banks that emerges well in the light of the experience in Latin America.*** The evaluation finds that both of the secondees placed at the IDB in Washington, as well as the IDB placement in La Paz and the co-funded governance post in Lima, added considerable value to the programmes they were involved with. Within the IDB, the two secondees were perceived as enabling an ongoing dialogue between DFID and the Bank, as well as bringing essential technical support to the Trade and Poverty and the ENLACE funds (even if, as in the case of the latter, the relationship was not always easy).

Exploiting synergies

266. ***There were synergies between the TFs and the secondments.*** The existence of the funds provided the secondees at the IDB with a platform to engage with others at the Bank more broadly and more strategically on the basis of shared agendas and interests. In the case of the MTP TF in particular, the evidence suggests that the presence of a secondee was one important factor enabling the kind of transformative collaboration between DFID and the IDB on bringing the trade-poverty agenda to the centre of IDB's thinking and policy (while other factors were also essential in this respect – please refer to Annex 3 for a more elaborate analysis). The secondees also contributed consistency and continuity to the dialogue, whereas other DFID counterparts changed more frequently. This overall positive assessment was found across the range of people we interviewed at the IDB.
267. ***The assessment was positive even though experiences of the secondees were in other respects variable.*** The PSPS component of the TF at the IDB did not have a secondee, and it is the evaluators' view that the PSPS activities funded by the TF may have suffered as a result. That is, the PSPS window supported by the KMG TF did not manage to achieve the kind of coherence that was achieved by LAMIT with the MTP TF, or even within ENLACE.
268. The DFID TF at the WB was not accompanied by a secondee either, and this may help to explain to some degree the perception that we detected throughout the course of our conversations there that the greatest added value of the TF was financial rather than technical, and the more limited space to manoeuvre that DFID had to influence the WB. However, given the very different structures and institutional needs, constraints and/or opportunities of each organisation, it should not be assumed *automatically* that a secondee at the WB would have been as effective as the ones at the IDB were. Yet, it is still possible to suggest, based on the evidence, that a greater presence of DFID at the WB through its human capital (which could also take the form of greater prescriptive guidance from DFID London) could have contributed to view the TF not mainly in terms of its financial contributions but also of its substantive value.

Specific lessons

269. ***Based on the contrasting experiences of working with secondees within the IDB, some specific lessons can be drawn.*** If DFID proposes to place secondees within an organisation, it should: i) fully understand the organisation's internal culture,

structure and needs; ii) clearly differentiate roles and responsibilities before setting up TFs and make sure the ToR for seconded staff are clear and fully accepted by both parties at the outset to avoid confusion and overlaps; and iii) make the necessary provisions to ensure proper mentoring and guidance for the secondee (including an induction programme).

270. In addition and more generally, DFID should *allocate time and adequate conditions and resources for seconded advisors to network, analyse their experiences, draw out lessons and write about them*. This was for the most part not the case in the Latin American programmes. This has made the capturing of lessons more difficult and placed a considerable burden on the individuals who have nevertheless attempted networking and exchange of experiences.

4.6 Lesson sharing and knowledge management

271. *One of the strengths of the RAP design was the central place given to exchange of policy ideas and dissemination of lessons*. Latin America is a rich laboratory for learning about effective poverty reduction approaches, and there is considerable scope for transfers of knowledge and understanding, both within the region and between the region and the rest of the world. The experience of LAMIT, PSPS and ENLACE confirms this: the programmes are rich in transferable knowledge. However, it also provides a reminder that *realising this potential needs deliberate planning; it does not take care of itself*.

272. The formal provisions for M&E embedded in each of the three programmes were relatively light. This is probably justified in view of the scale of their operations or, as with the case of ENLACE, the difficulty of enforcing them (given existing incentives within the IDB, for example). However, lesson learning does not need to be, and cannot be, restricted to formal M&E. *The evaluation suggests that there has been a shortage of systematic information and lesson sharing and support between different entities involved with all three of the DFID programmes*. The capturing and sharing of lessons that did take place was for the most part the result of the personal enthusiasm and initiative of a few individuals, which is not a sustainable basis for such a key activity. More regularised arrangements are necessary to ensure that institutional memory is not lost as a result of even normal rates of staff turnover.

273. *DFID has attempted to tackle this recently in a variety of ways*. For example, it has commissioned work from Panos and Social Development Direct on communication of key lessons. It has co-hosted international dissemination seminars on PSPS topics with ODI, IDS and LSE, on LAMIT topics with the IDB and Chatham House and on social inclusion topics with the IDB as well. The Action Plan for Knowledge Management drawn jointly with the IDB and the WB is a significant initiative. However, all of these efforts have come relatively late in the lifecycle of the programmes, and their impact may have been weakened by the fact that they coincided with the announcement of the closure of the official aid programme in Central America and the Andes and of the TFs as well.

274. *The most institutionalised form of knowledge management is observed in the PAR initiative in partnership with the Impact Alliance*. The programme focused on sub-national governance and the identification and sharing of lessons across the region and with partners in Africa and Asia. A key difference between PAR and other programmes is that knowledge and learning were at the core of the former's design.

275. Within DFID itself, the transfer of knowledge and the sharing of experiences stemming from Latin America have remained largely limited to the LACD. Again,

some conscious efforts have been made to promote such awareness and knowledge among different divisions inside DFID, but these are fairly recent. This is a considerable limitation for a department whose rationale includes transmitting innovations from its work in Latin America to other regions in the developing world. ***It highlights the general importance of improving communication and dialogue across different divisions of DFID.***

276. An important evaluation conclusion is that, ***in designing and implementing new programmes, better lesson sharing and knowledge management provisions and mechanisms need to be put in place from the beginning.*** Better, in this context, means more institutionalised and properly resourced (in terms of time, financial support and dedicated facilitation), so that both partners and DFID staff can actually deliver. Specifically in the case of TFs, any new instruments devised with the IFIs should include a coherent knowledge management strategy based on a consensus on its resourcing from the start. This would ensure timely action and remove the need for continuous negotiation about the direction and oversight of knowledge management. Again, ***the experience with the TF at the WB can be instructive in this regard,*** where knowledge management has been emphasised and supported from the start.

4.7 *Strategic decision making and communication*

277. ***The most important of the evaluation's findings for DFID globally concern the decision not to renew the three programmes after barely three years of implementation.*** Technically, none of the programmes closed prematurely, but their establishment and implementation raised partner expectations and set in motion actions that require follow-up over the long(er) term. All of the evidence and testimony collected by the evaluation team suggests that the decision not to develop a RAP II was a major error, coming close on the heels of an earlier mistake, the closure of the bilateral programmes in the Andes and Honduras in 2005.

A promising experience cut short

278. ***For the most part, the bigger impacts promised by the PSPS, LAMIT and ENLACE will not fully be realised, not because the programmes are ineffective but because the changes and transformations envisioned by each require sustained donor engagement over the long term.*** In several areas, LAMIT, PSPS and ENLACE projects were just getting into their stride and beginning to prove their potential to influence the determinants of development results when their lifecycle ran out and it was announced that PSPS and LAMIT would not be renewed. This points once again to the fact that a three-year programme is simply too short to see results. It will also remain unclear whether these programmes would have been capable of ironing out the creases in their practice to date. This is highly regrettable.
279. ***In Washington, the closure of the TFs seemed to many observers abrupt, poorly planned and poorly communicated.*** DFID should have managed the process better, and put more thought into designing an adequate exit strategy focused on how to continue to nurture the relationship with the IDB and WB after the closure of the TFs.
280. ***This decision has confirmed DFID's reputation within Latin America as an organisation with excellent policy ideas and working style, but one that is fickle and irresponsible when it comes to strategic direction.*** Even in Brazil, the only sub-region where the office is not being closed, most interviewees volunteered the opinion that DFID's weakness as an agency is in shifting its priorities too often.

Latin America and DFID's commitments on effective aid

281. The remarkable discontinuity of approach that DFID has shown with respect to Latin American work is not ***just regrettable but arguably at variance with its commitments to a number of principles of aid effectiveness***. It is obviously inconsistent with the commitment to increasing the predictability of development funding. More importantly, it is out of line with a focus on influencing country and regional policy environments and improving development results. Neither policy environments nor development outcomes are capable of being transformed within three years, however well designed the interventions. Finally, the decisions sit uneasily alongside the idea that DFID is a learning organisation, in which decisions are made on the basis of evidence and experience, since the Latin America programme has been consistently evaluated as providing excellent value.
282. If the UK eventually returns to official development work in Latin America, it should do so on the basis of a ***much longer time perspective and a genuine commitment to evidence-based strategic decision making***.

Annex 1 PPS programme review⁴⁶

1. This annex focuses on DFID's PPS programme in Latin America. The analysis provided here looks in particular at the general findings emerging from the three DFID sub-regional offices, while discussing the Washington-based TFs in a more limited manner where relevant. These TFs are analysed in greater detail in Annex 3. To the extent possible, the findings are organised following the four programme-related questions provided in the evaluation ToR. The annex also touches upon the fifth question (on how well DFID collaboration with the IDB and the World Bank has worked), but a fuller discussion on the broader aspects of the relationship is provided in Annex 3.

1 *Was the programme appropriate and justified?*

The PPS goal, purpose and outputs

2. The key elements of the programme include two Washington-based TFs on Markets and Growth for Poverty Reduction (one at the IDB – KMG – and the other at the WB – MGPR) to work **through** the IFIs, and DFs in the three DFID regional offices to work **with** and **around** the banks together with local partners. Unlike LAMIT, PPS did not have a secondee in either of the Banks in Washington, DC.
3. The goal of the PPS programme has been to enhance the impact of the IDB and the WB Group on 'the ability of poor people to shape, participate in and benefit from more accountable and responsive public sectors and political systems'. **As with LAMIT, the PPS programme logic was derived from the wider RAP logic.** The PPS programme's purpose was defined as supporting the two IFIs in 'delivering a governance focus which is more politically attuned and in which accountability, rights and the participation of the poor are central pillars'. Its design identified four interrelated outputs (or strands), through which DFID would achieve this programme purpose. Paraphrasing, these were:⁴⁷
 - Building on good practice to enable IFI **country strategies and core evaluative analyses** to reflect issues of exclusion, the political environment and poverty-sensitive M&E;
 - Demonstrating good practice on the political **representation and participation** of the poor, and promoting lesson learning across the region from this work;
 - Demonstrating good practice on transparent, accountable and responsive **budgets**; and
 - Improving the generation, accessibility and use of **evidence and data.**
4. ***The selection of the strands was justified in terms of the range of existing WB and IDB strategies on modernisation of the state, civil society, social development and participation, and in terms of DFID's ability to build on previous collaborations***

⁴⁶ This report on PPS was prepared by David Booth and Bhavna Sharma as an input to the final evaluation of DFID's PPS, LAMIT and ENLACE programmes undertaken within the framework of Latin America RAP 2004-2007. It is based on a review of the main documents relating to the PPS programme, and on documentation and interviews with DFID staff, DFID partners and other key informants as reported in the sub-regional fieldwork reports for the Andes, Brazil and Central America, as well as Washington, DC. All those interviewed for this PPS review are included in the list provided in Annex 5, which lists all the people the ODI team (including Malcolm Geere from DFID) spoke with as part of this evaluation exercise.

⁴⁷ DFID (nd) 'Accountable and Responsive Public Sector Management and Political Systems Programme (Latin America) 2005-2009'. Programme Memorandum. London: DFID, p. 4.

*with the IFIs and others in the region.*⁴⁸ The primary focus was intended to be on Output 1 above.

5. ***The decision to include in DFID's RAP a large programme focused on politics and the state in Latin America has been correct in the evaluators' assessment.*** Such an emphasis obviously predates the RAP and PSPS. It reflects a string of decisions taken within the previously existing bilateral programmes, particularly in Peru, Bolivia and Central America. Taken together, these options were unquestionably sound and well supported, not only by DFID appraisals but also by a number of substantial studies supported by the IDB, the WB and UNDP, among others.⁴⁹
6. The focus on PSPS has also been correct in view of DFID's ability to rest the programme – with its emphasis on diffusing good practices and learning lessons – on a solid foundation of previous work and continuing partnerships in some of the countries in the Latin American region. ***Our only doubts in this regard are those that were expressed in the mid-term evaluation, regarding the ability to continue indefinitely 'feeding off the corpse of the former bilateral programmes' – that is, to build on previous experiences and partnerships without doing anything (like keeping a presence in the field) to maintain them.***

More on the PSPS programme logic

7. ***What we take to be the programme logic of PSPS does not emerge very clearly from the PSPS programme memorandum (PSPS).*** First, the language of the document is in some respects haphazard. For example, it makes heavy use of the language of political and public sector accountability and responsiveness, and relatively little of capability – the third leg of the 'CAR framework' (capability, accountability, responsibility) articulated in DFID White Paper 3. There is hence an implied assumption that states in Latin America are generally capable, but merely lacking in accountability and responsiveness to the poor. The document also suggests that a rights approach ought to be a pillar of IDB and WB governance work. However, as illustrated in the next section, ***the operationalisation of the PSPS strands has not steered away from the enhancement of state capabilities, and it has not been characterised by strong or doctrinaire advocacy of a rights-based approach.***
8. This might be treated as evidence that the operationalisation of the programme has failed to follow agreed policies and priorities. However, in view of the range of other documentation produced to explain the rationale of PSPS and its individual strands, it seems more realistic to say that the PSPS programme memorandum contains some language that distracts attention from the PSPS programme logic, which is in other respects clear enough.
9. ***A related weakness of the PSPS programme memorandum is that it is quite thin on exactly how the programme outputs will contribute to the purpose and goal.*** Its reference to the role of the DFs is a partial exception, as it spells out one mechanism by which the programme could influence the incentives of the WB staff – namely, by enabling external stakeholders to engage with them in new ways. Otherwise, the document appears to rest on a rather naive faith in the ability of TFs, additional

⁴⁸ DFID (nd) 'Accountable and Responsive Public Sector Management and Political Systems Programme (Latin America) 2005-2009'. Programme Memorandum. London: DFID, p. 8.

⁴⁹ D. de Ferranti, G. Perry, F. Ferreira and M. Walton (2004) *Inequality in Latin America: Breaking with History?* Washington, DC: World Bank; IDB (2005) *The Politics of Policy: Economic and Social Progress in Latin America*. 2006 Report. Washington, DC: IDB; UNDP (2005) *Democracy in Latin America: Towards a Citizens' Democracy*. New York: UNDP

analytical work and documented examples of ‘good practice’ to influence IFI’s corporate behaviour and lending decisions.

10. ***PSPS practice over the evaluation period made quite substantial use of a mechanism focused on brokering change in multi-stakeholder environments***, which was already being used prior to the RAP in both the public sector and the trade work of the Latin America team. Therefore, there are grounds for considering it a definite part of the PSPS design; the actual text of the programme memorandum notwithstanding.
11. The PSPS programme logic, understood in this way, involves using very intensive work with partner organisations, including but not restricted to IFI offices, to achieve changes in working relationships between key stakeholders. ***These changes have the potential to enable the countries to overcome otherwise prohibitive institutional barriers to equitable and efficient development.***
12. However, in addition to working directly ‘with’ and ‘through’ IFIs, the PSPS programme (as well as in LAMIT) has sought to combine these elements with more indirect avenues of influencing involving ***the construction of partnerships and mobilisation of actors other than the IFIs themselves which have the legitimacy and weight to influence IFI policy behaviour.*** Thus, the PSPS approach succinctly captures the idea of working ‘through, with and around’ the IFIs.

Monitoring and evaluation

13. Given the relatively modest scale of the programme, the arrangements for M&E, as discussed in the mid-term evaluation, were quite light. ***Were they too light?***
14. DFID policy allows country-level staff to allocate funds to projects of this size as they see fit with generally low levels of input from other regional offices or London. The Brazil office had an internal procedure for approving funding (which included writing a short project description and discussing it in a staff meeting with the country director and other DFID Brazil staff members). In addition, within the memorandum of understanding (MoU) the Brazil office signed to support the WB AAA Good Governance work, the DFID governance advisor participated in the WB AAA annual review and this informed decisions to continue support over the next year (see Box 3 below). However, less well-defined processes were in place in some of the other offices. This meant that there was only limited formal assurance that the small-scale activities chosen for funding would add up to a unified whole geared to achieving the goals, purpose and outcomes outlined in the PSPS (as well as the LAMIT) logical frameworks. ***A great deal was left to depend on the decision-making abilities of individual advisors.***
15. DFID policy also does not require fully fledged M&E of small projects like those approved using PSPS and LAMIT funds in Brazil and the other regional offices. ***In general, the monitoring indicators set out in the PSPS logical framework were suitable. The main risks seem to have been whether they were accurately appraised.*** The advisors leading the programmes had them in mind most of the time, but were not equipped or resourced to track progress and learn lessons on an ongoing basis. This meant that the PSPS programme (as well as LAMIT) was highly reliant on a final independent evaluation to draw out and systematise lessons learned about the programme logic.

16. In general, as is true of the other programmes, while it is unrealistic to monitor and evaluate projects on an individual basis,⁵⁰ greater *emphasis needs to be placed on the dissemination and sharing of lessons and on knowledge management*.

2 Did the programme and its activities reflect agreed policies and priorities?

Overview

17. As elaborated in further detail in Annex 3, the *PSPS projects supported by the TFs* seem to reflect the programme's policies and priorities well. One of the concerns raised about the two TFs is that the area of governance is extremely broad and that, as a result, PSPS may have lacked sufficient focus to make it more strategic and coherent. Nevertheless, all of the projects supported addressed one or more of the outputs outlined above and, during the course of the life of the TFs, some attempts were made to narrow the scope of issues that should be covered. In general, TFs undertook considerable work in areas related to improved (country) analysis and governance assessments (Output 1), and citizen participation and accountability (Outputs 2 and 3). In addition, *a significant focus of the PSPS programme in the two Banks was on Output 4, where both the IDB and the WB have made important progress in building a variety of systems to improve the generation, accessibility and use of evidence and data*. This emphasis on data generation and its improved use was unique to the TFs and was not an area of work pursued through DFs.
18. *In each of the three sub-regions, the main components of the PSPS programme seem to have been well selected and designed in terms of its objectives*. DFID Central America centred its PSPS projects on supporting IFIs' CSPs in Nicaragua, Honduras and Guatemala. It supported the improved representation of the poor and excluded in political processes by funding a regional initiative on capacity building of political parties. In the Andes, too, most of the PSPS work using DFs was concentrated within the first two PSPS outputs, IFIs' work on country strategies and IFIs' support to political representation and participation of the poor. Programme activities corresponded quite closely to the programme purpose and the monitoring indicators for these two outputs.
19. *Under different circumstances, DFID Brazil has carried out substantial work since 2006 on consolidating a programme on governance which is consistent with the goals and objectives of the PSPS programme*. In contrast with the findings of the mid-term evaluation, very few of these projects are related to the previous bilateral programme that DFID had with the Brazilian government. In Brazil, however, there was less of a focus on citizen participation in the Brazil PSPS programme than on public financial management. There were also weaker links to civil society and less focus on impacting the poorest although, as explained below, there was an assumption that by working at the sub-national level benefits would be brought to poorer states and municipalities.
20. *In all three of the DFID regional offices, PSPS projects constituted a major part of their activities portfolio over the evaluation period*. According to the Andes office accounts, the PSPS programme in the Andes absorbed 31% of the sub-regional budget in 2006/07 and 44% in 2007/08. However, closer inspection of the tables suggests that these numbers understate substantially the degree to which the overall spend was driven by the concerns and partnerships established by PSPS. Funds under

⁵⁰ See footnote 32 on the evaluation challenges Trust Funds face.

two other budget headings (Development Effectiveness and Strategic Impact Funds – SIF) were used to complement funding for PSPS as well as LAMIT activities. In Central America, there was a roughly even balance of funding between LAMIT and PSPS from the DFs, with a slightly higher allocation to PSPS projects over the past three financial years.

21. ***The most significant difference between the three offices in the operationalisation of PSPS was with regard to the relative emphasis given to working ‘with’ and ‘around’ the IFIs.*** Both the Andes and Central America achieved a strong mix of working ‘with’ and ‘around’; Brazil focused on working ‘with’.
22. In the Andes, a good number of initiatives were based on bilateral links between DFID and the IDB or WB, corresponding closely with the theme of working ‘with’ the IFIs. On the other hand, two large activities – PAR and political parties and poverty reduction – fell more clearly under the heading working ‘around’ the Banks with other partners, such as International IDEA and the Impact Alliance.
23. Many of the projects of DFID Central America, too, were formally undertaken with the WB or the IDB, some of them involving both IFIs at some point of the project. Projects supported have involved three main types of activities: technical assistance, studies (research and analysis) and dissemination of findings. Bank activities supported with DFs have included PERs (supported in Nicaragua, Honduras and Guatemala), evaluations, workshops and conferences. On the other hand, PSPS Output 2 was addressed by an initiative that worked ‘around’ the IFIs: work on political parties in Central America, supported by multiple donors and involving all countries in the region.
24. ***In the Andes and Central America, the relative flexibility that was a feature of the DFs enabled DFID to try things other donors found too risky.*** These included working with the private sector in negotiations with the government or taking a lead in the work with political parties.
25. ***In Brazil, the focus was more exclusively on working ‘with’ the IFIs, and with the WB in particular*** (which is also true of their LAMIT experience). DFID Brazil played to its strengths on public financial management and related governance issues, and established good relationships with other partners, such as some parts of the government, public think-tanks, UNDP and some NGOs. However, because of the country’s size and level of development, DFID was not able to do explicitly political work, such as work on political parties. Additionally, Brazil is not a donor-driven country and the relationship with the government is critical to successful work. Work on issues like corruption is not politically feasible; both DFID and other institutions operating within Brazil (e.g. the WB) have stayed away from this kind of work.
26. ***The Brazilian PSPS programme was appropriately designed given the context in which it was operating – a large MIC with very high levels of income inequality and a very sophisticated and capable government.*** The Brazil office had to come up with a way of working towards the PSPS goal ‘to enhance the impact of the IDB and World Bank on poor people’s ability to shape, participate in and benefit from more accountable and responsive public sector and political systems’ through the implicit assumption that working more with the public sector and political systems in Brazilian states would contribute to better outcomes for the poor, and in turn help to reduce inequality. As poverty in Brazil is strongly linked to regions (especially the northeast) and quality of governance and public financial management is extremely varied across states, the assumption that strengthening governance in these states

would in turn increase opportunities for the poor and decrease income inequality was a reasonable one.

27. Different components of *working 'with' and 'around' the Banks* are discussed below, while the analysis on how the PSPS programme *worked 'through' the IFIs* using the TFs is provided in Annex 3.

Working 'with' the Banks

28. ***In several cases, the activities supported by DFID in the RAP period represented, in the view of the IFIs field staff, the continuation of previous support going back a number of years.*** In some cases, DFID funds from previous strategy periods were still being used up until 2008. This affected the way the IFIs staff evaluated the support, perhaps quite appropriately. There was also no clear distinction in the views of many informants, even within DFID, between activities with the IFIs that were PSPS or LAMIT related. Here we focus on the most significant activities that were funded with DFs within the RAP period and which were considered as PSPS activities for financial accounting purposes.
29. ***In the Andes region, the main activities included:***
- Support to civil society consultations on draft WB CASs in Peru;
 - Support to improved governance engagement by the WB in Peru (co-funding of a governance specialist and work programme);
 - Support to a study of social protection policy options by the WB for Bolivia;
 - An initiative with the UN Development Fund for Women (UNIFEM) to improve gender mainstreaming in WB lending and non-lending operations in the Andean region;
 - Support to a lessons-learned study on the IDB's old country strategy in Bolivia;
 - Support to the use of country governance profiles by the IDB;
 - Improving sub-national civil society engagement and regional lesson sharing with the WB in Bolivia (dissemination of key studies);
 - Supporting political engagement and consultation around the Poverty and Inequality Reduction Strategy (PIRS) in Colombia (via government commission, with IDB and UNDP); and
 - Secondment of a DFID advisor on aid harmonisation to the IDB in Bolivia.
30. ***In Central America, DFs were used to add value to IFIs' country strategies by supporting additional analysis or processes as follows:***
- In Honduras, a PER (WB), institutional governance review (WB) and an evaluation of previous country strategy (IDB);
 - In Guatemala, a PER (WB), monitoring and mid-term evaluation of the IDB's country programmes and M&E of community participation issues on the government's national plan (WB); and
 - In Nicaragua, an evaluation of the country programme (IDB) and political analysis (Drivers of Change study by UNDP), social sector PER (WB) and technical assistance to both country strategies which took place simultaneously.
31. There was also support to the WB Public Sector Technical Assistance Credit (PSTAC) in Nicaragua.
32. ***DFID Brazil devoted a large percentage of its PSPS work to public financial management issues.*** In addition, the Brazil office's work with the WB and IDB included the following:

- A political economy analysis of sub-national public sector reform (in loose coordination with the IDB with results presented to the WB as well);
- A study of politics of the budget in Latin America (IDB);
- A number of projects, mostly funded by DFID Brazil in the first years of the PSPS programme, which worked towards goals on mainstreaming race and gender into governance issues. DFID Brazil funded, together with the WB, a gender audit of the *Bolsa Familia* programme, a series of gender and inequality dialogues with the IDB and a communications strategy for the programme to combat institutional racism with the IDB.
- A study on Sector Wide Approaches in Brazil: Features, Drivers and Emerging Lessons. This study was welcomed by both IFIs and the government of Brazil (ministries of finance and planning) as a background to inform on new lending instruments (SWAs) that IFIs should offer to Brazil. This was confirmed in the new WB country partnership strategy which emphasises greater use of SWAp arrangements.
- Support to the WB AAA Good Governance.

Working 'around' the Banks

33. ***In the Andean sub-region, the PSPS programme developed two large clusters of activity which, while they had the WB and IDB in their sights, were designed to operate primarily to work around them.***
34. ***PAR*** is a vehicle for policy development focused on sub-national governance and poverty reduction. It is geared to PSPS Output 1, influencing IFI analytical work and strategies, particularly in view of the IDB's priority of developing lending to sub-national tiers of government. It also relates strongly to Output 2, regional lesson learning on representation and participation of the poor. It has a Latin American regional scope (seven to eight countries) and involves four types of organisations in a multilayered partnership: NGOs and think-tanks, municipal associations, municipal (and *mancomunidad*) authorities and DFID. PAR activities include 'engineering spaces' in which salient experiences can be shared, discussed and disseminated in a multi-stakeholder environment, and brokering of dialogue and joint policy work between local government, national governments and the IFIs.
35. ***PAR operates on the basis of a small number of substantive themes that are taken as the focus of intensive work for a period.*** After an initial phase dedicated to assembling and disseminating a compendium of innovations in municipal management, PAR adopted two primary themes:
- Large city governance and poverty reduction, including social protection; and
 - Regional governance in border areas between the Andean countries and Brazil.
36. The learning platform created on urban social protection contributed to the WB's initiative and thinking on a social protection policy for Bolivia. In this way, PAR has helped to influence and inform the Bank and may yet, indirectly, influence the Bolivian government's thinking on the subject.
37. The cross-border work involves direct relationships between the municipal authorities on the two sides of the border in two regions, the Pantanal, due east of Santa Cruz, and the Amazonia region around the twin cities of Guayaramerín (in Bolivia) and Guajará-Mirim (in Brazil). It also involves joint work between the major Brazilian think-tank on local government, *Instituto Brasileiro de Administração Municipal* (the Brazilian Institute of Municipal Administration – IBAM), and the Bolivian NGO *Grupo Nacional de Trabajo para la Participación* (National Working Group for

Participation) GNTF. The Peruvian partner in PAR, RED-Perú, is a large network, several of whose members were heavily involved in municipal strengthening following Peru's 2002 decentralisation reform, with DFID support in the pre-RAP years. *All these activities have among their ultimate objectives the facilitation of well-designed and effectively utilised IDB lending to new local and regional authorities where capacity is often limited.* It is quite clear, therefore, that they are well chosen as means of operationalising the PSPS objectives.

38. *The Andean Political Parties and Poverty programme:* DFID Latin America has a significant track record going back well before the RAP period of working on and with political parties and poverty reduction. DFID has been one of the few bilaterals prepared to recognise the limitations of an exclusive focus on CSOs as advocates of pro-poor change and to take the risk of becoming involved in 'political' issues. ***PSPS picked up the strands of this previous work, which had been focused in Central America, Peru and Bolivia, and added new elements corresponding to RAP objectives.*** For practical reasons, most of the most recent work took place in Bolivia, oriented towards the two dominant preoccupations on the Bolivian political scene, constitutional reform and the emergence of sub-national democratic polities in the regions. It involved partnerships with the La Paz office of the US NDI and the Bolivian Association of Political Scientists. However, work at the Andean level, coordinated by International IDEA in Lima, has included **studies of political systems in the region and close engagement with key political parties which have challenged the suitability of political institutions for poverty reduction.**
39. *The work on political parties in Central America had similar pre-RAP origins, but in the RAP period took a somewhat different form,* as a multi-donor initiative funded by DFID, Sida, Spain, Finland, IDB and UNDP. UNDP Honduras is the coordinating agency. IDB at the regional level was a part of the project in the first and second phases but has recently ceased funding the project. The main objective of the initiative is to modernise political parties in Central America, the Dominican Republic and Panama by providing training and capacity building on many different issues (such as political party funding, the media and the MDGs) as well as increasing contact and networking opportunities between parties of all ideological persuasions. The project targets political parties with representation in parliament and has included over 50 parties in seven countries. **As a regional project, it has been able to address issues that would have been too contentious at the national level, although some activities have been moulded to suit national specificities.**
40. *Work in Central America oriented to Output 2, strengthening political representation and participation of poor and excluded people, has also included a number of smaller projects.* For example, some support has been given to disabled groups. Support has also been given to political reform in Honduras.

3 *Did the programme do what it did efficiently?*

Management and staff

41. As discussed in greater detail in Annex 3, at the TF level, the KMG TF at the IDB seemed to suffer from considerable management problems that may have detracted from its efficiency. One of our observations in that annex is that *the PSPS programme may have suffered from not having a secondee at the IDB who could have helped bring greater coherence and unity to the PSPS window. At the WB, on the other hand, the management of the TF was tight* and it was considerably strengthened when the fund was moved from the PREM department to the OSU after

the mid-term evaluation of DFID's RAP raised concerns that the fund had been captured by governance experts.

42. With regard to each of the sub-regions, ***all the available indications suggest that the PSPS programme was managed in an exemplary way, with exceptional energy, consistency of vision and attention to detail.*** In fact, one of the key strengths of the DFID programme that was highlighted across all three regions was the expertise and commitment of its staff. Staffing resources often seemed barely appropriate, and it is a testament to the quality of the different DFID advisors that they were able to accomplish as much as they did while operating at bare minimum. As a result, DFID has been able to deliver well-linked interventions at relatively very low cost, with no obvious examples of waste or inefficiency. In general, projects produced their outputs or are on track to do so.
43. ***Within this context, there are some points to note about the way programmes and projects were managed from which there may be useful learning to be extracted.*** Informants, including a large range of present and former partners of DFID, were in general hard pressed to name specific hiccups in their relationships, other than the large issue of the inconsistency of strategic direction from headquarters and the resulting unpredictability of support. However, when pressed, World Bank interviewees in two cases cited tensions about the selection of consultants for DFID-funded Bank activities and PAR partners could not avoid mentioning the rather extended experimentation that has characterised the programme's management structure.
44. The first issue is not really one of efficiency, but relates to a tension within the model of working both 'around' and 'with' the Banks. It is therefore discussed in the next two sections.
45. The second issue is about efficiency and decision-making processes within DFID. ***Within only three years, PAR has had three different management structures,*** involving:
 - DFID Andes managing numerous small contracts, one for each partner organisation;
 - DFID outsourcing programme management to the Ecuador office of a large US-based international NGO, Pact; and then
 - DFID resuming central management and exercising stronger programme leadership, hiring a manager and consolidating the programme around a small number of medium-sized contracts with core partners.
46. Without getting into too much detail, it is clear to most observers that the first option was unsustainable but that the second was a mistake, inconsistent with the purpose and intended mode of operation of the programme. It produced frictions among the partners and was responsible for slowing down, for example, the production of suitable publicity materials for the programme, and may well have reduced PAR's ability to draw in and influence the biggest municipal player, *Federación Latinoamericana de Ciudades, Municipios y Asociaciones de Gobiernos* (Latin American Federation of Municipal Associations – FLACMA). The third option appears appropriate to the purpose and approach, and has permitted rapid progress to be made on some of the delayed tasks during the past few months, although it is not now going to be given time to prove itself properly.
47. It appears that the decision to outsource the management of PAR was taken under pressure within DFID to reduce in-house management. We do not know the details

but it seems possible that this was done under the influence of the current policy mantra of reducing the share of administrative costs in spending. It may also have reflected a concern about ‘sustainability’, given uncertainties about the long-term future of the Latin America programme. To the extent this is the case, there is a lesson to be learned by DFID global. ***It is a mistake to make decisions about programme management on the basis of general norms concerning ‘efficiency’ or sustainability.*** Inappropriate use of these kinds of criteria may seriously compromise the features of the programme that are most important to its effectiveness.

Regional vision

48. ***To what extent did DFID staff share a concept of working ‘regionally’ under the RAP?*** This was discussed at some length in the mid-term evaluation. The answer still seems to be that the different sub-regional offices (as well as the TFs)) took somewhat different views of the matter, each of which made good sense in their context, and that made sense regionally.
49. ***In the Andes, PAR has been ambitiously regional,*** with members in numerous South American countries, including Brazil. Projects with the Banks were sustained in Bolivia, Peru and Colombia, but only the gender mainstreaming one with the WB had multi-country scope. There was ongoing collaboration with partners in Peru and Ecuador as well as Bolivia on political parties, but this was less intensive than in the pre-RAP period.
50. ***For the office in Managua, regional was interpreted to mean sub-regional.*** DFID staff have a clear sense of the Central American sub-region, as well as of their priority countries within it (Guatemala, Honduras and Nicaragua). The annual Unit Papers produced by the DFID Central America office to guide allocation of the DFs are specific about the criteria used to determine whether a project could be considered regional or not (as a minimum more than two Central American countries need to be involved). The political parties work is the most regional in this sense, with most of the other projects focusing on DFID Central America’s three priority countries.
51. ***After an initial period of hesitation, the Brazilian office has come to the view that they should take Brazil as their region.*** This has two implications: first, to do work in particular states of Brazil which can then be applied in other parts of the country (e.g. LAMIT work on municipal simplification with the IFC that was first completed in São Paulo and is now being replicated in the northeast); and, second, to promote Brazilian examples of best practice for use in other parts of the world, including throughout Latin America, as well as to showcase WB innovative and pilot exercises in Brazil to be replicated in other Bank country offices/regions and/or to become institutionalised at the HQ level in Washington, DC.
52. One example of the second way of working was the participation of Ernesto Jeger (Governance Advisor in Brazil) in a conference organised by DFID, the Organisation for Economic Co-operation and Development - OECD, IDB and the WB on performance budgeting in Mexico. Here, DFID was using the time and expertise of Brazilian staff to bring Brazilian lessons to other parts of Latin America. It also sought examples of best practice from other parts of Latin America to help the Brazilian government solve development problems – for example, DFID helped the government obtain information about legislation in Mexico and other Latin American states on violence against women. Another example is that PREM, Human Development (HD) and OSU staff from the WB piloted an approach to examine governance issues in the ‘service delivery chain’ in Brazil whose methodology was applied by the Bank in Honduras.

53. *Less frequently, the Brazilian office has also worked regionally in a more traditional sense by funding work that compares experience across South America.* A PSPS example of this is the funding (through DFs) for the IDB's political economy of the budget work. DFID Brazil has provided funding for the Andean case studies, for a consultant who is helping to unify the case studies and prepare them for publication and for disseminating lessons learned from these studies in London. The initial funding was provided during the interim period before the TFs were established based on a series of exchanges between Carlos Santiso (then DFID UK), Ernesto Jeger and Carlos Scarstacini (IDB). Santiso's input and urging was crucial to the provision of funds. These relationships helped spur the later aspects of the project as well. The later support for the consultant was funded by DFID Brazil because the research division of the IDB doing the studies was not eligible to access the IDB TF (see also section on links between TFs and DFs below).

4 *Was the programme effective?*

54. Effectiveness is about downstream results. *In the case of a three-year programme that is still in the process of being closed this question is largely about being on track rather than about actual outcomes or impacts.*
55. In fact, according to modern ideas about 'theory-based' evaluation, it should be largely about assessing whether the programme logic or 'theory of change' remains plausible and valid in the light of the implementation experience. *The question then is whether the predicted results could reasonably be expected if the programme were to continue.* This is the approach taken here.
56. We have established what the overarching PSPS programme logic is, emphasising the plausibility of the notion of working 'with', 'through' and 'around' the WB and IDB to influence the policy and institutional environments in a number of Latin American countries in favour of inclusive development and the MDGs. We have also described how the main components of PSPS in the Andes have been consistent with that general approach. *We now consider how well the specific programme theories have stood up in practice*, but before going into specific detail it is worth highlighting two key points:
- As discussed below, the RAP approach applied within the PSPS programme has imperfections and several inherent tensions, notably between the Washington-based and country-based levers, and between aspects of working 'with' and 'around' the Banks.
 - In several areas, including regional lesson learning (PAR) and political party work in the Andes, PSPS projects were just getting into their stride and proving their potential to influence the determinants of development results when the decision was announced in 2008 that the programme would not be renewed and that the RAP in general would be closed.

Working 'with' the Banks

57. *The theory of change supporting the work done 'through' or 'with' the IFIs argues that it enables Bank staff to do things that they might have wanted to do but would not have been able to do without DFID's support.* It claims furthermore that this can enrich the country policy context either through the impact of the Banks' analytic and advisory assistance (AAA in WB terms) on country policies or institutions, or by influencing their lending portfolio. Examples of significant changes in the lending

portfolio are relatively hard to come by, and there are many sceptics who doubt the influence of ideas on the pattern of IFIs' lending, given the other large forces influencing these things. However, *convincing examples of activities being undertaken that would not otherwise have happened, with likely effects on the content and calibre of the policy debate in the country, are numerous.*

58. The general sentiment emanating from the evaluation interviews in Nicaragua and the Andes was that DFID was providing funding for work that the Banks were interested in doing anyway. However, many interviewees did admit that without DFID funding their projects would not have gone ahead. *Thus, it seems accurate to describe much of the collaboration between DFID and the IFI researchers involved in the TFs projects as a 'meeting of the minds', as one WB interviewee put it.*

Working 'with' the Banks: Examples

59. *Several of the most attractive examples are not about the specific effect of the activities, but about the cumulative effect of DFID-supported activities starting before the RAP period*, of which the listed activities could be considered the final tranche. This, however, seems a reasonable basis on which to make an evaluation, given the typical long term payoff period of activities of these types.
60. *There are different views regarding the value of activities that simply involve wider civil society consultations about the IFI's CASs.* On the one hand, in the Andes sub-region, some informants are very sceptical about the value of this type of support. In Peru, one NGO interviewee characterised the WB consultation as a 'carnival', given the lack of adequate pre-circulation of documents and other signs of seriousness on the Bank's part. On the other hand, the WB's in-country consultation process for country strategies includes the Nicaragua consultation process as a best practice case. This process was funded by DFID with DFs from the Central America office, with DFID advisors playing a crucial and interactive role in designing and supporting the process throughout the country (see Box 1).
61. Doubts are also expressed about DFID's support to the dissemination of the WB's analytical work, particularly if the work itself is not path breaking and the dissemination is done unimaginatively. *The best examples refer to cases where the findings went beyond routine and some imagination was shown in translating the implications appreciated outside of the capital and in the largely oral milieu in which political debate about policy options takes place.*

Box 1: WB Nicaragua and in-country consultation process for the Country Programme Strategy

For the first time in Nicaragua the WB chose to embark upon an in-country consultation process involving multiple stakeholders in multiple country locations. Prior to this, in-country consultations on the strategy had consisted of a 'one-day meeting in a hotel in Managua'. This new in-country consultation process, funded by DFID, was done in conjunction with the new Nicaraguan government, civil society, the private sector and other donors. It was conducted in all of the provinces of the country, including the Caribbean coastal regions (usually ignored in Nicaraguan development plans). The consultations consisted of presentations made by the government and the WB on recently completed analytical work (such as PER and poverty analysis), reviews of the current strategy and portfolio and an explanation of the rationale and objectives for the new strategy. Technical workshops were also held on the WB's priority issues of rural financial services, access to land, energy, transportation, nutrition and gender.

The WB initially approached DFID with the interest of carrying out more inclusive in-country consultations. It then worked closely with DFID advisors to design the process. As the WB describes the scenario, it was a 'meeting of the minds', where it went to DFID with an idea that it knew DFID

would be sympathetic towards and then they worked together to develop a proposal that would be acceptable to both. DFID was hence instrumental in the workshops taking place at all through the provision of technical assistance and funding, but it cannot be concluded that without DFID a more inclusive consultative process of *some kind* would not have taken place.

62. ***A good example of this is the first phase of the WB's RECURSO exercise in Peru, whose focus was quality and accountability in health and education provision.*** DFID's co-funding of this initiative allowed the dissemination to move well outside the usual circle of national stakeholders, into the provinces and involving social movements that ordinarily are not reached by this type of work. A video of the process was produced and disseminated. Subsequently, the findings of RECURSO, which include evidence on the heavily regressive impact of public spending transfers in several fields, were used as a hook with which to engage Peruvian political parties in policy dialogue ahead of the elections that brought Alan García to the presidency. The recommendations led to the development and implementation of key education policies targeted at improving the quality of education and competencies of teachers in the state sector. A comparable example in Guatemala is described in Box 2.

Box 2: WB Guatemala social auditing study

In Guatemala, DFID Central America funded a study on social auditing to create government awareness on the need to improve government instruments (such as budget reporting) to allow civil society greater access to information and improve accountability. The study documented the experiences of social auditing by civil society, a mapping of who was doing what and made recommendations for the government.

According to DFID, one of the key successes of this work was that the WB was able to convene a meeting of several government ministers to discuss the study and its implications, with follow-up work, including several workshops funded by DFID, to further discuss the issues. This domestic buy-in to the issue facilitated and allowed for the inclusion of a component on social auditing and transparency in the new WB Governance Programme (i.e. loan).

63. These are add-ons that staff from the IFIs say they could not have benefited from in the absence of DFID's support, which had an operational flexibility that is rare. In the case of the dialogue with political parties, in Peru, for example, the WB would have been nervous to take this up on its own. Regrettably, these examples are typical of the quality of DFID-WB partnership that was possible when a bilateral programme office still existed in Peru; the funding for RECURSO came from the remains of the bilateral budget. Nonetheless, they confirm the realism of a programme theory that sees guided marginal additions to funding for AAA activities by the WB as a route towards transforming country policy environments.
64. ***Secondments or co-funding of advisory appointments are another strand of working 'with' the IFIs that remains plausible in the light of this experience.*** Although there were no secondees in Washington, the PSPS programme did have secondees at the sub-regional level. The assumption is that secondees are likely to work best when the appointees are well chosen, which seems to have been the case of the IDB placement in La Paz and the co-funded governance post in Lima. Both involved experienced former senior public servants with economics backgrounds. The IDB secondee in La Paz has been co-chairing the main donor working group on behalf of the IDB and has done an effective job in steering the Paris Declaration discussion in Bolivia under unusually challenging circumstances. He has also provided an important link to the Colombian PIRS support. The governance specialist in Peru has a work programme including budget transparency, results-based budgeting, civil service reform and sub-national governance. He is able to work in a way that parallels DFID working, allocating small funds to strengthen key capacities and encourage political sensibilities in WB and government operations. In addition,

DFID advisory staff such as Saul Morris (Statistician leading on Strand 4) and Ernesto Jeger (Governance Advisor in Brazil leading on Strand 3) carried out ‘mini-secondments’ to help the IFIs design programmes.

65. ***Supporting the inclusion of political economy analysis in country strategy work has had some success in Central America.*** However, this has fallen well short of the logframe target of getting this sort of analysis into more than 50% of new WB CAS and IDB CSPs between 2007 and 2008 – which was perhaps too ambitious an aim.
66. ***The activities ‘with’ the IFIs that are most interesting and potentially effective are, however, those that include a link to working ‘around’.*** This is the case of the major WB study on social protection in Bolivia that has been supported using DFID international networking (e.g. funding of a visit by an expert from the International Poverty Centre in Brazil). But it has also been enriched by the documentation of a practical experience in urban social protection arising out of the ‘learning laboratories’ organised by PAR in Santa Cruz. **This input may not only improve the technical quality of the proposals the WB will be making to the government of Bolivia, but also help create conditions for its uptake and effective implementation.**
67. ***The attention given to influencing country policy environments via the AAA work of the IFIs, rather than through their loan portfolios, is particularly relevant to the case of Brazil.*** In the PSPS logframe, many of the results indicators are about incorporation of new policy priorities into loans. However, achievement of these results is compromised by the fact that the Brazilian government no longer wishes to borrow from the IFIs. The IFIs, for their part, are only just beginning to lend to sub-national governments, in the face of some resistance from the central government (given a history of debt sustainability at the national level being compromised by high and unsustainable levels of borrowing by states).
68. In this context, the WB is finding new ways to work in Brazil. Although the IDB has been slower to start working as a ‘knowledge institution’, ***there are good reasons for the focus of DFID collaboration with both Banks to centre on relatively sophisticated country analytic tasks.*** Two examples of such work are worth discussing:
 - **Political economy analysis of sub-national public sector reform:** This was a large piece of research which analysed the political drivers of public sector performance across six Brazilian states. The study sought to answer questions such as why some states are better at promoting economic development than others and why corruption is more prevalent in some states than others. The project was done in loose coordination with the IDB, and results were presented to the WB as well. While it is considered an excellent piece of academic work, the use of the study to inform IFI lending programmes (which is the logframe indicator) could not be positively confirmed by interviewees.
 - **Politics of the budget in Latin America:** DFID Brazil funded a series of IDB case studies in the Andes on the political economy of the budget process. Later, DFID provided support for the unification of 10 case studies that had been carried out in the Southern Cone and the Andes, preparing them for publication as a single book. DFID Brazil also funded a trip to London for the Brazilian experts from this project to discuss their findings with peers at the ODI, LSE and Oxford.
69. ***The new 2008 WB country strategy for Brazil is consistent with many of DFID’s objectives in the country.*** The country strategy puts emphasis on working as a knowledge institution and improving governance at the state level. It also addresses

income inequality. None of these were priorities for the WB in Brazil under previous CSPs. DFID was instrumental in helping the WB become a ‘knowledge bank’ by brokering relationships between the Bank and the government of Brazil in terms of access to the ‘international expertise’ and ‘best practices’ from OECD countries and the OECD itself. The strategy is also oriented towards Brazil’s role as a global player and a mature partner, corresponding with the new DFID agenda in Brazil.

70. ***DFID Brazil staff are acutely aware of the attribution problems involved in demonstrating progress towards indicators in the logframe*** (e.g. under Output 1 in the Logframe: ‘three IDB and/or WB country strategies better reflect use of new governance, political and inequality analysis by end of year 2007/08’). However, they do claim that they have contributed to the shifting strategy of the WB in Brazil. Primarily, they believe that they have helped the WB work constructively with the Brazilian government despite the fact that Brazil is not an aid-dependent country. They believe this to be a major takeaway in terms of IFI influencing. Despite the attribution problems, this seems relatively plausible given the depth of the relationship with the WB.
71. ***There is also evidence that DFID Brazil contributed to the PSPS purpose as spelled out in the programme Logframe ‘to support the IDB and World Bank to better integrate citizenship and rights of the poor and excluded in their approach to governance’.*** This was done through their work on gender and race, which was largely following up on work that had been commissioned through bilateral funds in the pre-RAP period.
72. ***New work commissioned by Brazil under PSPS was less explicitly focused on the purpose defined in this way.*** While a specific reason for this change in strategy was not provided by the staff interviewed, the rationale seems to be related to the expertise of the Brazilian team. Ernesto Jeger, as the Brazilian Governance Advisor, chose to focus the PSPS programme on public financial management, an area in which he had previous experience and expertise. This paid off in the sense that PSPS in Brazil found a very constructive way to work together with the WB on governance and public financial management.
73. ***The weakness of this strategy lay in the extent to which DFID Brazil’s governance strategy began to mirror that of the WB.*** This was reflected in the opinion of several interviewees that DFID has compromised some of its positive attributes by working so closely with the WB. They point to the limited evidence that DFID was able to significantly shift the agenda of the WB’s Governance Programme after signing the MoU (see Box 3). Nonetheless, as noted above, the new WB country strategy for Brazil does contain an agenda that is more in line with DFID’s than previous strategies were.

Box 3: The Good Governance MoU with the WB in Brazil

The most interesting lesson from the Brazil office for the PSPS programme may be a related to procedure rather than content. DFID and the WB found an innovative way to work together on a consistent and ongoing basis, which also lowered transaction costs and ensured that most projects done by the WB on governance issues were collaborative with DFID. DFID hoped that this would in turn increase their ability to influence WB policy.

While there was already good collaboration between the WB and DFID, the two organisations sought a way to formalise their working relationship that would also lower transaction costs for DFID support to WB AAA work. The governance advisor from the WB, using a model she had used previously in Russia, pursued a MoU with DFID Brazil that would allow the Bank to access funds quickly on an as-needed basis. The total value of this MoU was US\$200,000 each fiscal year from 2007, and a variety of

activities including conferences, seminars and public expenditure and financial accountability assessments were undertaken.

The MoU had two effects beyond the spending it included: first, it ensured that DFID input in the WB's governance work was nearly assured, as it was kept up to date on the large majority of activities the WB was doing. This allowed it to have an ongoing influence on the way that the work developed. Second, it allowed DFID Brazil's governance team to work closely with the WB, giving its time and expertise as an additional input to the programme. The participation of the DFID Brazil governance advisor in the activities the WB undertook within the AAA ensured that DFID was able to shape the programme.

Working 'around' the Banks: PAR

74. ***As argued before, the most innovative aspect of the programme theory of PSPS*** is in the combination of working 'with' and 'around' the IFIs, to alter their incentives and behaviour by changing the environments in which they work at country level. The mid-term evaluation suggested that a most promising example of this within PSPS was PAR. This evaluation confirms that conclusion.
75. ***The programme logic of PAR is a variant on the general formula of engaging and brokering constructive relationships in a multi-stakeholder environment.*** The programme can be visualised as an application of the DFID global idea of using political economy analysis to design programmes that are sensitive to political aspects of the country and address development problems accordingly. It is explained in these terms in Box 4.

Box 4: From diagnostic political economy to programme design: PAR

Background: Latin American governments have taken substantial steps in recent years towards decentralising control of state resources for basic service provision to various tiers of sub-national government. The governments of large metropolitan areas and smaller cities, as well as urban/rural municipalities and departments of different sizes, are now key actors in development and the attainment of the MDGs. In many of them, there is a new sub-national politics that is more dynamic and possibly less dysfunctional than the national kind. Recognising this, large agencies, including the IDB, have prioritised sub-national lending and policy engagement. However, there are major uncertainties about the ability of the new administrations outside the biggest cities to rise to the challenges and make sound use of the resources being offered them.

Diagnosis: Problems include what are generally referred to as 'capacity' limitations in the municipal authorities, which are partly about scarce technical capacities but also about the patron-client pattern of public employment. The standard remedy of drafting in consultants to run planning offices has a damaging effect on staff morale, and may weaken capacity in the longer term. The IDB has little experience of sub-national lending and is not well placed therefore to help in filling the policy vacuum at this level. Experiences suggesting ways of effectively channelling public funds for pro-poor service delivery despite the prevailing political context do exist in the form of aid-funded, NGO-executed projects in rural and urban areas. However, much of this experience is locked up in internal reports that are not shared, let alone disseminated, in the ways that influence behaviour in an oral culture.

Programme design: The PAR experience shows how institutional diagnostics informed by sound political economy analysis can feed quite directly into relevant and effective programme design. PAR is a partnership between DFID and a small group of NGOs and local government associations from several Latin American countries, including the FLACMA. It is dedicated to addressing the particular combination of problems summarised above by capturing untapped experiences and translating them into policy messages of relevance to sub-national and national governments and the IDB and WB.

PAR has focused on a small number of substantive policy issues, selected opportunistically on the basis either that relevant experience is available and not already being exploited, or that relevant experience can be generated quickly on a theme of emerging importance. Urban social protection instruments and cross-border interactions between local authorities in Bolivia and Brazil have been adopted as initial

themes. Various teething problems have had to be overcome, but both the WB and the IDB have been successfully engaged.

Future prospects: The continuation of PAR in anything like its present form is in doubt. DFID's contribution is indispensable, even if it is not primarily a funding role. Rather, the donor agency is a 'broker', an actor that is capable of moving easily between the sub-national, national and international levels and successfully getting the ear of senior government officials and IFI advisors and opening spaces for policy dialogue that would remain closed if only NGOs and local officials were involved.

76. PAR has been slower to reach maturity as an organisation than might have been expected. However, it has done enough in the past three years to make it clear that it represents a viable model, enabling an official bilateral donor to impact on country policy and institutional environments in a way that would have been impossible by means of direct, bilateral policy dialogue.

77. For reasons to be explained, this does not seem to be a model that will be sustainable in the absence of the official donor support. However, *it is certainly one that would be worthy of emulation in regions of the world to which DFID remains committed.* The elements composing the diagnosis underlying PAR are certainly not specific to Latin America. The qualities that DFID staff brought to the exercise were special in the ways that have been explained. But it is not the case that these are hard to find in other branches of the organisation when the task is suitably defined.

78. *General features of the PAR set-up that lend plausibility to the underlying 'theory of change' include the following:*

- **Despite first appearances, PAR is not simply a network of NGOs interested in policy advocacy;** it combines the specific added value provided by each of its members, including crucially local government bodies, specialised NGOs with their feet planted firmly in particular grassroots situations and an official development agency with considerable high-level networking capacity and convening power.
- While it represents one of the purest examples of 'working regionally' within the RAP, PAR's credibility and functionality rests on the fact that DFID had previously been working closely with several of the NGO partners in the context of bilateral programmes. This longstanding relationship has generated an important measure of mutual trust and responsibility for a significant upgrading of skills and perspectives over the years. This refers particularly to GNTP in Bolivia and components of REDPERÚ in Peru. **This means that there would be limits to the continued effectiveness of the model in Latin America (the PPA relationship between DFID HQ and NGOs working in Latin America does not create the same type of partnership).** However, this does not mean that the model would be unrealistic under different circumstances, such as those prevailing in other DFID regions.
- **The way the substantive themes of the PAR work were selected is a positive example of the power of strategic opportunism and 'gap filling'.**
 - Urban governance work began by capitalising on the groundwork done by a large Dutch-funded project on participatory city planning and citizen security in the poverty belt of Santa Cruz, *Programa de Alivio a la Pobreza* (Poverty Alleviation Programme – PAP). This came to an end when the Dutch switched to a sector programme approach. The former implementing agency and technical assistance staff set up on their own and found alternative major funding, but at the same time began working closely with GNTP and DFID, initially within the Bolivian bilateral programme. For PAR, in the RAP period, this new initiative first generated an urban forum (a substantial

international meeting dedicated to innovations in participatory city management) and then provided a basis for the dissemination of innovative proposals, rooted on the Santa Cruz experience of urban poverty and social protection.

- The cross-border work was a fresh theme when PAR adopted it. However, it filled a gap in the sense that the Brazilian side of the border with Bolivia is well endowed with an entire federal government vice-ministry devoted to border issues, a large national development bank prioritising lending to outlying prefectures and a substantial and respected think-tank on municipal government, IBAM. The theme is about enabling the Bolivian actors to be capable of relating effectively to their Brazilian counterparts, as well as to access IDB borrowing and expertise. The involvement of the Brazilians in turn makes it more possible to interest Bolivia's central government and the departmental authorities of Santa Cruz and Beni in the social and environmental issues of Amazonia and the Pantanal. Specific results from the work so far include regular working relationships across the border between municipalities in Amazonia, based on the outcomes of a bi-national mayors' reunion and the prospect of a bi-national 'commonwealth' between the Bolivian *Mancomunidad del Pantanal* and its Brazilian equivalent.

79. Can PAR survive and prosper following the withdrawal of the DFID funding and advisory inputs at the end of this year? This seems doubtful. ***The removal of the DFID element will remove one of PAR's key members. DFID acted as a connector or trusted broker which differentiated PAR from other NGO networks in the region.*** CARE International, for example, has found the PAR episode a useful instrument in building links between its country offices, as several of them signed up separate; however, it is not clear that CARE needs PAR on a long-term basis and would therefore have an interest in stepping into DFID's shoes. Anyway, and more fundamentally, DFID's shoes are impossible for even a large international NGO to fill. In PAR as well as in other operations, DFID's ability to create dialogue spaces and bring in the larger governmental and IFI actors depends crucially on DFID's global clout and prestige, as well as on the calibre of its staff.

Working 'around' the Banks: Political parties

80. ***The PSPS programme logic is less easily articulated in the case of the political parties work.*** At least in the Andes, that logic cannot yet be said to have been tested by experience in implementation.
81. ***The starting point is unquestionable: donor promotion of pro-poor governance has in general paid too much attention to cultivating demand for change via support to civil society but has not done enough to facilitating the supply of political responses via work on and with political parties.*** A partnership approach has been applied in this field, as in PAR. Since the closure of the Peru country programme, where this work really started, DFID Andes has maintained a strong relationship with a number of international democracy promotion organisations, of which International IDEA is the most central. In Peru and Bolivia, it has continued a close working relationship with the NDI. A first round of studies of political incentives for poverty reduction within political parties was followed up during the RAP period with a study and dissemination programme tracing the crisis of Bolivia's party system during 2004-2006, and identifying opportunities for pro-poor reform.
82. ***These exercises have produced useful contributions to the Latin American debate on political parties,*** which centres on their limited and possibly reducing ability to perform the theoretically expected function of aggregating social demands and

generating policies. They have underlined the strongly clientelistic character of party structures, and the way in which this helps to generate a particularly unpredictable form of presidentialist electioneering and rudderless government. However, IDEA and NDI are not the only shows in town when it comes to providing and disseminating this sort of analysis. Much, therefore, depends on the ability of the analytical work to provide hooks for multi-stakeholder engagements that address practical steps forward.

83. This was the intention behind the Bolivian NDI study, which was supposed to provide a contribution to the discussions of the Constituent Assembly as well as to the emerging issues around politics in the departments. To their credit as a US-based and USAID (US Agency for International Development)-funded organisation operating in a current environment of considerable hostility towards the US, NDI did organise consultations in the regions around the draft report, which involved mixed audiences, including members of both sides of Bolivia's polarised political spectrum, the ruling *Movimiento al Socialismo* (Movement for Socialism – MAS) party and the youth wing of the Santa Cruz civic movement. However, this work was modestly funded and occurred under extraordinarily difficult political circumstances. Therefore, ***the feasibility of moving on from producing studies to facilitating change has scarcely been tested.***
84. NDI is constitutionally committed to a pluralist, neutral approach, one that is unconditionally supportive of representative democracy. Its agenda is consistent with promoting a programmatic concern with poverty reduction and social inclusion, as these policy issues are in principle relevant across the ideological spectrum. It may nevertheless be that it, like IDEA, is more suited to long-term capacity building for democratic politics than to finding and promoting immediate solutions to the acute inner-party incentive problems that its studies reveal.
85. ***Latterly, the DFID Andes political party work included an additional strand based on joint working with the Bolivian Association of Political Scientists.*** Still partly based on support to the writing and dissemination of studies, this collaboration included drawing donors and country stakeholders into forum-style discussions on party reform and conducting opinion surveys on the subject. Unlike the NDI work, it has generated specific proposals for reforming the party system to make it more relevant to today's political realities, by combining elements of direct as well as representative democracy. The collaboration was in its early days and will now cease. However, it is arguable that it came closer to articulating the general PSPS programme logic, and that the latter could yet have proved to be applicable to the obviously sensitive and difficult field of political reform, even in the exceptionally challenging conjuncture of Bolivia today.

Working 'through' the Banks

86. As discussed in greater detail in Annex 3, ***it may still be too early to assess the different PSPS projects supported through the TFs.*** However, many of the individual projects undertaken at each Bank have been considerably innovative, have had important catalytic effects and have enabled them to tackle issues they would have otherwise not been able to and to engage with partners outside the usual suspects (e.g. unions) and, in this respect, they have constituted considerable added value. For example, the governance reviews that started in the IDB as pilot projects with KMG funding have now become institutionalised and have been undertaken on a more systematic basis in a series of countries. At the WB, many PSPS projects helped support a delicate dialogue with respective country governments, giving it a way into

difficult political areas (e.g. work in the Department of Chocó in Colombia, which is among the poorest and most violent).

87. *At both IFIs, one of the most significant contributions of the PSPS programme has been the priority it has given to the generation of data and their dissemination and integration into projects as a key basis for evidence-based policymaking.* Several different systems have been developed/expanded/etc., including EQxIS and DataGob at the IDB and the regional award for innovation in statistics at the WB.

Sustainability

88. *There is a general problem with the sustainability as well as the impact of PSPS programmes and projects at the sub-regional level that does not reflect a weakness of design.* The most significant programmes were, quite rightly, not designed to become self-sustaining within the space of two to three years. In the case of PAR and the political parties work in the Andes, impact would have been achieved only if DFID had remained actively engaged for an extended period, because the DFID contribution was about much more than funding.
89. *In Central America, too, the sustainability of the gains from the PSPS programmes is going to be minimal.* While the political party work will continue with funding from other donors, no other actors can fill the role that has been played by DFID on IFI CSPs. Without DFID technical input and support, it is unclear how future CSPs will have the same focus on the poorest and most marginalised that DFID has consistently brought to the table.
90. *In Brazil, partners commented that 'DFID is stepping away a bit too early' for the work to come to fruition.* The timing of the changeover from the PSPS and LAMIT programmes to a 'BRICs agenda' is also politically inconvenient, as there is a presidential election in 2010 and more work is needed to ensure that governance work in particular continues to have an impact on and after that election. For what it is worth, the reaction to the latest change in DFID strategy was less dramatic in Brazil than the reactions to the closure of the bilateral programme (as reported in the mid-term evaluation).

5 How well has the collaboration with the IFIs worked?

91. The analysis provided throughout this annex has touched on several different aspects of how DFID collaboration with the IFIs has worked. Several of these are highlighted briefly below, while broader issues related to relations with the TFs and the IFIs more broadly are addressed in Annex 3.
- As with the other programmes, *the quality of the staff in charge of the PSPS programme was critical to the value that DFID added* to the relationship between both sets of organisations. In general, field interviews revealed that DFID staffing is held in very high regard and is deeply respected.
 - *An important feature of PSPS is that it was able to work 'with', 'through' and 'around' the IFIs.* This feature of the PSPS programme provided it with an additional lever to build credibility and influence the IFIs from the outside (with partners exerting pressure from the bottom up).
 - Yet *a significant evaluation finding is that the full panoply of working 'with', 'through' and 'around' the IFIs was rolled out fully only in Bolivia.* This is not surprising. As the mid-term evaluation of the RAP pointed out, the RAP approach would not be viable at all if DFID were to have no 'foot on the ground'

whatsoever in the countries covered. In practice, working around the Banks has been possible in Bolivia, where the sub-regional office has been located. Even though PAR has partners in both Peru and Ecuador who are engaged in similar work, PAR has dedicated most of its efforts to Santa Cruz and the borderlands with Brazil. Important partnerships have been maintained with the IFIs in Peru, but on the basis of working ‘with’ them only.

- ***This apart, the collaborations with the IFIs at the country and regional levels have worked well.*** The only snag mentioned by the WB interviewees had to do with the choice of consultants. The conflicts in question involved a clash between the Bank’s procurement norms, requiring use of the lowest-cost supplier, and DFID’s commitment to building long-term partnerships with local organisations such as GNTP and joining up the different activities being supported. So, while GNTP did not appear to the WB staff to be the preferable contractor from an economic point of view, DFID valued both the quality of GNTP’s delivery and the opportunity to draw together the policy development work being led by GNTP in Santa Cruz and the high-level analytic work being done in La Paz and Washington.
- ***This issue illustrates what may be a more general tension within the ‘with and around’ formula.***
- Major themes in interviews with informants other than IFI staff included:
 - The value of initiatives, such as the one around social protection in Bolivia, that force WB staff out of their normally introverted ways of thinking and invite them to take on board ideas generated on the outside;
 - The value to the WB of being able to turn to a well-informed DFID country office as a means of offsetting poorly informed guidance from Washington;
 - The openness of the country staff of both IFIs to new ideas and initiatives, when these are rooted in experience (although the role of DFID as a bridge between NGO field experience and Bank thinking was also stressed);
 - The dependence of successful DFID–Bank collaborations on meetings of minds with specific individuals, making them rather vulnerable to staff turnover (usually more of a problem on the Banks’ side);
 - The continued centralism of the IDB’s decision-making processes despite the introduction of the new matrix structure, meaning that partnerships are less easy to establish with country offices directly and Washington contacts are essential; and
 - The IDB’s interest in political and governance matters, which was stronger under its former president, Iglesias, than under the current one, Moreno, resulting in a lesser impact of the streams of work on politics and governance than might have been expected.
- The more important issue regarding working with the IFIs highlights ***the ability of the TFs to add value to the collaborations funded with DFS***, and the factors influencing this. This lack of synergy between the different types of funds has been identified as a consistent problem, and while at least with LAMIT it is possible to point to a few, if limited, examples of joined-up work, with PSPS this is even more difficult (from the conversations we had, it seems that the WB project on service delivery in Central America is the main example).
- In Central America, for example, concerns were raised regarding the success of TF-supported projects contributing to the goals and purpose of the PSPS programme. DFID Central America had ‘very little voice and no vote’ in the selection process in WB or IDB trust funds. The governance advisor felt that perhaps 40% of projects supported by the TFs were ones that fit in with DFID’s priorities. Moreover, in her view, the fact that they got funding was often down to luck. This points towards poor communication and information sharing about the respective funds between Washington and the regional offices (with DFID

London not being able to fill the information gap and act as a conduit between the two). It also captures the sense of competition that remains between TFs and DFs, also mentioned in Annex 2 on LAMIT.

- DFID Brazil has formed an excellent and deep relationship with the WB office in Brazil on PSPS as well as LAMIT, but has been less successful in finding concrete ways of working with the IDB. This owes not only to an excellent personal relationship between the governance advisors at the WB Brazil and DFID, but also to the fact that WB advisors in Brazil are empowered to move things forward quickly. On the other hand, the process of devolution/decentralisation at the IDB remains slow (despite the restructuring), and task managers and sector leaders are based at the HQ level. Thus, not surprisingly, work formally completed with the IDB (e.g. funding for the political economy of the budget studies) was based on good contacts with staff in Washington rather than staff in Brazil.
- In all of the sub-regions, the fact that the two Banks are competitors in the *loan and advice markets has been an obstacle to DFID efforts to facilitate collaboration between them, even in analytical work*. There are exceptions, but they tend to involve analytic work that has been funded by bilateral donors or has benefited from DFID technical inputs. Box 5 illustrates this for Central America.

Box 5: Knowledge sharing and joint work between WB and IDB in Central America

The WB and IDB were producing their country strategies for Nicaragua at approximately the same time. Although some interviewees in both Central America and Washington indicated that the initial desire was to have a joint strategy, this did not prove possible in the end. However, the WB and IDB did engage in some dialogue on shared interests and priorities while also sharing information on similar issues.

With regard to information sharing, the IDB provided: i) a policy note on indigenous people and afro-descendants (funded by ENLACE); ii) a gender assessment (funded by Sida); and iii) ToR for the institutional governance assessment.

The WB shared: i) ToR for PERs (DFID provided technical input); ii) ToR for the institutional governance review (DFID provided technical input); iii) some of the data generated from the Voices of the Poor study and poverty assessment; and iv) policy thinking on issues such as nutrition and governance (DFID provided technical input).

It can be seen that DFID (including staff in Central America and the ENLACE secondee at the IDB in Washington) provided technical input into many of the outputs that were eventually shared by the banks. DFID advisors in the Central America office worked hard to facilitate conversations and knowledge sharing between the Banks in-country, being active in conveying messages about what the other partner was doing and suggesting ideas of how the two Banks might collaborate. They have had some limited success in brokering dialogue between the two, but much of the success of the increased engagement lies in the personal chemistry and interaction between the country heads of the two Banks: in this case they happened to be friends and had a certain level of trust and goodwill already between them. Therefore, the conclusion is that this dialogue was possible only because it was an idea that the Banks were already open to. In other countries, encouraging greater dialogue between the Banks has been far less successful owing to lack of incentives and political will and the different hierarchical structure of the Banks (senior WB people sit in country while senior IDB people are based in Washington).

Annex 2 LAMIT programme review⁵¹

1. This annex focuses on DFID's LAMIT programme. The analysis provided here looks in particular at the general findings emerging from the three DFID sub-regional offices, while discussing the Washington-based TFs in a more limited manner where relevant. These TFs are analysed in greater detail in Annex 3. To the extent possible, the findings are organised following the four programme-related questions provided in the evaluation ToR. The annex also touches upon the fifth question (on how well collaboration with the IDB and the IFIS has worked).

1 Was the programme adequate and justified?

LAMIT's goal, purpose and outputs

2. The LAMIT programme consists of the following elements:
 - A TF located in the INT of the IDB on Trade and Poverty (MTP);
 - Another TF at the IDB, which is shared with PSPS (KMG) and originally sat in the SDS, but moved to the Bank's poverty unit as part of the restructuring;
 - A fund at the WB shared with PSPS (MGPR TF);
 - A secondee placed within the INT at the IDB; and
 - DFs within all three DFID regional offices.
3. As with PSPS, LAMIT programme logic was derived from the wider RAP logic, in which, as mentioned above, the goal of reducing poverty and inequality in Latin America is promoted through efforts to enhance the quality of IDB and WB policies and practice and by optimising countries' participation in regional and global development dialogue (RAP Integrated Logframe). As stated in its programme purpose, LAMIT places a strong emphasis on assisting the IDB and WB Group to better facilitate the access of poor men and women to markets and international trade (LAMIT Logframe).
4. There are three interrelated outputs in the LAMIT logframe⁵² through which to achieve the programme's purpose:
 - IDB and WB develop and disseminate good practice enabling country strategies to be more responsive to poor and excluded people's interests in the areas of markets and international trade;
 - Innovative policies and approaches to private sector development that promote pro-poor market access are created and disseminated by and within the IDB and WB Groups;

⁵¹ This report was prepared by Lauren Phillips with inputs from David Booth, Malcolm Geere and Alina Rocha Menocal. As with the annex on PSPS, it is based on information generated from the field visits to Central America (Nicaragua), the Andes (Bolivia and Peru), Brazil, and Washington, DC, as well as documents provided by DFID and the Banks. All those interviewed for this LAMIT review are included in the list provided in Annex 5, which lists all the people the ODI team (including Malcolm Geere from DFID) spoke with as part of this evaluation exercise.

⁵² The original LAMIT logframe was prepared in July 2005 but it was revised at the end of 2006 because it was deemed too unrealistic, especially in terms of its expectations in Outputs 2 and 3 that policies and approaches at both the IDB and the WB are implemented through specific instruments and trade-related assistance. Doing away with indicators that required specific criteria to be used in major loans (of a certain monetary value) was an improvement on the monitorability of the indicators and made more sense given DFID's outside perspective on the relationship the two Banks develop with their clients, the region's governments.

- Innovative policies and approaches to international trade that promote poverty reduction and sustainable development are created and disseminated by and within IDB and WB Groups.
5. Throughout Latin America, high levels of poverty and inequality persist despite improved growth rates and a considerable move towards trade liberalisation and integration over the past two decades. As such, there has been a growing concern among (domestic and international) policymakers and other relevant stakeholders to identify mechanisms through which markets and trade can be made more pro-poor. Against this backdrop, the LAMIT programme approach is well justified and the design of the outputs is also appropriate.
 6. ***Overall, LAMIT has made some excellent progress in creating several genuinely regional projects and catalysing and supporting significant innovations in the work of the IFIs (both through the DFs and the TFs).*** As a result, the programme has made considerable strides achieving many of its outputs, despite some weaknesses in the coherence and execution of the programme in two of the three regional offices (Andes and Brazil) and despite the lack of a greater strategic and more programmatic approach from the TFs, especially in the case of the one in the WB (see Annex 3 for more on the TFs).

Focus of LAMIT

7. More specific findings on the formulation, focus and clarity of the programme have suggested that ***the primary shortcoming was that it was initially insufficiently focused, and that the London, regional and Washington-based teams learned together throughout the implementation period*** that more precise strategic priorities needed to be given by DFID to guide the independent parts of the LAMIT programme towards coherence. Thus, in 2007, TF coordinators in the IDB and WB were asked to focus their activities towards SMEs, for example. This refocusing process appears to have been easier for the IDB and WB to take up than for the regional offices – perhaps because the latter were constrained by existing projects and partnerships whereas the IFIs had a huge pool of demand for the TFs that they could guide towards DFID priorities.

M&E & lessons emerging from the programme

8. ***The other important shortcoming of the programme was the weak provision made for M&E of LAMIT,*** a weakness also pointed out in the mid-term evaluation with regard to the RAP as a whole. As individual projects funded under LAMIT were all very small by DFID standards, there were no procedural requirements to monitor and report on the outcomes of each project. Additionally, consistent with DFID policy, authority for the approval of projects was delegated downwards to the TF TRC and the regional heads of office.
9. As noted in Annex 1 on PSPS, ***it may be unrealistic and impractical to monitor and evaluate projects on an individual basis. The focus instead should be on the dissemination and sharing of lessons and on knowledge management,*** which were not particularly strong for LAMIT (or the other two programmes for that matter).
10. As a consequence, ***assessing the effectiveness and results of the programme as a whole can be quite challenging.*** As an internal review of the programme undertaken in April 2008 suggests, ‘it has ... been a challenge to measure and understand the impact the programme is having. Impact assessment of development interventions is often challenging but the issues are particularly difficult for a programme like

LAMIT which is largely based on the generation of knowledge products in order to influence operations, country strategies and institutional behaviour'.⁵³ The report goes on to say that 'elements of dispersion have made overall portfolio management, the monitoring and identification of results and lessons, and a process of cumulative learning difficult'.⁵⁴ Second, *it was difficult to evaluate whether the programme was going in a coherent and desirable direction*, in other words, 'whether the whole is greater than the sum of the parts'. Overall, the conclusion of the evaluation is that LAMIT had a number of successes and was a predominately coherent programme. This was possible largely because of the high quality and commitment of the staff working (throughout the region and at the TF level) despite challenging circumstances.

11. On the other hand, despite concerns about a lack of formal mechanisms for M&E in the programme, as expressed above, DFID did assess progress against the logframe at several points in the implementation period. The 2007 annual review and an internal attempt to identify progress and challenges in advance of the April 2008 TF tripartite meeting are just two examples of ways in which the London-based advisory staff kept abreast of the progress with the programme. There were also annual reports compiled by the TFs and visits to the region to look at progress on programmes there.

2 *Did the programme and its activities reflect priorities and policies?*

Overview

12. *The LAMIT programme's activities fall into two broad categories*: large, strategic and regional initiatives in which DFID worked in tandem with a strong outside partner to execute a major programme and affect change; and smaller, generally country-based initiatives that did not always necessarily fit into a broader thematic framework or play a particularly critical role in advancing strategic partnerships. These activities have limited or uncertain impacts. Examples of the former form the major success stories of LAMIT. These include:
 - A project with the WB's IFC on municipal simplification that is truly regional in scope and represents one of the few examples (within either LAMIT or PSPS) of joined-up work between TFs and DFs (see Box 2 in this annex);
 - Work with CENPROMYPE, an SME partner in Central America, that is again another example of collaboration between a TF (Trade and Poverty at the IDB) and DFs (from Central America) (see Box 3);
 - Work with the INT at the IDB to analyse the links between trade and poverty (see Annex 3 in particular);
 - Work to support President Moreno's OMJ initiative at the IDB (see in particular Annex 3); and
 - Projects funded through the WB TF on Micro-finance and Micro-insurance, which have also been supported to a limited extent by DFs (see Annex 3 in particular).
13. Examples of smaller initiatives include one-off projects undertaken in the Andes, Brazil and Central America as well as some less strategic individual TF grants (predominately made in the Markets and Governance TF at both Banks). More is said

⁵³ G. Symons (2008) 'Highlights and Challenges of the LAMIT Programme'. Note for the Coordination Group Meeting, Washington, DC, 10 April, para 13.

⁵⁴ *Ibid*, para 12.

below about how this mix of high quality strategic activities and smaller *ad hoc* activities played out in each of the regional offices.

14. Overall, as with PSPS, the LAMIT programme has enabled the IFIs to do things that they might have wanted to do but would not have been able to. In this respect, there has been an important ‘meeting of the minds’ that characterises DFID collaboration with the IFIs, both regionally and in Washington (see Annex 3 for more on this related to the TFs), founded on the basis of strong partnerships (see Section 4 for more on this).

Central America

15. The Central American office of DFID has done a substantial amount of work since 2006 on consolidating a programme on growth and international trade consistent with the goals and objectives of the LAMIT programme. Coherence of the portfolio improved over time as strong relationships were built with strategic partners in the region, not only including the IFIs but also CSOs in the private sector. LAMIT had difficulty spending its DFs during its first year and most of the activities funded were one-off knowledge sharing or dissemination activities. But as the regional team identified and strengthened key implementing partners, and was able to respond more strategically to requests from the IFIs, an increasing share of the DFs was allocated to larger multiyear partnership arrangements. Leading LAMIT projects in the region include work with RUTA (see Box 1), IFC (which also goes beyond Central America to cover the Andes and Brazil) and CENPROMYPE. This became a strategic package of projects that have collectively contributed to achievement of LAMIT outputs, in terms of both development impacts and improving the pro-poor focus of the IFIs.⁵⁵
16. In addition to these strategic partnerships, *the DF has been used to fund discrete and timely studies to enhance the poverty focus of larger WB- and IDB-funded projects or to allow the IFIs to include components that they would not otherwise have funded.* For example, a DF-funded technical review of the Design of a Partial Credit Guarantee Facility resulted in the WB including a US\$4.5m credit for such a facility within its new \$20m WB loan for SMEs in Nicaragua. It is not as easy to trace such discernible impacts of all of the DF-funded studies, however. For example, the Virtuous Circles analysis, a WB flagship publication intended to ‘sharpen WB thinking on portfolio design’, or the WB study on financial exclusion in Guatemala, whose objective was ‘clearer thinking in IFIs on investment mobilisation and micro-finance for poor indigenous groups’,⁵⁶ have not subsequently delivered longer-term improvements to the effectiveness of the IFIs (although in the case of the Guatemala study the documentation suggests that it was strong and useful). Activities such as these, and the Study on Migration of Rural Nicaraguan Families, lack coherence with the programme as a whole and seemed to remain standalone pieces of work with no subsequent operational impact or take-up within LAMIT or by partners.

Box 1: RUTA

LAMIT DF has been used to fund RUTA, which supports the agricultural sector and producers in Central America and also supported by the WB and IDB. LAMIT funds were used to study the impact of CAFTA and to support regional dialogue around free trade and rural producers with the *Sistema de Integración Centro Americana* (Central American Integration System – SICA). Indirectly, DFID’s support has strengthened the impacts of the IFIs in the region by allowing RUTA to take the methodology of the Banks and apply it at a local level, for example RUTA used the WB Driver’s of

⁵⁵ Although for some projects (e.g. ECLAC climate change work) it is too early to measure impact.

⁵⁶ Both of which were funded in FY 2006/07.

Growth analysis to analyse the assets of the poor and demonstrate what public investment would be needed to integrate them into the region's economies.

DFID's facilitated the dissemination of the results, which were used by farmers and CSOs to negotiate with local administrations for resources. RUTA built on the IDB's 2004 study of support for the agricultural sector in Latin America by updating it for six countries in Central America and training staff in ministries of agriculture to keep it up to date. Its study of public expenditure in Honduras, using a WB methodology and LAMIT funding, highlighted that the ministry had used only 60% of its budget over a 10-year period. Changes implemented since the study have resulted in a 90% use of the budget, and the Guatemalan government has requested RUTA's assistance to conduct a similar analysis.

Andes

17. The largest LAMIT project (£174K) funded by the Andes was part of the regional programme led by the IFC on municipal simplification (see Box 2). Other large projects in terms of financial outlays included:
 - A sustainable tourism pilot project in Bolivia that is difficult to reconcile with the LAMIT logframe (£58k);
 - Funds allocated to flood response activities by World Vision International in Trinidad, Bolivia (£50,000); and
 - A WB Productivity and Job Creation Programme organised out of the La Paz office (£52,000).
18. For the most part (and with the notable exception of the IFC work), these large activities were disarticulated from other DFID-supported activities in the sub-region. They were, at most, worthwhile one-off exercises without cumulative or interactive benefits.
19. ***A number of smaller funding allocations were also made to conferences and studies dealing with trade and social economy issues in the sub-region.*** These included the dissemination of the WB Virtuous Circles report, three country case studies on the incorporation of a rights approach into social policy and support to the second Latin American Conference on Fair Trade and the Social Economy. In contrast with LAMIT in Central America and with PSPS in the Andes, these types of facilitation activities were not complemented effectively by collaborations with non-IFI partners drawing on the experience gained in the pre-2005 bilateral programmes.
20. Thus, for the Andean sub-region, LAMIT activities reflected only partially the agreed policies and priorities. ***Individual elements of the programme approach were implemented, but efforts to combine the elements in the way the LAMIT design would suggest were weak and generally ineffective.*** Activities undertaken by or with the Banks, supported by the secondee and either TF grants or DFs, were individually important in several areas. In all cases, these seem to have achieved their immediate objectives. However, within the three years of the programme, there was only one case of major synergies being achieved between these initiatives and major activities intended to work with the Banks with other stakeholders (the IFC municipal simplification work). LAMIT in the Andes failed to get joined up in this sense. In the words of one informant, DFID Andes 'lost its compass' regarding LAMIT.
21. It is not immediately obvious why this should have been the case. ***The Bolivia bilateral programme (as well as the one in Nicaragua) had had an innovative and promising programme (MMWFP).*** The basic formula of this involved brokering a new form of collaboration between small-enterprise technical assistance, an umbrella union of small producer associations (*Comité de ENLACE*) and policymakers

(especially in the government's Competitiveness Unit). It exemplified what has been the strength of DFID's Latin American work in the past decade: working on the dynamics of multi-stakeholder interactions (including DFID staff and advisors, civil society partners and strategic partners within IFIs) to facilitate more collaborative relationships and improved policy environments. This programme was unable to continue once the bilateral programme was closed.⁵⁷ Arguably, a promising venture was cut short. However, it had done enough to be ripe for the kind of piggyback activities that in other parts of the Latin American programme were used to give substance to the RAP.

22. Several conjunctural and personnel-related issues contributed to this. First, the DFID advisor who had overseen the work (Erick Zeballos) was moved to Washington to become the LAMIT secondee at the IDB. Once Erick left, the office had trouble replacing him and the regional LAMIT agenda suffered as a result. Although Erick Zeballos' secondment to the IDB proved invaluable to catalyse, accelerate and strengthen important components of the work that the LAMIT programme was able to undertake through the TFs in the IDB (especially the MTP TF), his departure nonetheless left a considerable hole in the DFID Andes office. Second, both the programme manager on whom the credibility of the programme depended and several members of the *Comité de ENLACE* joined the MAS government, which was formed at the beginning of 2006, and were no longer free agents. Finally, the decision processes within the office, which might have steered Andes LAMIT activities in a more coherent way, appear to have functioned poorly during the critical months.
23. Another opportunity was missed in 2006 when an event to exchange experiences was organised between the Bolivian MMWFP team and the equivalent programme in Nicaragua, with immediately productive results but regrettably little follow-up. A well-produced small book was published on the MMWFP experience in early 2007. However, it was disseminated only in Bolivia; the planned English translation, considered important for IFI purposes, was never produced.⁵⁸ A relationship was maintained with the technical assistance partner, the NGO *Prorural*, and the office was in the process of confirming support to some of its activities when the decision to close the regional programme was announced.

Brazil

24. ***The Brazilian LAMIT programme was substantially smaller than in either of the other two sub-regions: only 23% of the Brazilian DFs were spent on LAMIT.*** This is to do largely with the staffing difficulties that the markets team faced. Nonetheless, good projects have been funded and these activities have contributed to the achievement of LAMIT outputs in general. In fairness, however, only one of the projects (with the IFC) can be considered a coherent part of the regional programme, while the largest initiative (with MIT) was not joined up with any other LAMIT work. In addition, LAMIT activities were done mostly with the WB; the Brazil office was less successful in finding concrete ways to collaborate with the IDB. This owes partially to an excellent personal relationship between the governance advisors at the WB and DFID (for which there is no counterpart relationship at the IDB).

⁵⁷ The project in Nicaragua did not suffer the same fate as a bilateral programme continued there.

⁵⁸ The impression garnered from the field was that the booklet was not translated in part as a result of the fallout from the move of the LAMIT advisor to Washington and the fact that his replacement had her own interests and was not fully familiar with the opportunities created during the pre-RAP period, so it slipped.

25. *In Brazil, LAMIT projects have mostly followed the logic of working ‘with’ IFIs (and mainly the IDB) rather than ‘around’ them* (as with the PSPS programme in Brazil, links with civil society remained weak and the DFID regional office worked mostly with IFIs – mainly the WB – and the Brazilian government). In addition, they seem appropriately designed: they are focused more on markets than on trade because of the sophisticated nature of the trade debate in Brazil and the government’s monopoly on trade issues.
26. An outline of projects and their most significant contributions is provided below:
- DFID Brazil has funded a project on *municipal simplification* being undertaken by the WB’s IFC in both São Paulo and 10 municipalities in the northeast (£63,000 for the northeast component).⁵⁹ As noted in Box 2, this is part of a broader Latin America-wide project supported by LAMIT. In the case of Brazil, DFID has pushed for the IFC to gather statistics on the impact of the project by race, gender and socioeconomic status and the IFC plans to do this for one of the 10 municipalities in which it is working.⁶⁰
 - The largest programme funded by DFID Brazil (at least £122,000 to date with more spending planned for the 2008/09 fiscal year) is a study conducted by several researchers at the MIT which *challenges the widely held assumption in the academic literature that regulatory frameworks on tax, labour and the environment are a drag on growth in various Brazilian regions*. The studies, which are based on in-depth case studies in various Brazilian states and municipalities, have looked at positive examples of compliance and evaluated their impact on the local economy. While the project was initially brought to DFID by the head of the WB office in Brasilia, the WB’s interest in the project disappeared after the initial funding phase because it did not find it applicable to the work it was doing, nor did it see the particular policy relevance of the work.⁶¹ Various complications to the WB’s participation make this a less positive case study for working with IFIs.⁶² DFID Brazil decided not to fund any more purely academic studies because they lacked operational application and thus did not appear to be good value for money. However, the research that was produced attracted a great deal of interest inside and outside of Brazil with policymakers and government officials. In addition, this project was consistent with the LAMIT goal to focus on pro-poor and sustainable growth. Yet, it was not joined up with other LAMIT work in the region.
 - Finally, a project planned for FY 2008/09 with the WB aims at studying *ways in which to link SMEs in the Amazon region to markets*. This project is focused on access to markets for people in a difficult region, and is expected to contribute to the increased focalisation of the LAMIT programme on SMEs.

Washington-based TFs

27. Overall, the TFs at both the IDB and the WB have supported a number of important initiatives or projects that have been consistent with the overall goal, objectives and intended outcomes and impacts of the LAMIT programme. Some of the most significant work worth highlighting at the IDB refers to *the catalytic role LAMIT*

⁵⁹ Original São Paulo study funded by regional interim funds allocated to Michelle Winthrop (DFID).

⁶⁰ This is consistent with Outputs 1b and 2a of the LAMIT logframe (depending on the extent to which this project is disseminated within the WB Group – it appears to be well disseminated, as similar projects are ongoing in more than 60 municipalities throughout Latin America).

⁶¹ In fact, the former head of office was quoted by several DFID staff members as saying ‘so what?’ after the MIT team presented its initial findings.

⁶² Interviews with Ernesto Jeger (DFID), 7 July 2008, and Debbie Wetzel (WB), 9 July 2008.

played (especially through the MTP TF) in bringing issues related to the linkages between trade and poverty to the centre of the Bank's agenda, as well as in providing crucial support to President Moreno's' OMJ initiative in its early stages. At the WB, a series of related projects on micro-finance and micro-insurance have also been pioneering. Please refer to Annex 3 on the Washington-based TFs for an analysis of these projects and their contributions.

Aid modalities

28. The overwhelming evidence emerging from field visits to the three regions in Latin America and Washington is that ***the importance of human resources that DFID brings to the table in its engagement with partners cannot be overstated.*** The milestones and/or outcomes delivered by the LAMIT programme could not have been achieved with financial resources alone. There was universal praise for DFID advisors (in the field, at the IDB and in DFID HQ) based on their personal commitment and expertise and for DFID's supportive and innovative approach. Rather than trying to impose its own agenda, DFID has worked with partners to improve their effectiveness.
29. ***In Central America, for example, there is a widely held feeling that much of the success of LAMIT owes to the quality of the DFID staff and it has an excellent reputation based both on the staff and the approach that it takes in addressing development issues in the region.*** Both CENPROMYPE and IFC report that DFID resources, not only financial but also in the form of technical advice and expertise, were instrumental in allowing them to take their work 'to the next level' by moving from analysis to implementation. There is also a widespread perception that their ***effectiveness was in turn enhanced by the existence of the DFID bilateral programme in Nicaragua and the legacy of the bilateral programme in Honduras.***
30. DFID Andes and Brazil also have an excellent reputation for the quality of their staff, which in turn means that DFID as a whole is seen as 'well placed and well respected', 'very objective' and as 'by far the cleverest agency around'. DFID's LAMIT secondee at the IDB has also been praised considerably (see Annex 3 on TFs for more on this) and, in general, DFID staff are held in very high regard by the IFI staff in charge of the TFs in Washington.

3 Did the programme do what it said it would do efficiently?

Staffing challenges

31. The LAMIT programme faced a number of challenges that impaired the efficiency of its delivery, especially at the regional level and in the earlier years of the programme. ***Staffing was foremost amongst these challenges and affected all three regional offices at one point in the life of the programme.***
32. ***The office most severely affected by staffing issues was Brazil, where the initial advisor had difficulties establishing the programme owing to a long absence from Brazil*** (where contacts and networks are particularly important), which was followed by a long period in which there was no trade and markets advisor at all. The person eventually appointed to this post began almost immediately to lead on issues that are part of DFID's new agenda in Brazil, in particular climate change. As a consequence, the largest LAMIT programme, the research project with MIT, was actually brought to DFID by the WB and managed largely by Ernesto Jeger, the governance advisor. The IFC municipal simplification work in São Paulo was initiated by Michelle

Winthrop, who used mid-term funding from Central America, and was only expanded significantly by DFID Brazil later. In the aggregate, these staffing challenges meant that progress in Brazil towards LAMIT milestones has potentially been slower than in the other regional offices.

33. ***The Andes and Central American offices also suffered LAMIT-related staff shortages and changes.*** As mentioned, the Andes office lost an opportunity to pursue ongoing work on market access when Erick Zeballos was seconded to the IDB's INT. In the Nicaragua office, there has been significant turnover of private sector development/economic advisory staff, with four different advisors over the past two years (two of whom – including the current post holder – have been temporary contractors rather than DFID permanent and pensionable staff (P&P). However, continuity has been provided through Michelle Winthrop, who worked on LAMIT in the Central America office until January 2007 and subsequently managed the regional programme from the UK. In contrast with Brazil, the frequent turnover of advisory staff in Nicaragua does not seem to have impacted on either the design of projects or disbursement of the DF.
34. Interestingly, within the IFIs in Washington, staff turnover at DFID (including in London) was not perceived as a serious concern. Mitigating such staff changes, Graham Symons' presence in London as Lead Advisor provided consistency for the programme, as did the LAMIT secondee's ongoing presence at the IDB. So, despite the mentioned challenges in staffing, staff are definitely one of the major strengths of DFID's engagement in Latin America and within the LAMIT programme.

LAMIT as a regional programme

35. ***In contrast with during the mid-term evaluation, a clear idea of a regional programme has now emerged and been utilised to build programmes that are genuinely regional and sub-regional.*** In Central America, DFID staff have a clear sense of the sub-region and of their priority countries within it (Guatemala, Honduras, El Salvador and Nicaragua). This is reflected in both the LAMIT portfolio and the selection of partners (e.g. RUTA and CENPROMYPE), each of which works across all six Central American countries. In addition to the IFC project discussed, an important regional initiative within Central America is the ECLAC climate change project, which uses the Stern Review framework to identify key climate change issues in each country and ones that are common to the region. The project has a poverty focus, strong buy-in from all players and will be used by the Banks for loan and grant opportunities in the region.
36. The annual unit papers produced by the DFID Central America office to guide allocation of the DFs are specific about the criteria used to determine whether a project could be considered regional or not. Unlike the other DFID regional offices, DFID Nicaragua maintained a bilateral programme alongside the regional programme. ***This may have made allocation decisions easier as it removed any bias towards funding Nicaragua-based programmes from regional resources.*** There is evidence of complementarity between the bilateral and regional programmes in Central America (e.g. PEMCE/LAMIT) and that having (or having had) a bilateral programme gives DFID more credibility with some partner governments (Nicaragua and Honduras) than with others (Guatemala and El Salvador).
37. The Andes office has also worked sub-regionally, utilising contacts in Lima to pursue IFC simplification work in Ecuador and Colombia, and encouraging lesson learning between similar work in Bolivia and Nicaragua.

38. *The Brazilian team's vision of a regional programme remains the most distinct from the sub-regional approach employed by the Andean and Central American teams.* After an initial period in which the Brazilian office faced some difficulties in determining how it would pursue work on a regional basis (as reflected in the mid-term evaluation), the Brazilian office has essentially viewed Brazil as its region. Essentially, it has attempted to do work in selected parts of Brazil which could then be applied in other regions of the country (e.g. work on municipal simplification with the IFC that was first completed in São Paulo and is now being replicated in the northeast). Given the size of the country and the diversity of the development challenges that Brazil faces, this seems a sensible, if not entirely consistent, strategy.

Box 2: Engaging with the IFC – A genuinely regional programme

As the LAMIT programme progressed, it became clear that a partner that had not featured in earlier institutional assessments, the IFC, was a strong regional player that DFID could engage with on its market access work. Through initial work in Central America, DFID eventually supported work aimed at simplifying administrative procedures for registration of companies at the municipal level throughout Latin America, and involved a component of developing 'Municipal Scorecards'. This was in line with LAMIT's focus on increasing access by reducing procedural complications, and enabled the IFC work to have a much larger scope than would otherwise have been the case. The project looked at barriers to business for micro, small and medium enterprises (MSMEs) at municipal level which acted as a disincentive for the informal sector to formalise. To date, the project has been undertaken in 48 municipalities in Guatemala, El Salvador, Honduras and Nicaragua (all funded via DFID Central America), in 10 cities in the Brazilian northeast in addition to São Paulo (funded by DFID Brazil) and in several municipalities in Ecuador and Colombia. This makes it one of the most region-wide initiatives DFID has supported in Latin America under the RAP.

In Central America, and particularly in Nicaragua, DFID was well positioned to assist thanks to contacts in government from its bilateral growth project (PEMCE), its strong sectoral expertise (one of only four donors involved in the sector) and the flexibility of the DF. Following the success of the IFC's municipal simplification work (which started in Nicaragua in 2004), DFID funded a pilot of the Municipal Scorecard project and then a continuation of the project in its four focus countries in the Central American region. With LAMIT DF from the Andes and Brazil as well, the IFC extended the project to a total of 180 municipalities across Latin America.

LAMIT gave DFID the opportunity not only to support the rollout of the project but also to revise the methodology and to include some of the most excluded municipalities in Nicaragua (e.g. Puerto Cabezas on the Atlantic coast) and in Brazil (Salvador de Bahia), which the IFC had not initially targeted. There is evidence that 15 of the 19 municipalities that participated in Honduras and Nicaragua are already implementing reforms, and Central American LAMIT funding has since been approved for a new phase ('fast track simplification') which will allow IFC to support 13 of the 21 worst-performing municipalities in the Municipal Scorecard project to implement improvements.

The impact on poverty is not yet clear, however, as the outcomes of the project are described in terms of simplifying procedures, reducing the cost of formalisation and the increase in formalisation of businesses. Tracer studies in Tegucigalpa and one in a city of the Brazilian northeast within the next 18 months will analyse the impact of the reforms on employment and access to finance and services, and is expected to look at socially excluded groups like women, the indigenous and afro-descendants.

The IFC plans to scope a project to engender reforms at central government level in Central America. The fact that the government of Nicaragua is setting up one-stop shops for MSMEs in municipalities may be an indicator that progress at municipal level is already being matched at the national level. The European Commission (EC), now the biggest donor in the sector, now provides co-funding for IFC and draws on DFID advice. The municipal scorecard approach has generated interest from Africa and Asia, and DFID funding is being used to support South-South learning. In terms of impact on the IFIs, the IFC findings have directly informed a new US\$20m WB credit for MSMEs in Nicaragua, of which \$4m is for municipalities to improve commercial licensing, health certification and other disincentives to formalising. A similar credit is planned for Honduras.

39. An additional way in which the office hoped to work regionally was by advocating that Brazilian examples of best practice be used in other parts of Latin America (or the world). For this, they depended on the IFIs disseminating lessons learned from work undertaken in Brazil (e.g. the *Bolsa Familia* work, a SWAps study done by ODI (Lidia Cabral) or the work done with the National Audit Office which was discussed in the mid-term RAP evaluation). More rarely, the Brazilian office has worked regionally in a more traditional sense by funding work that compares experience across South America. Examples of both of these ways of working are more limited to the PSPS programme.
40. As for the Washington-based TFs, their regional focus may not have always been in sync with DFID's priorities, although some progress was made over time (especially at the WB) to ensure that more LAMIT-supported projects were undertaken in DFID priority countries. This is discussed in further detail in Annex 3 on TFs.

4 *Was the programme effective?*

Overall impressions

41. As in the other programmes, ***at this stage it seems more appropriate to speak about outcomes and milestones rather than impact as such.*** Many of the projects are still ongoing and there is still a significant amount of money to be spent, so it is difficult to come to a conclusive answer about LAMIT's overall impact and importance. These features are in addition to the fact that the design of the programme, which focuses both high-level logframe objectives and smaller indicators on changing behaviour in the IFIs, makes it difficult to provide attribution.
42. Having said this, ***it seems that, up to now, LAMIT has been quite effective at making progress towards achieving many of its objectives, despite challenges*** discussed in previous sections. For instance, all but one of the logframe indicators have been either fulfilled or partially fulfilled.⁶³ LAMIT has gone a long way towards meeting Objective 1 in particular, in terms of developing (and disseminating) good practices and thus enabling country strategies to be more responsive to poor and excluded people's interests in the areas of markets and international trade. Work on this area has included the production of analytical products of very solid quality by both the IDB and the WB.⁶⁴ The TFs in Washington in particular have made considerable strides in supporting a pro-poor approach. This is the case perhaps most prominently for the work on linking trade and poverty (work with the INT of the IDB has been focused strongly on designing indicators measuring pro-poor impacts of international trade), on empowering the economic base of the pyramid for OMJ at the IDB, as well as the work on micro-finance and micro-insurance at the WB. In addition, the IFC's work on municipal simplification through the Municipal Scorecard has been analytically significant. And while the project has been focused strongly on positive business impacts and less strongly on measuring positive pro-poor impacts and gender outcomes, in both Brazil and in Central America the IFC has agreed to evaluate impacts of the municipal simplification scheme on poor and excluded groups, including women.
43. ***In terms of the programme's second objective, to develop innovative policies and approaches to private sector development within the IFIs that promote pro-poor market access, LAMIT has made some good progress as well.*** At the IDB, for

⁶³ See Annex 6 on performance on indicators, prepared to assist the DFID team complete the PCR for LAMIT.

⁶⁴ DFID (2007) 'Annual Review, LAMIT'.

instance, LAMIT contributed to thinking under the OMJ initiative, engaging regional stakeholders in the process. For the WB, the programme has supported innovative distance learning programmes on micro-finance, supported regional dissemination of the Virtuous Circles for Poverty Reduction and Growth flagship and enabled the IFC to develop new approaches to business simplification at municipal level. These are only a few of the numerous projects that have supported the meeting of this objective.

44. In general, *more consistent results have been achieved in the markets objectives of the logframe than those related to trade (Objective 3). There is strong evidence demonstrating that the INT of the IDB has significantly changed its analytical and policy thinking on the incorporation of the poor in international trade, increasing its focus on gender and ethnicity.* There are also a number of individual TF projects aimed at this objective, including assessments of the poverty reduction impact of the EU-CAM (Central America) trade agreement; computable general equilibrium (CGE) studies on trade impacts on poverty in Andean countries; assessment of distributive impacts of the *Mercado Común del Sur* (Southern Common Market – Mercosur); etc.⁶⁵
45. *On the other hand, success with the WB is more limited,* as the TF has tended to focus on indicators more linked to Objective 2 (market access – e.g. IFC and work on micro-finance).⁶⁶ The 2007 LAMIT annual review states that efforts to engage the WB included: ‘a trade and poverty experts workshop ... which led to development of thinking within the Bank, whilst further analytical and policy thinking has been developed around value chains, social impact of exporting SMEs, Aid for Trade, competitiveness of export associations’.⁶⁷ However, strong evidence of significant changes to WB policy on international trade has not been identified.

Partnerships

46. *The biggest success stories of the LAMIT programme highlighted earlier in this annex were achieved because of strong and focused partnerships* – with the INT of the IDB, where the MTP TF and a DFID secondee were located (see Annex 3 for more detail); with the IDB in terms of providing support early on to OMJ, building on partnerships developed in the region over time; with the IFC, which executed a large regional programme on municipal simplification (see Box 2); with CENPROMYPE in Central America (which had support from both DFs from the regional office and from the MTP TF at the IDB – see Box 3); and with the WB on micro-finance and micro-insurance (see Annex 3).
47. *These partnerships are illustrative examples of DFID working ‘through’, ‘with’ and ‘around’ IFIs. TF support was instrumental in making all of these projects happen and engagement with IFIs at the country/regional level proved essential in many key respects as well.* Another important aspect of working ‘with’ the IFIs relates to the considerable contributions the secondee at the IDB made to the LAMIT programme, both through the TFs and more generally (see Annex 3). As for working ‘around’ IFIs, in instances where major non-IFI partners were engaged with (namely in Central America with RUTA and CENPROMYPE), DFID support entailed, among other things, helping to build their credibility as regional players and positioning them with the IFIs (as well as with governments and the private sector) as strong partners

⁶⁵ See Annex 6 as well.

⁶⁶ The 2007 annual report of the WB MGPR TF reports that 41% of the fund was spent on LAMIT issues, and only one of five projects funded under LAMIT had an international trade component. This was a project assessing the poverty impacts of exports in Bolivia and Paraguay.

⁶⁷ DFID (2007) ‘Annual Review, LAMIT’.

for development (see Boxes 1 and 3). The work with CENPROMYPE is also the leading example of IFI engagement with an organisation representing SMEs, which is one of the programme's objectives.

Box 3: Strategic partnership with a regional organisation

When DFID first provided support from the LAMIT programme to CENPROMYPE in 2005/06, the organisation was little more than a donor implementation organisation. It lacked a clear strategic focus and was not recognised as a player by governments, producers or the IFIs. The region's Chambers of Commerce (and the policies of the IFIs) were more focused towards large enterprises and there was no organisation solely representing the interests of MSMEs. Donors were reluctant to insert themselves between the private sector and governments. DFID provided support from the LAMIT programme in the form of two large grants (totalling £185k) in 2006/07 and 2007/08 as well as technical advice on CENPROMYPE's strategic plan, which was subsequently agreed by private sector, governments and donors. This gave the organisation a focus and credibility that it did not have and helped CENPROMYPE become a formal member of SICA and position itself with networks of MSMEs and the IFIs as a useful and credible partner.

This enabled organised participation of MSMEs in Central American free trade discussions with the EU, and helped institutionalise relations between governments and MSMEs in the region. A good example is around the Central America–EU Association Agreement, which combined SME participation (supported by the DF in Central America) with trade, poverty and SME analysis carried out by the IDB with TF funds. In particular, the IDB funded a TF project to enable CENPROMYPE to work with SMEs to provide responses to challenges and opportunities arising from trade integration.

Engagement with CENPROMYPE has allowed the IDB to further its work with small producers in Central America, which has helped improve its poverty focus. In this respect, DFID support has been instrumental in bringing in a partner that would not otherwise have been considered by the IDB. The Bank has now asked CENPROMYPE to implement another project not related to the INT TF, which shows that the relationship has become institutionalised beyond the link with DFID.

CENPROMYPE's success should not be threatened by DFID's office closure, as the organisation is now moving its offices into SICA and will receive part of its funding from Member States. While it has also secured funding from several donors, including the EU and German Technical Cooperation (GTZ), CENPROMYPE's agenda is no longer dominated by donors, thanks to DFID's strategic advice and its model of *acompañamiento*: 'they do the planning *with* you, not *for* you'.

It is also worth noting that the DFID bilateral programme in Nicaragua (which continued in tandem with the regional programme in Central America) funded a highly effective growth programme known as PEMCE, which also had ties to that organisation. The PEMCE and LAMIT programmes undoubtedly complemented each other, and it is likely that LAMIT could not have been as successful if it had not been for the bilateral growth projects. This helps to illustrate the importance of relationships and partnerships developed through bilateral cooperation in providing essential building blocks for projects undertaken as part of the RAP.

48. ***One of the takeaways of the LAMIT experience derived from these examples is that partnership is a strong determinant of programme success.*** In order to work with and effect change in large institutions like the IFIs, real effort must be made to identify departments /sub-divisions/key personnel that will be the basis of a genuine working partnership. This also implies that ***the model suggested by the RAP is even more time intensive than it initially appears.***
49. Effecting change in the way that large institutions work is a slow process, which requires identifying specific agents of change within the institutions, building a relationship with those agents, affecting change in those sub-sectors and only then trying to translate these changes to other parts of the institution through lesson learning and other processes. The evidence emerging from our various field visits (both to the regions and to Washington) suggests as well that ***these partnerships were***

articulated on the basis of shared interests rather than on DFID bringing an agenda from the outside that lacked resonance among partners.

Sustainability

50. *In many instances, especially in Central America, the success of LAMIT was linked closely to partnerships, networks and projects developed through DFID's bilateral programmes* (e.g. RUTA and CENPROMYPE). The support LAMIT provided to the early stages of the OMJ at the IDB drew heavily on the experiences with DFID's programmes in Latin America (mostly Bolivia and Nicaragua) on MMWFP (see Annex 3). This helps highlight the reliance of many important LAMIT initiatives on the history of DFID bilateral engagement to make them viable in the first place – pointing to the importance of maintaining a 'foot on the ground' at the country level for a regional programme to be sustainable and successful and remain relevant.
51. On the other hand, aside from the dependence of some projects on relationships and partnerships established prior to the RAP years, *the sustainability of several of the most significant initiatives supported through LAMIT is unlikely to be threatened by the closure of the programme*. The IFC work on municipal simplification, for example, seems to have acquired a life of its own and is moving forward. The key civil society partners that DFID worked with in Central America (namely CENPROMYPE and RUTA) have also become well established. CENPROMYPE in particular was transformed through its relationship with DFID. It has secured funding from a range of donors and the IFIs themselves, and it is now much clearer about its mandate than it was at the start of DFID's engagement, which makes the organisation less vulnerable to other donors' agendas.
52. In addition, *while poverty was not part of the institutional priorities of the INT at the IDB prior to the work LAMIT undertook on this through the MTP TF, it has now become one of the key strategic pillars of the division's new sector strategy*. Hence, this agenda has become fully incorporated in IDB thinking and practice (see Annex 3). The work on micro-finance and micro-insurance at the WB has become fully integrated into the Bank's agenda – although the gap left by the closure of DFID's TF is likely to be felt, especially in financial terms, as some interesting offshoots may not be able to be funded (see Annex 3). Unfortunately, it has not been possible to give continuity to the support LAMIT provided the OMJ at earlier stages. While these earlier contributions remain relevant and have acquired a life of their own, it has become more difficult, despite ongoing efforts, to identify new areas to collaborate on as the initiative has continued to evolve (the OMJ itself is trying to find its footing within the Bank despite high-level support – see Annex 3).

Differences in performance based on modalities and synergies

53. *The discussion in this annex suggests that the RAP-LAMIT framework, which sought to achieve results by working 'through' the IFIs (using direct funding in the form of the TFs) and 'with' the IFIs by funding projects in region (DFs) was successful at achieving results*. Both DFs and TFs contributed to achieving the objectives set out in the logframe. In all three regional offices, the flexibility of the DF was seen as a comparative advantage for making things happen quickly and for providing DFID a way to try things that other donors found too risky (an example from Central America was working with the private sector in negotiations with the government). Users of the TFs commented that the untied nature of the funds was a major advantage, as was the lack of geographic restriction, as this allowed staff to access money for projects in MICs that are otherwise hard to fund (see more on the prioritisation of countries in Section 2 of the main body of the report).

54. However, *the fieldwork and documentation suggest that LAMIT was far less successful at achieving synergies between these two modalities*, with few exceptions: CENPROMYPE (Box 3), the IFC project on municipal simplification (Box 2) and the WB work on micro-finance and micro-insurance. On the other hand, further coherence and synergies between the TFs and DFs were not achieved (see Annex 3), raising questions about the level of coordination between Washington, DFID London and DFID regional offices.
55. *Communication and synergies among offices – and particularly between the three regional offices and Washington – were seen by many as problematic*. In Central America, for example, poor communications with Washington via London created a sense of disconnection between TF and DF activities in the region, which prevented regional staff from identifying the right interlocutors in Washington. Staff also believe that there was a lack of clarity at the outset about the role of the advisors on the ground. In the Andes, local IFI officials took very varied views as to whether the Washington TFs were good for them. In Brazil, the WB office was keen to be seen as separate from Washington, and thus synergies were minimal.

Lesson learning, dissemination and knowledge management

56. *Lesson learning and dissemination for some specific projects seem to be on track but, in general, broader efforts on this have remained weak within the regions and in Washington and London*. As with the other programmes (PSPS and ENLACE), coherent and more systematic efforts in this area seem to have started relatively late in the game.⁶⁸ On the other hand, the LAMIT team has made a recent push to ensure that lessons learned from the experiences in Washington in particular are captured and shared. Minutes and back to office reports from the final TF coordination meeting in April 2008, as well as interviews with Graham Symons, suggest that, despite some initial hesitation, there is now a good process in place to capture lessons learned and enthusiasm from some IFI staff (in particular David Gray, WB KMG) for sharing lessons both internally and with other divisions of DFID. At this stage, the WB seems better positioned to take this agenda forward than the IDB (Annex 3).

5 How well has the collaboration with the IFIs worked?

57. The analysis provided throughout this annex has highlighted several different aspects of how DFID collaboration with the IFIs has worked. Several of these are summarised briefly below; broader issues related to relations with the TFs and the IFIs more broadly are addressed in Annex 3.
- As with PSPS, the *quality and commitment of DFID staff at all levels have been instrumental in much of the success of LAMIT*, enabling DFID to engage with IFIs (and other donors and partners) on a level above that of its financial contribution.
 - *Partnerships with IFIs (at both TF and regional level) have been instrumental in enabling all the big successes in LAMIT*. Partnerships were based on a ‘meeting of the minds’ rather than DFID imposing an agenda or interests from outside.

⁶⁸ This includes the Action Plan for Knowledge Management developed jointly with the IDB and WB in early 2008 and the work DFID London has commissioned from Panos and Social Development Direct.

- *Collaborations with the IFIs at country/regional level have worked well*, with the IFIs holding DFID (regional) staff in very high regard.
- An important finding from the three sub-regions and Washington is that, as with some of PSPS, *LAMIT work has focused not only on aspects of working ‘with’ and ‘through’ the IFIs, but on working ‘around’ them*. Several LAMIT projects have identified important non-IFI partners to engage with, namely in Central America, and these projects have been particularly important in terms of introducing partners to the IFIs they would otherwise not be engaging with (especially CENPROMYPE for the IDB) and providing levers of indirect influence on the way IFIs do their work. Yet, beyond Central America, LAMIT engagement with partners other than IFIs and governments has remained limited – partnerships with Brazilian and Andean groups representing the poor on LAMIT topics have been weak to non-existent.
- It has emerged that *several of the big LAMIT successes seen in this annex have been made possible largely by the existence of a (prior) history of bilateral engagement at country level*. Again, this illustrates that, to remain viable, the RAP approach needs to have a foot on the ground and continue to nurture relationships at the country level. As with PSPS, a strategy of working ‘around’ IFIs in particular is likely to be unfeasible in the absence of some ongoing engagement in the field.
- Finally, despite a few fine examples (in fact, more numerous for LAMIT than for PSPS), *joined-up activities and synergies between TFs and DFs remained extremely limited*. Communication and sharing of information around the two different types of funds between Washington and the regional offices remained problematic and a sense of competition between the two has persisted (see also Annex 3).

Annex 3 Washington-based TFs on LAMIT and PSPS and broader issues on relations between DFID and the IFIs⁶⁹

1 Introduction

1. Without a question, the TFs (as well as the different RAP programmes more broadly) have proven effective mechanisms to strengthen and institutionalise relations between DFID and both the IDB and the WB (see Box 1 for basic information on the funds). Policy dialogue between DFID and the IFIs has been characterised as a ‘meeting of the minds’, where DFID resources (financial as well as technical) have been instrumental in catalysing, leveraging or enabling projects and ideas that would have otherwise likely remained unexploited and unfunded, rather than in getting the IFIs to undertake work they had not considered or had otherwise discarded because DFID got them to view these issues in a different light.
2. ***DFID helped to push boundaries and innovate by identifying and supporting ‘agents of change’ within IFIs that shared similar interests but somehow lacked leverage, visibility and/or resources to pursue them to the extent they would have liked.*** Perhaps one of the most illustrative examples of this is the work that the Trade and Poverty TF at the IDB has supported on exploring the linkages between trade and poverty. The DFID TR came in just at the right time to provide the financial resources and technical expertise to enable the Bank to make this agenda its own.
3. It is also important to note that engagement and policy dialogue went much deeper in DFID’s relationship with the IDB than with the WB. The kind of work that DFID and the IDB were able to undertake together, mostly through the LAMIT programme, to redefine the substance of the Bank’s work (institutionalise a more pro-poor approach to look at markets, trade and the private sector) has no equivalent in the WB.
4. ***This is in no way intended to diminish the very valuable contributions that the TF made at the WB.*** As discussed in Section 2 and further down in this annex, ***the TF was valued particularly in terms of the space that such funds provided for experimentation and the pushing of boundaries.*** Yet, there was a substantial qualitative difference in the nature of engagement with the two IFIs. At the WB, the substantial added value of the TF was its financial rather than technical or advisory contributions to the Bank’s work. The WB valued inputs from DFID staff and frequent contact with advisors from London and the regional offices, but ***overall the experience with the DFID TF is seen by the WB as more of a cross-fertilisation than a change of direction, and DFID’s technical inputs do not seem to have been as significant to the WB as they were to the IDB.***
5. As such, although we highlight below that non-financial inputs from DFID proved essential in shaping the content and conceptual direction of a majority of the projects supported by the LAMIT and PSPS TFs at the IDB, this was for the most part not the case at the WB. As a result, ***the TFs’ influence on the way the WB does its business seems to be diffuse and more detectable at the project level (and admittedly this is***

⁶⁹ This report was prepared by Alina Rocha Menocal and Malcolm Geere. It is based on a series of interviews with a large number of IDB and WB staff, including managers, consultants managing the TFs, members of the technical review committees and users of the TFs, during a visit to Washington from 8-12 September 2008 to discuss the work that the Banks have undertaken through the DFID TFs on LAMIT and PSPS. These interviews were complemented by telephone interviews with key individuals whom we could not meet while in Washington. A full list of individuals interviewed is provided in Annex 5. This annex focuses mainly on LAMIT and PSPS, weaving in insights from the ENLACE TF at the IDB when they seem particularly relevant.

also true for the PSPS programme at the IDB). While the evidence of successful projects is plentiful, the overwhelming impression is that the TF met an institutional need for funding for MICs.

6. However, *some examples of institutional impact can be detected at the WB as well*. Most notably, *the experience with the DFID TF has led to some important changes in the manner in which the WB funds innovation*. In addition, the TF had an impact on the approach the Bank takes to governance in the region, and it opened up opportunities to engage in areas of work that are considerably pro-poor (such as micro-finance/micro-insurance, work on data). Yet *the point remains that these innovations were enabled by financial inputs from the TF* (which enabled the WB to be bolder and identify new areas of work), *while the impact of DFID technical inputs remained far less detectable than at the IDB*. For instance, the sector manager for LCSPS at the WB expressed that, without a doubt, the TF had helped the Bank get more involved in political economy analysis and in sub-national governance, which was a direction they had wanted to go in. However, he also said that DFID could have pushed the Bank much further than it did in this direction, and that there was room for DFID to have been much more prescriptive in the allocation of funds. Similarly, the team leader in charge of the work on micro-finance and micro-insurance, which is one of the leading success stories at the WB, noted that he had been disappointed not to have had more technical input from DFID.

Box 1: Basic information on the LAMIT and PSPS TFs in Washington, DC

Inter-American Development Bank

At the IDB, support for the LAMIT and PSPS programmes consists of two TFs: the Trade and Poverty (MTP) TF, located within INT, and the Markets and Governance for Poverty Reduction Trust Fund (KMG), originally located in SDS. These funds were established at the end of 2005 for a period of three years, allocating £850,000 to MTP and £3.605m to KMG. The first, MTP, is dedicated exclusively to LAMIT, whereas the second, KMG, has a window for PSPS (60% of total funds) and a somewhat smaller window (40% of total funds) for LAMIT. Thus, LAMIT received support from both funds but, in the measure that the restructuring of the IDB took place, its management became more centralised under INT, which became the most direct and relevant counterpart for LAMIT areas in the Bank.

The aim of the MTP TF is: i) to strengthen the capacity of the IDB to assess the impact of trade and integration on poverty reduction; and ii) to support the adoption of pro-poor trade-related strategies and policies in Latin America. The purpose of the KMG TF is twofold as well: i) to support the IDB to better facilitate increased access of poor men and women to markets and international trade; and ii) to integrate accountability, and a participatory and rights-based approach, into the Banks' policy and operational approaches to governance.

World Bank

The MGPR TF was set up in the WB's LCR in March 2006, with a grant of £3.685m to fund activities in support of DFID's LAMIT and PSPS programmes over a period of three years. As with the KMG TF at the IDB, the overall objective of the MGPR TF at the WB is to enhance the impact of the WB Group's activities in Latin America 'on poor people's ability to shape, participate and benefit from inclusive and sustainable growth and from public sector and political systems that are increasingly representative, accountable and transparent'. An additional objective of the TF was to encourage joint work with the IDB in the region.

7. *At the IDB, on the other hand, all of our interviews highlighted that the relationship with DFID goes well beyond the monetary support that the UK provides through its TFs*. Most agreed that DFID had been able to use rather small

amounts of financial resources⁷⁰ strategically and to ensure that these go a long way through the kind of policy advice, knowledge, ongoing dialogue, technical assistance, analysis, brokering of relationships, leverage, etc. that the agency provides in addition to the money it disburses into the TFs. In this respect, DFID staff at all levels – including staff at HQ, staff based in the DFID regional offices, the UK executive director and secondees placed at the IDB – have been crucial in terms of the perspective they bring to how to promote development that is more pro-poor. For example, Stewart Mills is perceived as highly effective and a champion of interesting priorities within the Bank (including, for example, support to the Bank’s OMJ initiative, to the Bank’s restructuring efforts and, most recently, to the Sustainable Energy and Climate Change Initiative – SECCI).

8. Thus, *the human capital provided by DFID is a significant part of the story in understanding DFID’s overall contribution and impact within the IDB. This combination of (limited) funds and people has enabled DFID to ‘get a lot of bang for its buck’*. The impression is that DFID staff are highly knowledgeable, deeply familiar with Latin America and a reliable source of information, advice and support.

9. DFID has had a rich and far-reaching relationship with the WB, but this has often transcended the LAC region. While there has been sustained engagement between DFID and different ‘champions’ *at the WB*, as has been noted, *technical and/or advisory inputs in the Bank’s work on Latin America have remained much more limited than at the IDB*. There are *several important factors that may help explain the more limited space to manoeuvre that DFID had to influence the WB*:
 - From the start of the TF, the WB saw its own policies as aligned closely with those of DFID, which implied from the Bank’s perspective that there was less of a need to be ‘influenced’ by DFID in terms of policy substance and content.
 - Unlike the IDB, which focuses exclusively on Latin America, the LAC division at the WB has to compete with LICs/regions for grant funding. In terms of the TF, this meant that DFID financial resources were very well received by staff who already had fairly developed project ideas but were starved of resources to fund them.
 - The IDB reorganisation presented DFID with a unique opportunity to ‘influence’ an institution in flux, and to engage with partners within that organisation who specifically looked to DFID for a technical steer to help them position themselves within the new structure. No such opening was available at the WB.
 - There was considerably stronger central control over the TF management at the WB than at the IDB. The rather loose allocation process at the latter (especially before the restructuring) created more space for DFID to identify and support individual champions of change.

10. In addition, there were no secondees accompanying the TF at the WB. And, while DFID has a UK executive director there, this person cannot perform the kind of role that the UK executive director at the IDB has played for one region within the WB. However, given the very different structures and institutional needs, constraints and opportunities of each organisation, *it should not be assumed automatically that a secondee at the WB would have been as effective as the one at the IDB was*. For one, as explained in greater detail below, the transformation witnessed within the IDB in terms of its approach to trade and markets came about through the fortuitous combination of various factors that went beyond DFID financial and human

⁷⁰ Compared with other donors, UK contributions to the IDB through TFs have been very small, accounting for less than 2% of the total available in 2007.

resources. In addition, as noted above, given the fragmented and silo-style nature in which the IDB is organised (at least until recently), a figure like the secondee may have proven instrumental in giving visibility to the DFID TFs across the Bank. In a setting where TF information is more centralised, as in the WB, such a role may become less relevant. Yet, it is still possible to suggest based on the evidence that a greater presence of DFID at the WB through its human capital (which need not only include a secondee but could also take the form of greater prescriptive guidance from DFID London) could have contributed to view the TF not mainly in terms of its financial contributions but also of its substantive value.

11. The remainder of this annex is organised as follows. The next section explores issues related to the relationship between the IDB and the WB that are common to both Banks. Then we discuss the LAMIT and PSPS programmes supported through the TFs at the IDB. And finally, we focus on the WB.

2 *Common issues involving both the IDB and the WB*

General impressions on the relationship between the Banks and DFID

12. Overall, ***the impression of DFID within the IDB and the WB is very positive, and for the most part the relationship between the IFIs and DFID has worked very well.*** In both IFIs, the perception of DFID as a reliable and trustworthy partner predates the PSPS and LAMIT programmes. But the TFs institutionalised relations with DFID's advisors both in London and in the region, and allowed them to engage in dialogue with staff in each respective IFI about the content of TFs applications, as well as broader discussions about country strategies, governance issues and issues related to trade and market access.
13. Our interviewees often expressed that DFID was different from other donors, describing it as 'the best' and 'most thoughtful' they had worked with in the past. The partnership with DFID also seems to have encouraged both IFIs to be more proactive in piloting new ideas and in (attempting to) managing knowledge by sharing best practice.
14. Some of the qualities that they attributed to DFID include: agility; flexibility; openness; untied nature of its support; capacity to respond rapidly; knowledge and expertise; genuine commitment to the issues it supports; willingness to innovate and/or engage with issues that other donors may be reluctant to address (e.g. political economy analysis, the piloting of new ideas/initiatives, a focus on indigenous people and gender, engagement with less obvious development partners, emphasis on the importance of data to inform policymaking, emphasis on the importance of knowledge management, etc.); international credibility and legitimacy for the work undertaken through TFs.
15. The perception across all of the TFs at the IDB and the WB is that, compared with other donors, UK funds are more responsive to the needs of users, have lower transaction costs and are more strategically oriented, which allows for faster commitments and quicker access to funds needed in the short term.
16. ***As a result of the above, the experience with working with DFID TFs at both the IDB and the WB has helped inform processes to reform TC and fund innovation.*** Many of the people we spoke with at the IDB mentioned, for example, that the knowledge accumulated with the negotiation and execution of DFID TFs made important contributions to the discussions of the Bank's working group on reformed

TC and the new TC framework, and that the new Bank framework and policy reflect elements of what has been a positive and innovative experience in terms of working with DFID. The way that the IDB has worked with DFID in terms of managing the TFs as broader programmes rather than on a project-by-project basis, through biannual reviews focused on substance and results rather than transactions, has also been instructive. At the WB, an important consequence of the TF has been the decision by the LCR to introduce a small grants scheme through its operations budget, to provide seed funding for each sector to test/pilot new ideas that would not be possible to fund through regular mechanisms.

17. At both IFIs, communication with DFID London has been good, particularly on an administrative level. DFID was routinely kept informed of project approvals and the IFIs were responsive to requests from DFID at periodic coordination meetings. On the other hand, in both Banks, there were some concerns that at times DFID lacked coordination and clarity on the policy lead. This was tied to the relatively high turnover rates at DFID, especially at the HQ level, which makes it difficult to identify whom to liaise with and to establish continuity in the relationships between IFI and DFID staff. Nevertheless, there was no generalised impression that such staff turnover led to a real loss of institutional memory, since new DFID staff seemed to be well briefed and up to speed with the TFs. ***Crucially, at the IDB the secondees remained a constant presence throughout (most of) the life of the TFs, which helped provide continuity.***
18. Interviewees at both IFIs also expressed regret that DFID's LACD is due to close, and the TFs along with it; many stressed that DFID's loss would be felt in the field in particular. There is a real sense that DFID's support will be missed and that, given its unique qualifications as a donor, it is likely to leave a gap behind that will be difficult for other donors to fill, especially in terms of innovation and experimentation.

Regional perspective of the TFs

19. It appears that the vision DFID had for its programmes was not always aligned with those of the IFIs. Given the role and presence that both Banks have had historically across all of Latin America, they had developed strong relationships with many countries which, while important in the regional context (e.g. Mexico, Colombia, Argentina), may not necessarily fall within DFID priority countries. In this respect, within Central America and the Andes, DFID was interested in targeting the poorest countries, whereas the Banks had a more expansive view that, incidentally, also covered the Caribbean (e.g. Haiti).
20. While DFID did not insist on a geographical focus, it also did not anticipate that considerable funding would likely go to countries with greater capacity to produce higher quality proposals rather than according to need. Yet, it is also important to highlight, as the IFIs did, that there ***is considerable added value in being able to support in 'more developed' countries in the region for the lessons they may help generate and the leverage and reverberation effects they may have in other, less developed countries.*** In addition, some team leaders we interviewed highlighted that one of the advantages of the TFs was precisely that they made it possible to fund interesting and innovative work in countries that are not often eligible for such funding because of their MIC status. Over time, it seems that both DFID and the IFIs were able to work together to refine the geographic focus of the fund to achieve a better balance between countries and regions of particular strategic value to the IFIs and countries and regions important to DFID.

Strategic guidance from DFID

21. At the TF level, there were also concerns that the focus of each of the programmes was too broad and needed to be sharpened. Overall, there was an appreciation that much of the work within the TFs entailed a process of ‘learning by doing’, so that some flexibility around thematic issues was desirable, especially early on as each programme was finding its footing. Yet, ***it was also felt that DFID could have provided greater guidance and more strategic direction in terms of how the agency wanted these programmes to evolve.*** Over time, DFID and the Banks engaged in various attempts to accomplish this but, with the closure of the programmes, this collaboration did not have enough time to develop fully.

Links between TFs and DFs

22. The ODI mid-term evaluation highlighted that the overall architecture of the RAP was unnecessarily complex, and that the splitting of the funding for the major thematic priorities between the TFs and the DFs was one of the principal sources of that complexity. That mid-term evaluation found that ‘the Trust Fund activities have not yet shown clear evidence of coming together with the activities supported by the decentralised funds under LAMIT and PSPS’.⁷¹
23. It is important to note that the DFs held by the sub-regional offices and the Washington-based TFs each had certain purposes and there was never an intention to join them up fully. Yet, it seems that ***greater synergies and joined-up opportunities linking activities from both types of funds have remained limited and largely dependent on personal relationships*** (e.g. Brazil and PSPS work with the IDB). This has diminished the potential for ‘multiplier effects’ between different parts of the LAMIT and PSPS programmes.
24. There was a sense among fund managers at the IDB and the WB as well as DFID staff that there had been efforts to improve the flow of information between DFID (both at HQ and at regional levels) and the Banks on the different LAMIT and PSPS activities funded via TFs and DFs. At the IDB, according to the people we spoke with, the role of the secondee in INT was absolutely crucial in this regard, in terms of keeping the IDB informed not only about LAMIT projects being supported by DFID regional offices, but also about PSPS activities.
25. Yet, despite good intentions among all involved in both Banks and DFID, in the end, more systematic and institutionalised ways to share information and lessons and build/capitalise on synergies do not seem to have been developed. Even the ‘broker’ role that the LAMIT secondee played in terms of facilitating communication between the IDB HQ and DFID regional offices may not have always been easy. As the DFID regional offices grappled with the restructuring that the DFID RAP entailed, they became concerned about their role and relevance in the region, and this may have contributed to a sense of competition between decentralised and centralised funds.
26. In general, then, the links between TFs and DFID regional funds to generate synergies and joined-up initiatives tended to remain weak. Notable exceptions included the interaction of the MTP TF at the IDB with DFID decentralised funded activities in Central America regarding CENPROMYPE (see Section 2 and Annex 2); the joint work of the IFC on municipal simplification in close collaboration with all three DFID regional offices; the TF-funded work on micro-insurance at the WB,

⁷¹ D. Booth, M. McNeil, E. Mendizabal, and L. Phillips (2007) ‘Interim Evaluation of DFID’s Regional Assistance Programme (RAP) for Latin America’. London: ODI, p. 12.

which received some DF support for dissemination; and, also at the WB, the project to strengthen accountability in social service delivery in Central America, which originated as a DF-funded project in Nicaragua.

27. But, overall, *when strong communication and collaboration (both formal and informal) has been established between IDB and WB staff in Washington and DFID regional offices, this has been mostly the result of a pre-established history of involvement with DFID, especially in the field.* Examples of this at the IDB include the kind of support that Mia Harbitz sought and received from all three DFID regional offices to support her work at the IDB on citizen registration and legal identity (although she did not get TF funds for this work), as well as the work the DFID regional office in Brazil undertook with Carlos Scarstacini at the IDB on budget processes – but DFID Brazil could not get support from the KMG TF for this project, so it relied on regional/strategic funds instead. Where such a pre-established history with DFID has been lacking, we found that it was more difficult for IDB staff at HQ to have a clear picture of what DFID regional offices were doing on LAMIT and PSPS (and what DFID bilateral programmes had been doing before that).
28. There is also evidence of very good collaboration on PSPS between the DFID regional offices and the WB HQ (e.g. international conference on performance budgeting in Mexico and good communication on substantive issues), but this again was based on a very good rapport between Ernesto Jeger and Nick Manning, and for the most part World Bank TF resources were not used to boost projects initiating with DFID regional offices.

Relationship between the IDB and WB

29. From DFID's perspective, part of the initial logic informing both LAMIT and PSPS was that the TFs should contribute to greater collaboration and joint work between the IDB and the WB.⁷² However, as noted in the mid-term evaluation of the RAP undertaken by ODI, DFID may not have taken sufficient account of the nature of the relationship between the two institutions. As one of our interviewees put it, 'the IDB and the World Bank are very big places and they collaborate on many issues but also compete in others ... and the DFID TFs are ... one minor element in this complex inter-institutional relation'. There is also a general level of distrust in the relationship and an underlying tension about which Bank initiates and owns ideas, and which Bank may have the best tools at hand⁷³ (especially since former staff from one Bank go on to join the other and there is a perception that they take their work with them).⁷⁴ This tendency has been exacerbated by the increased competition from private financial sources as Latin American countries have increased their perceived creditworthiness and the growth of other regional banks.
30. *The TFs have opened a new channel of communication between the two institutions that has been useful in enabling greater information sharing, increased*

⁷² The PSPS logframe continues to state joint IDB/WB analytical work and joint initiatives to strengthen IFI policy and operations on budget support, transparency, distributional impact and responsiveness to the poor as objectives. As for LAMIT, promoting cooperation between the Banks was an objective of the programme early on, but was dropped from the second logframe.

⁷³ One of our interviewees at the IDB said, for example, that the WB is 'jealous' of the governance assessment tools that the IDB has developed and implemented in Peru, Ecuador and Colombia and then expanded to other countries like Paraguay, Guatemala and Guyana. The WB participated in some of these assessments but has its own governance assessment tools and prefers to rely on those.

⁷⁴ With the IDB restructuring, for example, many of the people involved in PSPS projects related to data generation and data collection left and joined the WB.

collaboration and better dialogue all round. Yet, most of this collaboration still depends very much on personal relationships, both at the TF coordination level and at the individual project level, so it remains rather informal and *ad hoc*. For example, the coordinator of the MTP TF at the WB has developed a very good rapport with the TF at the WB at the coordination level as well, and this has enabled a fruitful exchange of experiences and a good flow of communication. At the project level, although DFID has stipulated that the IDB and the WB should engage in joint initiatives, whether or not a formal or even informal collaboration is established between the two Banks will depend on individual team leaders and the kinds of contacts/linkages they have with individuals at the other Bank. Additionally, as one of our interviewees pointed out, formal collaboration can also be considerably difficult unless both banks have parallel projects or country strategy issues related to adopting similar positions.⁷⁵

31. A useful illustration of how difficult it can be to encourage more formal collaboration can be drawn from LAMIT. One of the original programme objectives was to promote enhanced cooperation between the two IFIs, but this was later dropped because it seemed unrealistic and, as noted in the LAMIT 2007 annual review, little progress had been made on this front. Additionally, according to the WB's 2007 annual review of the MGPR TF, only two LAMIT TF activities appear to be joint between the two IFIs.
32. There are more examples of formal joint collaboration between the two Banks in PSPS. Such projects include: joint initiatives to improve the statistical knowledge base on poverty in a wide variety of countries in Latin America as a fundamental basis to improve evidence-based policymaking (although each Bank continues to have several other data generation projects supported by PSPS that are not formally joint, like EQxIS and DataGob at the IDB); a project to improve budgets for enhanced access to justice in the Andes; and a project to strengthen national commitment for PRSPs in Nicaragua and Honduras.
33. Yet, it is important to emphasise that many interviewees expressed concern that, at times, ***joint IDB–WB coordination/collaboration, whether formal or informal, can be more pro-forma than substantive***. A few project leaders at both institutions mentioned that they had expected more from joint work with one another, but that over time interest from one or the other Bank would fizzle out, etc.
34. Another example of supposed joint collaboration that struck us in particular has to do with the drawing up and implementation of a knowledge management strategy to capture and disseminate lessons emerging from the DFID TFs. With DFID's leadership, the IDB and the WB developed a joint strategy. However, as the knowledge management specialist at the WB mentioned, the extent of the collaboration, at least formally, has entailed drafting the strategy; each organisation will now 'go to its own corner' and work on the generation of knowledge products on its own. There ought to be plenty of scope for coordination in this area of knowledge

⁷⁵ There are several examples of projects that are not formally joint IDB/WB initiatives but have several elements of joint collaboration nonetheless. Such collaboration can include the sharing of analytical work between the two institutions, partnering in the organisation of workshops and other events related to TF projects, collaborating on data collection etc (see for example the WB LAMIT project on Building SME Capacity and Effective Business Development Service Programs in Central America, which is not formally joint with the IDB but involves IDB collaboration in different aspects of the work involved). The point remains, however, that such collaboration depends on individual team leaders and how much effort they individually want to undertake to involve the other Bank in the project.

management, but many internal challenges need to be overcome to facilitate this (e.g. problems with co-branding products because of fears of diluting own image, etc.)

Lesson learning and knowledge management

35. ***Lesson learning and knowledge management are areas in which DFID is considered to be at the cutting edge by both the IDB and the WB, especially compared with other donors with TFs.*** Kai Hertz at the IDB mentioned, for example, that DFID's focus on knowledge management is one of the more important legacies the agency is likely to leave behind – the ability to capture aspects of a particular project to go beyond the project itself and generate lessons – thus extending the usefulness of the experience beyond the life of the project. At the WB, David Gray emphasised how the kind of knowledge management work DFID is interested in pursuing for its TF is unique among donors and quite innovative for that reason.
36. However, it is fair to say that, though the LAMIT and PSPS (as well as ENLACE) programmes all emphasise the importance of lesson learning and the need to share and transfer those lessons, DFID did not engage in systematised and strategic efforts to work on this until relatively late in the lifecycle of the TFs, when it became clear that the funds would be closing. DFID developed a joint Action Plan for Knowledge Management with the IDB and the WB only in early 2008 (to run from 2008-2009) – which is arguably too late. While this plan was drawn in close collaboration between all three actors, now that the strategy has been elaborated, each Bank is likely to be working with that strategy and developing outputs separately (see also section on IDB–World Bank relations).
37. At this stage, the WB seems better prepared to run with this agenda than the IDB, given that it has focused more explicitly on knowledge management from the start of the TF (with each grant having to dedicate a certain percentage to outreach, dissemination and lesson sharing). It also has a formal Knowledge Management Unit in place and a knowledge management expert dedicated to it (see further discussion on this in the WB section of this annex). In fact, the WB has already been engaged in the production of TF-related outputs (especially in terms of publications) based on the Bank's En Brève short paper series and other WB formats that can be applied to the DFID TF (e.g. communities of practice, web portals, etc.)
38. The IDB has thus far lacked a systematic knowledge management strategy for its TC (though it has emphasised the reaching out to academic circles). ***The approach to lesson learning and knowledge management related to the experiences and insights emerging from projects supported by the TFs seems to have been more ad hoc and fortuitous,*** dependent on the individual initiative of team leaders to capture lessons and disseminate them. There are some good examples of this, including the production of books stemming from projects like the Trade and Poverty Forum organised with the PEP in June 2007. Yet, for the most part, lesson learning and communications strategies tend to be included in a project at the very end (rather than incorporated at all stages). And they are focused on dissemination rather than the utilisation of knowledge.
39. However, as a result of the restructuring, knowledge management is currently on the rise and the IDB now has a Knowledge and Learning Sector with the objective of promoting initiatives to translate knowledge and best practices by the Bank and others into improved development effectiveness in the Bank's operations.⁷⁶ These are resources that those in charge of the DFID TFs within the IDB hope to be able to tap

⁷⁶ For more information, see http://www.iadb.org/aboutus/departments/home.cfm?dept_id=KNL.

into as they roll out the Action Plan. The IDB was also closely involved (with DFID and others) in the planning of a conference at Chatham House on Making Trade Work for Development in Latin America (November 2008), where it showcased the kind of work it has been undertaking in this area among a wide and varied audience.

40. An important lesson to emerge from this is that, as noted in the ENLACE section, *instruments devised with IFIs should develop a coherent knowledge management strategy from the start and specify how it will be managed and resourced*. The experience with the TF at the WB can be instructive in this regard, where knowledge management has been central to all grant designs.

Closure of the DFID funds at the IDB

41. As has been argued above, during the life of the TFs, DFID was generally a highly involved partner. *Such hands-on engagement does not seem to have applied to the way the closure of the different funds was managed*. Within both IFIs, there was a perception that the decision to close the TFs was abrupt and poorly communicated. One of our interviewees described it as a ‘cold shower’. There is a real sense that DFID will be missed as a strategic partner in both Banks and that its departure leaves a gap that will be difficult to fill by another donor.
42. *DFID did not design a formal and consistent exit strategy for closing its funds*. Many interviewees wondered what would be suitable next steps to ensure the future of the IFI–DFID relationship and asked if DFID had anything in mind. At the IDB, for example, the LAMIT secondee mentioned that he had to develop his own exit strategy without much support from DFID HQ; as part of that, he organised a series of meetings for key members of INT with policy staff at DFID in London so they could discuss the kind of work the IDB is doing with a wider group of people within DFID and maintain the relationship between the IDB and DFID that has been built over time (but again, fast staff turnover within DFID may make this difficult). Neither of the secondees at the IDB was provided with enough space and time to reflect on respective experiences and share lessons learned. This evaluation may have provided an indirect opportunity for the LAMIT secondee to share his insights. The ENLACE secondee mentioned, however, that the time to have done something like that for her should have been when she had just left the IDB in the summer of 2007, when ENLACE was still fresh in her mind and before she got caught up with her next job. Yet, as the UK executive director mentioned, there continues to be fruitful avenues for DFID to remain engaged with the IDB: SECCI is one such example.
43. Within the WB, while the impression of the DFID legacy within the LCR division is positive, *DFID’s credibility has suffered from the manner of its withdrawal from the region*. It has left the division without a key ally and deprived it of a rare source of flexible funding. Several informants commented that the manner of the withdrawal had taken the IFIs by surprise and was not consistent with the rhetoric of partnership and knowledge management throughout the TFs partnership. As a testament of how much the WB has appreciated this institutionalised relationship with DFID, it is hoping to organise a big conference with donors sometime in the near future to assess whether any of them would like to follow in DFID’s steps and take over the MGPR TF – with the idea that the flexible and innovative features of the TF would be preserved. Nothing concrete has been established yet, but the impression we got from WB staff is that filling in for DFID is likely to be a tall order for any donor.

3 Experience with the LAMIT and PSPS programmes at the IDB

Overall impressions

44. Among all the people we interviewed at the IDB, there was wide agreement that the **two DFID trust funds supporting LAMIT and PSPS work are very relevant to the work the IDB is doing or should be doing, and that they have provided money for projects that would otherwise go unfunded and have provided room for people to do innovative work and take risks.**⁷⁷ In this respect, DFID TFs have helped develop a sharper pro-poor focus in important areas of IDB work (including the integration of trade–poverty linkages into IDB’s work on trade and the generation of data and evidence for better informed pro-poor policymaking). As we were told, change at the IDB happens through the demonstration effect of successful pilot projects that can be scaled up, and DFID has been critical in the provision of this kind of support (e.g. trade and poverty projects within LAMIT, PSPS project on Building Political Consensus for Fiscal Reform in Central America). The funds have also been important in terms of identifying new partners that the Bank would otherwise not be engaging with (e.g. incorporation of small banks into the Trade Finance and Facilitation Program – TFFP, CENPROMYPE, etc.)
45. Overall, we also get the impression that **individual TF projects in both LAMIT and PSPS have been innovative, enabled the IDB to tackle issues it would otherwise not been able to⁷⁸ or to sharpen a pro-poor angle in looking at certain development challenges and added value.** However, it is also true that there were some general concerns (captured in the ODI RAP mid-term evaluation as well) that the themes of the TF projects approved were too broad, making it more difficult to build a more programmatic approach towards LAMIT and PSPS. DFID did try to provide some strategic steer during the life of the funds, and there were attempts to narrow the areas of focus of both the MTP TF and the KMG TF as a result (see annual reports). Again, as with the IDB, it is still too early at this stage to tell whether the different projects in LAMIT and PSPS will add up to a whole that is greater than the sum of their individual parts, since many projects are still in operation and some funds still need to be disbursed. Yet, we can identify some tendencies, especially within LAMIT (less so for PSPS) that point in that direction (more on this below). A good knowledge management strategy will be needed to help draw out the broader links and lessons that emerge from the different projects and to capture their programmatic contributions (see section on knowledge management).⁷⁹
46. It is also our overall impression that, at least so far, the LAMIT programme (through both the MTP TF and the KMG TF) has had greater success not only in developing a more coherent vision but also in influencing IDB policy and practice and is likely to leave behind a stronger institutional legacy than the PSPS programme. There are several factors that can help account for these differences in influence/impact, and these are elaborated below.
47. **The location of the IDB MTP TF proved to be more conducive to impacts on Bank operations than the Markets and Governance (KMG) TF.** There are a few different reasons related to this that have to do with the structure of the divisions each of the

⁷⁷ The same overall impression holds for ENLACE as well, but this is discussed in a separate report.

⁷⁸ Not necessarily because it had lacked the interest but rather the resources to do so.

⁷⁹ It is important to keep in mind that individual projects have no way to be tied together to ensure that there is sufficient ‘lessons learning’ despite the fact that individual projects may have dissemination budgets and strategies. The lack of effective dissemination/lesson learning that is structured and systematic is an important cause of this.

TFs was placed in, the sense of ownership within these divisions about the themes addressed by each TF, the kind of champions that supported each TF and the impact that the IDB restructuring had on the divisions housing each TF.

- The MTP TF was placed in INT because that was the unit that made the most sense in terms of the themes of the fund, and it fit in very clearly from the start. As for the KMG TF, it was originally placed within SDS because it was felt that the fund needed to be housed in a division dominated neither by markets nor by governance but where a balance between the two could be struck. This meant that from the start the MTP TF seemed to have a clearer mandate, sense of purpose and high-level support than the KMG TF. The latter fund had a less coherent/unified focus and felt more scattered in different departments and windows because many areas of the Bank could claim governance as their area of expertise; in the end the TF suffered from a lack of commitment from a single unit to see its implementation through.
- Another difference between the two funds relates to the kind of champions they each had. In the conversations we had with fund managers at the IDB, they all emphasised that the figure of a champion is important in order to bring internal coherence and strategic direction to the fund. They also recognised, however, that there is an implicit danger in this champion model, that the TF may become unduly politicised or personalised.⁸⁰ The general impression among those interviewed is that the champions of the MTP TF were on the whole more effective and had a more coherent vision of what they wanted the TF to look like and what kinds of projects it should support. Interviewees were more critical of the role that the KMG/PSPS champion/manager played.⁸¹ People mentioned that his management style was not always easy, and that he made it difficult to build a more programmatic approach to PSPS. For example, he seemed to have been very narrowly interested in issues related to the generation of data, and less eager to support other issues of interest to PSPS.
- The IDB restructuring also had an uneven impact on each of the TFs. INT managed to survive the process and may have emerged in a stronger position from it as the ‘only owner’ of trade issues at the IDB. INT was also transformed into a fully operational Sector. All this also made it possible to bring the LAMIT window under the KMG TF under its management – while the LAMIT secondee had played an important role all along in ensuring a good flow of communication and interaction between the LAMIT projects funded by the MTP TF and the KMG TF. SDS disappeared with the restructuring, however, and many of the people who had been involved with or interested in the PSPS programme left as a result. Hence, the KMG TF – and especially its PSPS component – suffered considerably from the process. The fund was placed under the poverty unit, and there was a sense among those interviewed that poverty concerns took over the governance agenda, leading to a lack of buy-in from the Bank.

48. ***There was a niche in INT (i.e. develop a focus on the linkages between trade and poverty) that the IDB wanted to move into but lacked the necessary resources, financial and otherwise, to do so.*** DFID was there at the right time and was able to mobilise such resources quickly and expediently. This is clearly a fortuitous

⁸⁰ Reforms to the Bank as a result of the restructuring seek to address this personalisation problem by centralising all TF information and activities into one single unit so that people interested in accessing TFs need only to knock on one door rather than go scrambling through different areas of the Bank to identify TFs that may be of interest (which was the *modus operandi* for most of the life of the DFID TFs).

⁸¹ The KMG champion left the IDB as a result of the restructuring, and we were therefore not able to interview him. Hence, the description provided above does not incorporate his views or feedback.

coincidence of a need identified by the Bank with DFID's presence, and it is not always obvious that such a niche can be identified. However, given the presence of its TF within INT, and LAMIT in general, DFID was able to capitalise on this opportunity and work with the IDB to build on it (see discussion of LAMIT).

49. ***The MTP TF in particular, and LAMIT in general, benefited tremendously from the presence, influence and advocacy of the DFID secondee located within INT*** (this point is further elaborated in the discussion of LAMIT projects as well as the section on secondees). No equivalently close relationship was established in the PSPS programme, where there was no DFID secondee. Reasons given for this included internal dynamics within the KMG TF that complicated the process of filling the post of technical advisor within that fund (and in effect that post was never officially filled by anyone, either a DFID secondee or anyone else; instead, Juliana Pungiluppi stepped into that role as she was already involved in the KMG in a different capacity); and uncertainty as to whether the IDB would want to take another secondee on board as well as whether DFID would be able/willing to second an additional member of staff. In our view, PSPS/KMG may have suffered from not having a secondee who, as the example of the secondee in INT helps to highlight, could have provided greater unity to the programme, enhanced its visibility and acted as an advocate for DFID priorities.

Main contributions of the LAMIT programme within the IDB

50. ***IDB approach to trade, access to markets and poverty reduction***: as noted in the 2007 Trade and Poverty Trust Fund Annual Report (2008), the most significant contribution or added value that this TF has made – and perhaps the most remarkable contribution of the LAMIT programme altogether – ***is the support it has provided to the incorporation and consolidation of trade and poverty as one of the main sector's mandates and as an operative cluster within its new business strategy***. Given the issues of dissatisfaction and frustration that trade liberalisation was generating across Latin America in countries from Bolivia to Nicaragua to Ecuador, INT was genuinely interested in including poverty concerns in their analysis. However, it lacked the expertise and capacity to do so, and had not undertaken any work in this area. The relationship with DFID helped turn this topic into an important area of work within the Bank. In this respect, DFID came in just at the right time and was able to fill a niche that the IDB was interested in moving into but did not have to tools or resources to do so. DFID resources – both in the form of the MTP TF and in the form of the secondee placed within INT – were essential in providing INT staff with the support they needed (including funds but also technical and analytical skills) quickly and flexibly. DFID was thus able to build on the willingness already existing within INT to exert influence and make a real difference in the way the IDB works on trade and integration issues.
51. As a result of all of this, MTP has helped mainstream a pro-poor focus in Bank activities and operations, and it is the major channel through which trade and poverty analysis is incorporated in relevant Bank instruments such as country and regional strategies, policy sector notes and major loans and TC projects in the region (e.g. through the Trade and Poverty Reduction Nexus in IDB Programming project).⁸²
52. INT staff have become more knowledgeable about the different implications of trade policies and Bank operations on the poor, and it is actively applying such knowledge in various lending and technical assistance instruments. For instance, the Bank has developed techniques to combine household survey information with macroeconomic

⁸² See Section 4.4 (p. 7) of 2005-2006 Annual Report for the Trade and Poverty Trust Fund (2007).

modelling to examine the distributional effects of trade liberalisation measures (the models now include gender variables). This has been used successfully in Andean and Central American countries.

53. The Bank has used funds more broadly to develop its attention to the poverty dimensions of trade, including consideration of SME interests in EU trade negotiations (see e.g. on CENPROMYPE in Annex 2 on LAMIT) and indigenous people (e.g. in export sector in Guatemala). Such approaches have been used in connection with significant loan programmes (e.g. on trade finance facilitation) or important regional initiatives, such as Aid for Trade. INT/MTP have also plugged the trade–poverty agenda into various parts of the Bank, e.g. through instruments such as TFFP and the Multilateral Investment Fund (MIF). TFFP in particular is managing an innovative LAMIT project that aims to develop the instruments to expand TFFP services to small financial institutions and SMEs with export potential that otherwise would not be able to access them, thereby enabling the IDB to engage with partners that it would not otherwise be able to work with.
54. In addition, through the resources provided by DFID (including the TF and the secondee), the IDB has been able to build its confidence and reputation in the area of trade and poverty, and the Bank has become widely recognised by national governments and the OAS alike as the leading regional organisation promoting knowledge, policy dialogue and high-level discussion forums on trade and poverty linkages as well as the Aid for Trade agenda. As part of this work, INT/MTP have also built relations and linkages with other organisations and experts (such as FLACSO and the Latin American Trade Network) that the IDB would not have otherwise engaged with given the fundamental lack of incentives within the Bank.
55. The trade and poverty agenda has thus become a major formal operational area of support and a key strategic objective within INT. This new focus seems to have become institutionalised and is likely to be sustained after the departure of DFID (in terms of both the fund and the secondee). ***So the continuity of this agenda seems secure – the IDB has appropriated it, while recognising the centrality of the support it received from DFID to move in this direction.***
56. However, it is important to recognise that, while DFID resources played a fundamental role in catalysing this new emphasis on trade–poverty linkages, other factors were also important in ensuring its institutionalisation. This transformation was brought about through the fortuitous coincidence of a variety of elements, which included: the failure of the Doha Rounds and growing preoccupation with the uneven distributional impacts of trade throughout Latin America, both of which demanded some kind of response from the IDB; the desire of the IDB to engage with the trade–poverty agenda while it lacked the necessary resources (financial, technical, analytical, etc.) to do so; the ability of DFID, through the combination of its LAMIT TFs and its secondee within INT, to fill this strategic niche; and the restructuring process within the IDB.
57. ***OMJ: private sector-led solutions for poverty reduction:*** in 2006, the IDB launched the OMJ under President Moreno. The OMJ is intended to pilot a novel approach that complements the IDB’s efforts to improve the lives of the poor by promoting and financing an emerging business model that seeks to engage poor and low-income communities, together with private businesses, in the development and delivery of quality products and services, the creation of employment opportunities, enhanced access to markets and the integration of the majority in the productive sector.

58. LAMIT funds from the KMG TF provided seed support to develop and position the new Bank initiative. Funding allowed the Bank to undertake a project on Empowering the Economic Base of the Pyramid and establish a baseline on the PPP of the poor in Latin America. This was an analytically important contribution that helped broaden the IDB's understanding of the base of the pyramid market throughout the region and create awareness about the size of this group. The materials generated through this project were then used as inputs for an international conference held at the IDB to launch the OMJ – and, through the TF, DFID played a key role in giving the OMJ a visual identity. TF resources were also used to support the execution of piloting activities that have been linked to OMJ and have helped to make the initiative operational (e.g. mining project with indigenous people in Colombia⁸³ and a MIF project to replicate Bolivia's experience of working with civil society and small producers in Ecuador). OMJ experience has led to positive effects even beyond the Bank, as both the methodology and experience contributed to the design of a large UN initiative, also aiming to raise the awareness of the markets at the bottom of the pyramid.
59. Importantly, PSPS and ENLACE funds were also used to support projects that fed directly into different aspects of the OMJ at an early stage. These projects were related to the issue of 'right to identity' (focusing on citizen registration and legal identity).⁸⁴ This was a new area of work for the IDB, considered one of the strategic goals of the OMJ at the start but then removed, because the focus of the OMJ is the private sector while issues related to citizen registration and identity need to be addressed by public institutions (this area of work is now part of IDB's Modernisation of the State Team).
60. DFID's engagement with the OMJ also drew on other important resources, not exclusively resources from TFs.⁸⁵ For instance, the experiences accumulated through DFID bilateral programmes in Latin America were very useful in informing the OMJ. The proactive technical dialogue and interchange of experiences with DFID's programmes in Latin America (mostly Bolivia and Nicaragua) on MMWFP helped to strengthen OMJ's pro-poor focus and enriched the potential operational applications of the OMJ facility. One of our interviewees mentioned that, as Donald Terry and others at the IDB began to think about how to give shape to this initiative, they looked at what other players were doing in this area – including the WB and IFC – and came upon DFID's MMWFP initiative. They felt that was exactly where they wanted to go and shed considerable light on what the IDB could be doing.
61. OMJ also received technical support and inputs from the LAMIT secondee, who provided crucial assistance in terms of helping develop the proposal for Empowering the Economic Base of the Pyramid and shepherded it through the KMG TRC, which had a reputation of being very difficult and politicised (see above). In fact, according to the project leader, the proposal would have likely not gone through the TF had it not been for the support provided by the LAMIT secondee (and based on his experience, the project leader said he did not apply for funds from the TF again).

⁸³ See the MGPR Trust Fund 2007 Annual Report (p. 9).

⁸⁴ The PSPS project titled Identifying the Majority: Methodologies for Measuring the Prevalence of Identity developed a methodology to assess the prevalence of under-registration in the region and included pilot surveys. The ENLACE project was a communication campaign to promote birth registration in Latin America.

⁸⁵ Interestingly, we were not able to get this side of the story from people working on the OMJ at IDB HQ, whose experience of working with DFID is more closely tied to the TF itself. The information came in part from Daniel Shepherd, who is at the IDB MIF in Ecuador and, as a result, is familiar with DFID country/regional offices, as well as from the LAMIT secondee and Graham Symons.

62. On the other hand, as the OMJ has evolved, collaboration with the LAMIT programme has become more difficult and less obvious.⁸⁶ While there is apparent interest on both sides and plenty of issues of overlapping concern, it has been more challenging to identify a concrete area within what the OMJ wants to do that LAMIT can support with the additional funds still left in the programme. One difficulty relates to the fact that LAMIT has become more inclined to fund projects that can demonstrate a clear link to trade and the OMJ does not deal with trade as such. The OMJ itself seems to be struggling to find its footing within the IDB (despite backing from Moreno) and the people involved with the imitative that we spoke to at HQ said that they need critical support at this stage as they think about where the OMJ is moving to. ***They seem disappointed that DFID support through either of the TFs has not been more forthcoming at this later stage.*** One idea that they have put forward is the creation of a new multi-donor Strategic Thematic Fund on Market Solutions to Mobilize Social Change, and they would be interested in including DFID in its advisory panel.

Main contributions of the PSPS programme within the IDB

63. As we noted earlier, within the IDB, ***PSPS does not seem to have moved in the direction of a coherent and focused programme to the extent that LAMIT has*** (at least to date) and its influence on the way the IDB does its business seems to be more diffuse and limited to the project (rather than the institutional) level. That being said, there is evidence that many of the PSPS projects have made valuable contributions to the work of the IDB (and beyond), and that they have been important (even at this still relatively early stage) in terms of their catalytic impact, their impact on resource mobilisation, their operational impact (especially in terms of small technical assistance activities or pilot initiatives directly linked to a Bank loan, a country strategy or the conditions for further IDB financing) and their innovation impact.
64. Work on governance assessments (closely related to Output 1 of the PSPS logframe) is one of the high points showing DFID influence within the IDB on the PSPS side. The TF supported the development of a series of governance reviews to assess, in a systematic and participatory manner, the institutional and governance constraints in a given country, as well as the causes of these limitations and future governance scenarios. Fund resources were used to design a common methodology and its application on a pilot basis in Colombia, Ecuador and Peru and to carry out participatory consultation processes to validate the analysis in the governance assessments. DFID advisors in regional offices provided comments on the methodology and made important contributions in sharpening its pro-poor and social inclusion aspects. These assessments served as inputs to country strategies as well as project preparation through identification of execution capacity and risk assessments. They also helped improve quality of dialogue with governments (e.g. Peru).
65. While these reviews started as pilots, they have become institutional practice under President Moreno and have high-level support. They have been undertaken on a more systematic basis in a series of countries including Guyana, Guatemala and Paraguay and are now considered part of the operational process in each country. However, with DFID leaving, a crucial source of financial (and other) support will be lost, and it will be important to identify other donors who would like to continue supporting these reviews. It is not entirely clear that this will be easy, given that DFID had demonstrated unusual commitment to these assessments.

⁸⁶ This paragraph is based on conversations with Kai Hertz, Dana Martin, Luiz Ros, and Elizabeth Davidsen at the IDB.

66. As in the WB, PSPS work has been particularly solid in the areas of citizen participation and accountability (related to Output 2 in the PSPS logframe), with emphasis on the sub-national level of government (e.g. Accountability in Colombia: Engaging a Wide Range of Actors and Promoting Innovation – see Box 2) and fiscal and budgetary governance (e.g. Building Political Consensus for Fiscal Reform in Central America), while helping to build the Bank’s ability to carry out political economy analysis throughout.

Box 2: Successful accountability and citizen participation project: Accountability in Colombia – Engaging a Wide Range of Actors and Promoting Innovation

This PSPS/KMG TF project has supported a series of coordinated efforts to promote accountability in Colombia, such as: i) two stages of the so-called *consejos comunitarios* (CC), town hall meetings hosted by the President of Colombia in isolated and impoverished regions (the fund supported the undertaking of 15 meetings reaching close to 10 thousand people); ii) the scale-up in five Colombian cities of the successful Bogotá *¿Cómo Vamos?* experience/methodology, launched in 2003 by a group of CSOs (e.g. media groups and private sector), in order to collect data through household surveys (and dissemination) that track progress of the city’s Government Plan, compliance with campaign promises and impact on poverty reduction; and iii) the drafting of a policy document (*Consejo Nacional de Política Económica y Social* – National Council of Economic and Social Policy – CONPES) for the establishment of the first National Accountability System.

Although each initiative emerged independently, both the fund management and the IDB country office in Bogotá were keen to ensure a complementary approach, building not only on lessons learned e.g. evaluation of the first stage of the CC, but also on a specific momentum in Colombia. Additionally, the fund’s management promoted coordination with the EQxIS indicators system team as well as DataGob (both financed by DFID) in order to promote the use of these two systems in the *¿Cómo Vamos?* experiences, and the drafting of the CONPES policy document.

With less than US\$600,000, the fund has been able to support the generation of critical mass in a strategic moment for Colombia, which is expected to build on current growth and economic stability to carry out structural reforms. This TC also became an input into a recently approved mechanism through which the Bank is intended to give technical support to the National Planning Department in the development of the National Policy of Accountability.

67. PSPS funds at the IDB have proven instrumental in improving the generation, accessibility and use of evidence and data for pro-poor policymaking (which is also one of the outputs in the PSPS logframe). Once again, *DFID has been one of the very few donors within the IDB with a strong interest in the generation of data and their dissemination and integration into projects as a key basis for evidence-based policymaking*. DFID has thus been a pioneer in this area, and TF support has been instrumental in helping build different data systems. Two are worth mentioning in particular:⁸⁷ i) EQxIS, which focuses on social inclusion/exclusion and includes social indicators to monitor the MDGs with an equity perspective in both Latin America and the Caribbean; and ii) DataGob, which includes approximately 800 governance indicators for 185 countries depending on the source (see Box 3). Both systems are being expanded to include data at the sub-national level, in line with the Bank’s new mandate to increase the capacity of local governments in order to allow them to access financing from IFIs.

Box 3: EQxIS and DataGob

EQxIS aims primarily to support countries of the region in the monitoring of progress towards the MDGs, and it has become the main platform for a comprehensive IDB social database. Among other things, disaggregated data at the sub-national level explore data on ethnicity and the rural–urban divide,

⁸⁷ While it also supported the development of methodologies for ‘identifying the majority’, which fed into the OMJ initiative.

key areas of interest that DFID helped bring to the fore. One of EQxIS's main aims is to show the potential of using data in a cutting-edge way and to encourage governments throughout Latin America to rely on it to generate better policies that are evidence based. As part of this, training courses with national statistics offices and other government agencies responsible for monitoring the MDGs have been offered in Honduras and Brazil in conjunction with UNDP. A few countries in Latin America (Costa Rica, Honduras) have requested reproducing EQxIS at the local level. Interestingly, although both the WB and the IDB share an interest in data collection, there is no active collaboration between the two at EQxIS level (beyond sharing of information). This once again seems to be a reflection of the competitive relationship that exists between the two Banks, and the incentives each has to keep its own (separate) projects and the donor resources that come with them (see section on IDB–WB relations).

DataGob is an innovative portal that offers access to governance indicators covering topics as varied as support for democracy, the cost of starting a business, wastefulness in government spending and police corruption in Latin America and the Caribbean and other regions in the developing world. The system has been used by civil society, academia, the media, etc. from all over the world. DataGob has also been a key tool in undertaking innovative IDB government reviews in several countries in Latin America and, in turn, in the design of Bank country strategies.

68. These two data systems constitute an important contribution that the PSPS programme will leave behind; DFID's relatively small financial investment seems to have paid off, given that they have become fully consolidated and sustainable within the IDB. The Bank's realignment process called for the harmonisation its databases and indicators systems under the Research Department. As a result, EQxIS will be merged with the SocióMetro Latino database and the IDB has committed Bank resources to continue to maintain the database. Showing its potential for growth, DataGob, for its part, will be turned into a truly global initiative sponsored by the international community, by entering into partnership with other multilateral and bilateral donors.⁸⁸ DFID at the HQ level (Julius Court) has expressed strong support for it and pledged resources. Interviewees mentioned that 'having DFID behind us to turn DataGob into a global initiative has been the difference between day and night'.

Secondees

69. DFID provided two secondees to the IDB to support their TFs and Latin America programme more broadly. One of them was seconded from the DFID Andes office and was placed within INT as a technical advisor for LAMIT; the other was seconded from DFID's LACD at HQ and became the social development advisor for ENLACE. As discussed in Section 2 of this report (see also Annex 1), PSPS did not have a secondee; in our opinion, the programme may have suffered from it because it lacked an internal advocate and a source of unity and coherence.

70. ***Within the IDB, both secondees were perceived as enabling an ongoing dialogue between DFID and the IDB, as well as bringing essential human capital and technical knowledge to the MTP and the ENLACE funds.*** To begin with, both secondees played an important role in facilitating relations/providing links with DFID at the HQ and the regional levels, and in acting as conduits of information.⁸⁹ Thus, for example, the ENLACE secondee helped link up IDB's work on identity to DFID activities in regional offices (including Central America, Andes and Brazil), and the

⁸⁸ The African Development Bank (AfDB), OECD, UNDP and IDB presented a proposal for the formation of a global indicators initiative at the GovNet conference in June 2008. The ADB has also expressed interest in joining the initiative.

⁸⁹ Although, as will be elaborated at a different point in the report, relations between DFID regional offices and the TFs in the IDB (as well as the WB) were not always easy or smooth, and the exchange of information on LAMIT and PSPS initiatives at centralised vs. decentralised levels was far from fluid.

LAMIT secondee helped introduce CENPROMYPE to the IDB as a credible and reliable partner that would not have been considered by the Bank otherwise.

71. In the course of conversations, both secondees mentioned that, in many ways, the TFs provided them with a platform to engage with others at the Bank more broadly and strategically on the basis of compatible agendas and interests. The ENLACE secondee's role is analysed in greater detail in Section 3. The LAMIT secondee has become a household name within the IDB. The overall impression is that the secondee was a tireless advocate of the LAMIT programme (especially through the MTP TF) throughout the Bank and made considerable contributions at many different levels. Despite several challenges the secondee managed to establish good contact with TFFP that sits elsewhere within the IDB, for example; now the unit is working more closely with INT.
72. Clearly, as has been noted, *other factors were significant in helping consolidate and institutionalise the poverty and trade agenda*, but the role of the LAMIT secondee was recognised as vital by staff at all levels. This is important, as his secondment to the IDB did not come without its trade-offs. In particular, as noted in Section 2 and Annex 2, this secondment considerably undermined the ability of the DFID Andes office to continue to work on LAMIT, which the secondee was leading before he left for the IDB. Nevertheless, given the kind of work that the secondee was able to undertake at the Bank, especially in terms of the trade and poverty agenda (which is likely to be one of the most meaningful and resilient legacies that the DFID TFs leave behind), the trade-off involved in seconding him to the IDB seems to have paid off.
73. It is also important to emphasise that, as pointed out by different interviewees, bringing a secondee on board may entail some challenges as well. The IDB is an institution with a very particular culture,⁹⁰ where personal relationships and informal networks are extremely important in making things happen and enabling ideas to move forward. It may not always be easy for a secondee from a completely different setting to adapt to the way the IDB works, and it is likely to take some time to learn to navigate the system. Given the relatively short time of a secondee post, this is not ideal. In addition, the secondees mentioned that the particular units they were each sitting in were very jealous of sharing them beyond their specific unit, which made trying to do joined-up work and linking up with other areas of the Bank difficult.
74. One secondee in particular mentioned that she was not based in the best place within the Bank to act strategically, and that she could have profited from an induction programme that would tie her with a mentor, ideally outside her immediate work environment. In addition, despite the existence of ToR on this matter, in practice, the *DFID secondee's role within this TF was not properly differentiated from the role of other fund team members, which led to some tensions and frustrations*. Observers not directly tied to this TF also expressed that this secondee in particular was not taken full advantage of and could have been provided with better guidance. Other interviewees mentioned that there may not always be a good personality fit between different ENLACE team members, which can complicate the working relationship. However, it was also stressed that these personality clashes did not affect the overall quality of the work of the fund or the institutional relationship with DFID.
75. Overall, the judgement on secondees seems to be that, when the TF–secondee combination works well, it can prove enormously fruitful in terms of helping to bring the work of DFID TFs/programmes to the fore, capitalise on synergies and other opportunities and induce (perceptible) changes in the realm of ideas as well as in

⁹⁰ Our interviewees kept saying that the IDB was a 'Latin' bank with a 'Latin' culture.

policy in practice.⁹¹ When the combination works less well, it can lead to some frustration and disappointment on both sides – but even here it was widely recognised that the contributions that a secondee can bring to the table based on their technical skills and expertise outweigh the negatives highlighted above.

76. ***Thus, the takeaway for DFID from these differing experiences seems to be that, in future, if DFID wants to place a secondee within a given organisation, it should proceed as follows:*** i) explore carefully where best to place them based on a sound understanding of that organisation's internal culture and needs; ii) make the necessary provisions to ensure proper mentoring and guidance for the secondee; and iii) establish, in conjunction with the identified institution, a clear division of labour between the secondee and other TF team members to avoid confusion and overlaps.

4 *Experience with the LAMIT and PSPS programmes at the WB*

Overall impressions

77. The WB saw the policy approach and priorities in DFID's 2006 RAP as closely aligned with its own in many areas. In terms of governance, it acknowledged a 'meeting of minds' over DFID's institutional perspective and expansive view on governance systems, as well as its use of political economy analysis. These were areas that the Bank was moving into and it recognised in DFID a willing partner. DFID advisors peer reviewed the WB paper on Sharpening the Focus of Governance in LCR MICs and DFID helped the Bank evolve its core governance work from public financial management, anti-corruption and civil service reform towards incentives for reform of institutions and how governments interact with citizens on a day-to-day-basis. ***As a result of the partnership, the Bank acknowledges that it became more comfortable thinking about political systems and political actors, and engaging with non-traditional partners like unions*** (e.g. project on Strengthening Accountability in Social Service Delivery in Central America). In addition, working at a sub-national level, the Basic Management Capacity Project in the Chocó region of Colombia (US\$185,000) was cited as an example of a project that the Bank would have considered far too risky without the support of the TF. The DFID TF also enabled WB staff to take the governance agenda beyond a focus on anti-corruption (to consider service delivery, for example) as well as to delve more deeply into issues concerning political economy (social delivery project in Central America).
78. This experience is seen by the Bank as more of a cross-fertilisation than a change of direction. ***Without diminishing the very valuable contributions that the TF made at the WB, especially in terms of enabling experimentation and the pushing of boundaries***, as has been noted, ***DFID's technical inputs do not seem to have been as significant to the WB as they were to the IDB***. As has been suggested, this owes among other things to the perceived complementarity of interests between DFID and the WB at the start of the TF partnership, as well as to the more rigorous and systematic management of the TF within the WB, which gave DFID less discretion to single out and empower champions of change.
79. ***DFID's flexibility was particularly appreciated by the WB LCR staff, given that the region is dominated by MICs, and therefore has fewer sources of grant funding available to it***. However, the downside of the decision to keep the funding flexible was that it limited DFID's ability to use the fund to nudge the Bank towards a

⁹¹ While keeping in mind, however, that these and other contributions do not depend only on the TF–secondee combination and a good personal fit.

particular notion of governance. The broad criteria of the TF opened up a window on governance that was too wide a concept to be strategically useful, and there was an element of opportunism to the way that some task team leaders (TTLs) tweaked existing proposals to meet TF criteria. In some cases (such as the Social Accountability in Public Services Project (US\$210,000)), this resulted in the addition of a pro-poor component to improve a project's chances of receiving funding.

80. While this might have improved the quality and approach of particular projects from a DFID perspective, *it does not seem to have had a coherent programme-wide impact given that proposals for PSPS ranged widely* - from public financial management, to citizen participation, freedom of information and improving accounting systems, for example. If DFID had ambitions of using the TF in a way that would have pushed the WB towards a particular area or towards expanding its work in a particular dimension, then it should have provided such guidance more explicitly. For example, there was a lot of discussion among DFID and WB management staff on doing more on political economy, but this remained ill defined.
81. Greater technical inputs and guidance from DFID would have been desirable to give the TF at the WB a more strategic approach, and this requires a greater investment in human resources (be this in the form of secondees or increased and more sustained dialogue and interaction with other DFID staff).
82. As it was, many of the people we spoke with at the WB, especially TTLs, mentioned that their engagement with DFID was mostly one based on the financial resources the TF provided and did not go deeper than that (except in the limited cases where they had linkages with DFID regional offices). Some of these team leaders expressed that they would have liked the relationship to have gone deeper. As one of them put it '*... our relationship with DFID concerning the grant has been positive – but not stellar. I was hoping to have a technical response to our work (suggestions on how to improve it) – but this is probably not a realistic expectation, given that DFID's technical staff is small and our topics are technically very specific.*' Without a doubt, this is a role that both of the secondees at the IDB (not only the one for LAMIT but the one for ENLACE as well) helped to fill.
83. *The DFID TF demonstrated in a well-structured way what can be done through the provision of small grants to innovators: the idea that seeding innovation is critical to the business, that small sums of grant money can be used to shorten the innovation cycle and that lesson learning is about engagement rather than dissemination.* All of the above have been pushed more rapidly than they would have into the mainstream of the Bank's business had the DFID TF not been there.
84. KMG has also played its part in supporting a transition that was already underway in the way the Bank works in LAC MICs, a shift in the role of the Bank from prescriber of development solutions to one where it is a partner in development and an associated move to leverage the Bank's power to bring together stakeholders who can collectively define and seek solutions to common problems. The TF did not originate this transition but it has supported it.
85. KMG has also contributed to the encouragement of client engagement, notably multi-stakeholder dialogue, movement of good practice across projects and borders and proactive dissemination of lessons to internal and external stakeholders in forms and media that they can access and apply. The GDLN and the Community of Practice (see below) are emerging as important tools for knowledge mobilisation and exemplify the role of the Bank as convener in South–South dialogue.

86. Rather than any specific outcomes of the projects themselves, the legacy of the TF is likely to be as an example to the Bank of how a little bit of funding in the right place has the potential to make a big difference.

A closer look at the TF supporting LAMIT and PSPS work

87. There was wide agreement that the DFID TF is very relevant to the work the Bank is doing or should be doing, and that although the total amount of the TF was small in terms of the Bank's budget in the region, it acted as 'grease in the wheels' by providing money for projects that would otherwise go unfunded and enabling staff to do innovative work and take risks. However, although DFID made available the resources for this to happen, it is less clear whether this work could not have happened without DFID's intervention, or whether DFID merely helped speed up the process. The main advantages of the TF were that it was flexible, did not need to be tied to a WB loan or country operation and could be used to fund regional work. The LCR division in the Bank usually has great difficulty competing for scarce grant money with other regions with higher numbers of LICs.
88. ***It is still too early to tell whether the different projects in LAMIT and PSPS will add up to a whole that is greater than the sum of their individual parts, since many projects are still in operation and some funds still need to be disbursed.*** However, the allocation criteria were loose compared with other donor TFs, and the impression to date is that this allowed the Bank to fund a diverse range of projects, in countries that were both priority and non-priority for DFID. From the Bank's perspective, *coherence of the portfolio* was a far lower priority for the TF than *experimentation* and the added value of the TF was its ability to provide support where the Bank needed it. As a result very different creatures co-habit within the TF portfolios.
89. Nevertheless, ***several of the projects supported by the DFID TF have broken new ground, have been successfully scaled up, have been instrumental in creating wider impact transcending the lifecycle of a given project and/or are being taken up across the Bank.*** Examples of this include the work on micro-finance and micro-insurance, the statistical innovations award under LAMIT and some of the PSPS work on the demand side of accountability and performance-based budgeting. Other projects or initiatives have not germinated as well, for various reasons.

TF management and location

90. The WB and DFID initially agreed to locate the TF in PREM, given its focus on poverty reduction. However, the mid-term evaluation of DFID's RAP prepared by ODI suggested that the TF had been captured by governance experts and the Bank moved it into OSU, where the management arrangements were strengthened. Roberto Tarallo took over the TF in 2006/07, giving it a big push to raise awareness among TTLs. The ability of OS's strong and experienced administrative and knowledge management team to reach out to more people within the Bank improved the breadth and diversity of projects and, in response to the mid-term evaluation, the balance of the portfolio was shifted to focus on PSPS and LAMIT projects more evenly (from a ratio of 80-20 to closer to 50-50 in tranches IV and V).
91. OSU manages all grant funding for the region and was well placed to ensure effective use of all available grant resources. By keeping a geographical overview, it tried to keep to the poverty reduction spirit of the MGPR TF by making sure that any regional projects included LICs, or at least poorer regions of MICs, particularly after DFID asked them to focus on its own three sub-regions. Most of the regional projects do

include at least one DFID focus country, and some projects that were successful in a MIC were subsequently rolled out in focus countries.

92. The TRC was collegiate and representative, with members from PREM and sub-units of PREM, HD, SDS and the IFC. Calls for proposals were issued twice a year, and the TRC met quarterly to approve proposals (approx 40 each time) based on selection criteria agreed with DFID. This was the culmination of an initial self-vetting process in which all sector and country directors prioritised their interests in order to pre-select projects for funding. Although DFID London was not involved in the selection process, it was kept informed of which projects were selected. The competitive bidding process stimulated sector and country directors to collaborate on projects across sectors and to rise above their own particular interests to think about how sectors can work better together.

Main contributions of the LAMIT programme

93. ***The first three tranches of TF projects were heavily skewed in favour of PSPS as opposed to LAMIT, partly because of the TF's positioning within PREM.*** This was addressed in tranches IV and V, where the balance was evened out. Over the course of the three-year TF, LAMIT projects comprised just over one-third of the portfolio and absorbed approximately 40% of total funding. The geographical focus of LAMIT was more closely aligned with DFID priorities: most projects had a regional focus; only two of the others were not in DFID priority countries (Mexico and Argentina).
94. Small examples of DFID impact can be found in many of the projects, for example in the inclusion of a component to study the impact of trade on poor people and indigenous groups in the Bolivia/Paraguay study on trade competitiveness (\$US220,000). There are also examples of projects that took the Bank into innovative new areas, such as the project on strengthening accounting and auditing in support of sustainable private sector-led growth in LAC (US\$17,000 + \$50,000). However, in the latter example, the team leader mentioned he had little interaction with DFID staff in the region, although he was appreciative of the financial support.
95. The most significant successes of LAMIT at the WB were the Municipal Scorecard project (US\$150,000)⁹² – which benefited from close interaction between the WB and DFID regional offices, and was subsequently replicated across and outside the LAC region (see Section 2 and Annex 2) – and the Bank's work on micro-finance and micro-insurance. These were two of the few examples of genuine coherence between the use of DFs and TFs, with funding drawn from both sources to fund technical exchanges, conferences and workshops at country level. The latter is a pioneering and highly innovative area for the Bank – it was defined by the TTL as 'one of the World Bank's finest hours'. DFID LAMIT support was decisive in making it possible, given that there were no projects in the region that had a micro-insurance component. A key innovation of the TF mechanism was to allow the Bank to engage on policies with no direct link to a specific WB country project. In this respect, LAMIT has helped the Bank position itself in the area of micro-finance and micro-insurance as a source of world-class expertise, rather than a source of financing only.

Box 4: World Bank work on micro-finance and micro-insurance

The four relevant projects that have received funding from the TF for this work are:

1. The South American Microfinance Distance Learning programme (US\$170,000)

⁹² This project is commented on in greater detail in Section 2 of the main body of the report as well as in Annex 2 on LAMIT.

2. Regional Micro-Insurance Legal and regulatory Framework, Supervision Arrangements and Operational Development (US\$170,000)
3. Scaling-up Micro-Finance and Reducing Informality (US\$250,000)
4. Micro-Finance Best Practice (US\$80,000)

Through these projects, the Bank has strengthened ties between micro-finance institutions in the region and has strengthened the capacity of these organisations by mobilising international technical expertise and disseminating new knowledge and best practice. It also recognised the need to engage the micro-finance institutions in dialogue with policymakers, even in a context where two country governments (Ecuador and Bolivia) were critical of commercial micro-finance. The fund supported demand analysis and dialogue with key insurance providers, which was complementary to a series of horizontal learning seminars on microfinance policy. This helped the Bank engage in difficult policy discussions with clients (notably Bolivia) using evidence-based recommendations, and has strengthened its overall microfinance added value throughout the region. Using the fund, the Bank has been able to stimulate innovation by linking micro-insurance to cash-based safety nets. As a result of the policy dialogue and problem solving work with DFID, the pro-poor content in the Bank's micro-insurance work has grown substantially and split into two strands: i) commercial micro-finance for the uncovered (low-income households but not extremely poor) and ii) insurance connected to conditional cash transfers, a system targeting extremely poor households.

The four micro-finance projects are notable not only for the outcomes they achieved, but also for the importance that they helped to give this work with other countries within the region and with other divisions within the WB. Within the region, the Bank has been able to link the work to the burgeoning *bancarización* movement in Colombia, Mexico and Brazil. Within the Bank itself, the TF helped the LCR micro-finance team develop cutting-edge technical information, which it is offering to a much wider internal audience through a web-based micro-finance toolkit and new micro-finance technical courses, financed by a Bank-funded learning grant. In this way, they are introducing micro-insurance best practice from Latin America into all Bank micro-finance projects. They now have close ties to the weather-based risk insurance work undertaken by the Bank's central Commodity Risk Management Group, and are also working closely with the insurance group in the Bank's centre, which has an interesting insurance model using self-help groups in eastern India.

In terms of its legacy, LAMIT has allowed the Bank to: i) build better internal capacity in micro-finance; ii) form partnerships with key actors in countries of interest (Bolivia, Colombia, Peru and Ecuador for micro-finance – and Mexico and Brazil for micro-insurance); and iii) make its own projects technically stronger and more effective because they have a better informational base and a shared understanding with counterparts about what needs to be done, based on what has worked elsewhere. The unit will continue to push the agenda, through projects, studies and technical assistance (when funding is available) in micro-finance in general, and including micro-insurance when the right conditions are present (government openness, industry acceptance of its role). It has new projects in development that include micro-finance components in Panama and Guatemala, on access to finance in Nicaragua and some micro-finance components in Jamaica, Honduras, Nicaragua and possibly Angola. However, the gap left by the closure of DFID's TF is likely to be felt, especially in financial terms. For example, after some lobbying from the Bank and as a direct result of the LAMIT-financed work in micro-insurance, Brazilian and Mexican industry association leaders and the lead supervisors and regulators have requested a study tour to South Africa, which is best practice for micro-insurance. It is proving extremely difficult for the Bank to respond to this request, which they believe would be critical to pushing forward some of the more difficult parts of the micro-insurance reform and expansion agenda in both countries. micro-finance.

Main contributions of the PSPS programme

96. ***As with LAMIT, the overall impression is that PSPS funds have been used to fund worthwhile and innovative projects. But again, one issue of recurring concern was how to give PSPS greater strategic coherence.*** The DFID lead advisor worked closely with PREM to try to 'narrow the highway of experimentation' and give PSPS a sharper focus. This had some limited success and PSPS has been used to push the boundaries, especially getting involved in political economy issues and developing more demand for political economy interventions. It was used to strengthen analysis

(including political analysis) and participation in the design of CASSs, loans and policies to make them more responsive to poor people's interests and to refine M&E systems to extract lessons and identify impact on poverty. However, the sector manager for the PREM Public Sector Group felt that DFID could have pushed its agenda further.

97. Demand for funding for governance activities was high throughout the programme. While the overall balance of the portfolio was weighted in favour of PSPS (nearly two-thirds of projects and nearly 60% of funding), the portfolio was less obviously aligned with DFID's geographical priorities. ***Over one-third of the projects were in countries that DFID would not consider a priority*** (Mexico, Uruguay, Argentina and Colombia), although the lessons learned from some of these experiences have been replicable in other countries of the region. For example, the International Conference on Performance Budgeting in Mexico (US\$150,000), which brought together 120 participants from the LAC region, focused on experiences in Chile, Brazil and Argentina.⁹³ The Argentina Income Support AAA (US\$200,000) was used to develop a methodology on how to target the poorest strata of society through conditional cash transfers, which has been the lynchpin of other Bank-supported projects such as *Bolsa Familia*.
98. As with the IDB, ***the PSPS projects supported through the TF gave the Bank room to manoeuvre on citizen participation and accountability (with emphasis on the sub-national level of government), fiscal and budgetary governance and improved generation, accessibility and use of evidence and data for pro-poor policymaking, while helping to build the Bank's ability to carry out political economy analysis throughout***. In supporting this work, DFID helped the Bank push the boundaries and move more quickly in the direction that it wanted to go. As elsewhere, then, DFID-WB collaboration was characterised by a 'meeting of the minds' – and, in this respect, DFID did not achieve any radical change in the Bank's priorities or policies, although it enabled considerable innovation and risk taking in ongoing ones.
99. A good example of how ***the TF has allowed the WB to push the boundaries*** is in the project on strengthening accountability in social service delivery in Central America (US\$200,000). The methodology and toolkit developed with TF money has the potential to become a regular part of WB operations. It uses a comprehensive approach to institutional analysis, public sector expenditure tracking and political economy analysis and has allowed the Bank to explore the service delivery aspect of governance through structured consultations with key civil society stakeholders, service providers, beneficiaries, the donor community and senior government officials. This focus will be central to Bank operations in Central America, where the project was started with a small amount of seed funding from the DFs. On the basis of a pre-established relationship between Bank staff and DFID personnel developed in the field, there has been close support throughout between DFID Central America and WB country offices in the region on policy notes and discussions with civil society.
100. A common theme is of projects that supported delicate dialogue, such as that around judicial reform in Mexico for the 2008-2012 Country Partnership Strategy in Mexico, or technical assistance to improve performance-based management at the sub-national level in the departmental government of Chocó (Colombia). In both of these cases, ***the TF gave the Bank a way into a very difficult political area and allowed it to have a more open dialogue with the government***. The willingness of the Bank to engage in participatory processes seems to have increased as a result of the

⁹³ This has had a demonstration effect outside the region, with subsequent requests from Turkey and Thailand to hold similar events.

collaboration with DFID as well. There are several examples of TF resources enabling the Bank to engage with local actors to enhance the transparency and accountability of the policymaking process, including unblocking governance reforms and strengthening public accountability in Honduras (US\$112,500) and strengthening national commitment to poverty reduction strategies (PRs) in Nicaragua and Honduras.

101. As in the IDB, in addition to demand-side governance, perhaps one of the most significant impacts of the DFID TF was the priority it gave to the generation of data and their dissemination and integration into projects as a key basis for evidence-based policymaking (as per the PPS logframe). TF support has been instrumental in helping build different data systems and the two projects to improve the statistical knowledge base on poverty in the region are worthy of mention. The first, Reducing Poverty through Better Evidence-Based Policies (\$US215,000) was carried out in partnership with the IDB and ECLAC and covered 15 countries in the region. The project led to the creation in July 2007 of a regional award for innovation in statistics, which was the first of its kind in the world. The response from counterparts was unexpectedly strong, with 150 applications from 20 countries, evidence of an increased awareness of the need for high quality statistical information.
102. ***Other regions and units in the WB have expressed their interest in replicating the award, and it has the potential to improve the South–South information exchange.*** Although better data are central to governance work, Bank staff told us that it was difficult for them to get loans or grants from other sources to support statistics development, and few institutions or donors are willing to put money into it, which echoes the information we were given at the IDB. The TF has allowed the Bank to tap into a key demand, and has resulted in greater resources going to statistics and data generation in the region, giving greater prominence to the topic.

Knowledge management and innovation

103. Despite the overall problems with lesson learning and knowledge management identified in Section 2 of this annex, the TF at the WB has been somewhat of an exception, having made considerable progress in terms of knowledge management and innovation. It has made a significant investment in these areas, including the hiring of a dedicated knowledge management specialist keen on championing the results of the DFID partnership, and the creation of a budget for knowledge management. Although it came relatively late in the lifecycle of the PPS and LAMIT programmes, the TF Knowledge Management Action Plan developed with DFID to share lessons from its TFs at both Banks reflects an interpretation of knowledge management that goes beyond *dissemination* to *engagement*.
104. This approach has been supported by the Bank's GDLN, which was introduced by WB President Wolfenson 10 years ago in an attempt to turn the Bank into a knowledge bank. The GDLN is a partnership with 40 universities in Latin America (120 around the world), which allows the Bank to run workshops by video conference with multiple partners and share materials and analysis through online collaborative spaces. For example, the GDLN was used to facilitate South–South learning on LCR's micro-insurance work.
105. ***Another important tool has been the Community of Practice, whereby the WB identifies practitioners in different countries who are interested in or work in similar areas, and then convenes a virtual community to enable dialogue between different countries on a particular issue.*** For example, there is a vibrant community on practice for statistics, which the IDB is also involved in, and this has helped to

spread the experience of the DFID TF-funded statistics projects. The Community of Practice model works well in Latin America, where time zones and language are not an issue, and has been used successfully to transfer experience on conditional resource transfers from Mexico and Brazil. Through both the GDLN and the Community of Practice, the Bank has used experiences generated by the TF to change its role from a *prescriber* to a *convenor* of development dialogue.

106. ***The TF small grants model mentioned earlier is now widely seen in LCR as a key tool for leveraging and innovation:*** in other words, how it is possible to use a small amount of money to catalyse much bigger projects or ideas. Mike Goldberg's work on micro-insurance has demonstrated to the Bank how such funding gives staff the opportunity to shorten the 'innovation cycle', by getting new ideas and analysis very quickly to where they are needed through demonstration effects. There is no reason why it should take years for something that works in one place to get adopted somewhere else.
107. As a means to replicate this, LCR used the DFID TF model to argue for the introduction of a grants scheme using resources from its own administration budget. ***By combining part of its learning budget (typically used for staff training) with its knowledge budget (earmarked for more transformational work), it now has US\$1m per annum to turn transformational knowledge quickly into learning.*** The grants scheme was created one year after the TF was created and demand has far outstripped supply (30 approvals out of 160 applications). Although the scope is broader than the DFID TF, the result has been similar in terms of encouraging staff to compete for resources that enable them to try new approaches or take risks, without the need to link them to country operations. ***This is perhaps the one real institutional development that it might be possible to attribute to the TF model.***

Annex 4 Terms of reference

Evaluation of DFID's LAMIT, PSPS and ENLACE programmes

1 Scope of work

Approximately two-thirds of the evaluation should be dedicated to addressing the following four issues across each of the three programmes individually.

<p>1. <i>Was the programme appropriate and justified?</i> Is the planning document adequately formulated, clear and focused? Were options considered and choices justified? Are the outputs consistent with the purpose and goal? Was adequate provision made for monitoring & evaluation? Is the risk analysis still appropriate?</p>
<p>2. <i>Did the programme and its activities reflect priorities and policies?</i> Was the programme relevant to the needs of the region, consistent with DFID corporate priorities and the Regional Action Plan (RAP), including the 'regional approach' adopted in the RAP? Were the activities consistent with the overall goal, objectives, intended outcomes and impacts of the programme? Did delivery modalities make any difference?</p>
<p>3. <i>Did the programme do what it said it would do efficiently?</i> Was the programme adequately resourced for the stated objectives? Any disbursement delays? Has each activity achieved its outputs? Was the staffing mix and number appropriate to manage the programme? Any problems caused by lack of continuity, staff changes etc.? How did staff in the different units (HQ, regions, secondments) work together? Was there a shared vision of a 'regional approach'? Any difference in delivery modalities?</p>
<p>4. <i>Was the programme effective?</i> How far have each of the programme objectives been achieved? Were the log frame and milestones monitored? Is the program on-track? How have different delivery mechanisms contributed to the achievement of objectives? Synergies? Relative effectiveness? Were activities sufficiently results-focused, monitorable and monitored? What factors have facilitated/constrained effective implementation in each area? What are the major factors influencing sustainability? How well did the program assess its risks?</p>

Additionally one third of the evaluation should address the following issue across all three programmes collectively.

<p>5. <i>How well has collaboration with the IDB & World Bank worked?</i> Have the programmes been more or less successful in particular subject areas/themes? If so, why? Have the programmes had an effect elsewhere in World Bank and IADB e.g. informing policies and operations, enhancing capacity, improving efficiency and aid effectiveness, informing country dialogues? What part in this success have i) different delivery modalities ii) different institutional links (e.g. with LA Regional Unit in HQ, regional offices, secondments) played? What have been the relative costs and benefits of each approach?</p>

The evaluation should identify issues to improve the design of programmes of similar thematic and institutional settings.

Additionally the evaluation should identify lessons of wider interest to DFID, particularly in the areas of markets and trade (and growth generally) and working with and through the IFIs.

The evaluation studies will be a main input into Project Completion Reports (PCRs) for each programme.

2 Methodology

DFID will provide the evaluation consultants with four files of written documentation for each of the 3 Programmes, viz.:

- Core documents relating to each programme's design and implementation including a list of activities with a short description, total budget and implementation status;
- A set of documents monitoring implementation (usually annual) including output to purpose reviews, progress against milestones (in departmental performance frameworks) and TF management reports for each programme;
- World Bank and InterAmerican Development Bank core documents relating to the operation of the Trust Funds covering each programme;
- General back papers on relevant aspects of wider DFID policy.

DFID will also provide a current or recently retired staff member – not from the Latin American programme – to work alongside the external consultancy team throughout the contract period to ensure that the study is able to compare the effectiveness of the Latin America programme with DFID's impact elsewhere and to help identify lessons learnt for the benefit of the rest of DFID.

The consultants will conduct an initial review of the evidence presented and discuss this with LA Regional Unit (LARU) and programme staff before arranging to travel to the region (and to Washington DC). The consultants will then be expected to make brief visits to each of the three LA sub-regional offices to interview a range of internal and a (small) number of external stakeholders. The purpose of these interviews will be to triangulate and validate the written documentation provided. The fieldwork will include individual interviews with selected individuals within DFID and its key partners, and group interviews with DFID teams, differentiated geographically and by programme (LAMIT, PSPS, ENLACE). The local DFID teams will facilitate interviews, first as seems appropriate to them and then in response to specific requests from the consultants. The burden on partner organisations should be kept to a minimum.

3 Inputs, outputs and timing

The consultancy team will be expected to complete the assignment within the timescale set out below. After signing of the contract the consultants will receive the four files of written documentation for each programme, as above, for review. This will be followed by a briefing session held at DFID London to clarify remaining issues and finalise the work programme and timetable.

There will be a parallel communications consultancy, the objectives of which are to produce user-friendly knowledge products based on the lessons learned from the Latin America programme. If possible visits to the three regional office sites and Washington should be coordinated with this study which has its visits provisionally planned for June/July. If the

timetable is such that the visits to Washington cannot be made before the summer, then the alternative timetable will be followed.

TIMETABLE	Anticipated	Alternative if IFIs not visited till after summer
• Contract sign date	CSD	
• Briefing by LA programme teams after initial review of documents	CSD + 3 weeks	
• Visits to the three LA regional office	CSD + 5-6 weeks	
• Visits to WB, IADB in Washington DC	CSD + 8 weeks	CSD +14 weeks
• First draft and dissemination seminars in London & Washington	CSD + 12 weeks	CSD + 18 weeks
• Final report:	CSD + 15 weeks	CSD + 21 weeks
• Contract completion	CSD + 16 weeks	CSD + 22 weeks

The consultants will produce a study report of approximately 30-40 pages (excluding annexes) and an executive summary. Completion of the first draft will be followed by two seminars, one in London and one in Washington at which the consultants will present their findings for discussion. Comments from the seminars will then be incorporated in the final draft. On completion of the final report, the consultants should prepare an evaluation summary of approximately 4-6 pages which will include the response from DFID.

The report should be clearly **evidence-based** and should include a section of clear statements as to how far each of the programmes has gone in achieving its stated purpose and objectives. These statements should also consider how feasible the objectives were given the overall level of resources available and the institutional environment in which the programmes operated. A further section should consider whether opportunities were missed to make changes to the programme design or implementation arrangements that would have increased the programmes impact and identify such changes. Finally, the report should draw out wider lessons for DFID for each specific programme and more generally for markets and trade and influencing the international financial institutions.

4 Reporting

The consultants will report to the Regional Advisor leading on the Evaluation. Administrative liaison will be dealt with by the designated Programme Officer.

5 Background: DFID's engagement with Latin America

The main source of UK bilateral assistance to Latin America is the Latin America and Caribbean Department (LACD) of the Department for International Development (DFID). LACD has four offices that deal with the region: the Latin American Regional Unit based in London / East Kilbride; the Andes office based in La Paz; the Brazil office in Brasília, and the Central America office based in Managua. These offices currently (April 2008) employ around 30 staff, including 3 Governance Advisors, 3 Social Development Advisors, and 6 Economic and other related Advisors. One further advisor is seconded to the InterAmerican Development Bank in Washington DC, while another secondee was based in the IADB till the completion of ENLACE.

The "2004-7" Regional Assistance Plan for Latin America

The Regional Assistance Plan (RAP) for Latin America was published in August 2004 and defines DFID's approach to poverty reduction in the region. It is a comprehensive strategy, based on a 'regional approach' while encompassing a bilateral programme in Nicaragua.

The Goal of the programme is “to reduce poverty and inequality in Latin America in line with the international community’s commitment to help achieve the Millennium Development Goals (MDGs) by 2015. The Purpose of the programme is “to enhance the impact of international community support for poverty reduction in Latin America, focusing primarily on the Inter-American Development Bank (IDB) and the World Bank”. Below the Purpose level, the RAP identifies three objectives, the first of which is to:

Help the IDB and World Bank better enable poor people to shape, participate in and benefit from

- *Access to markets and international trade*
- *Accountable and responsive public sector management, and political systems*

Subsequent to the publication of the RAP, the PSPS (Accountable and Responsive Public Sector Management and Political Systems: £7.6m) and LAMIT (Latin America Growth, Markets and Trade Programme: £7.6m) were developed to address this RAP objective.

The Enlace Social Inclusion Programme was started in 2004 while the RAP was being developed and completed in mid-2007. The programme aims to enhance the IDB’s capacity to tackle the social exclusion of poor women and men in Latin America, particularly in Central America, building on the success of an earlier programme, CABILICA. The programme sought to promote the incorporation of social inclusion objectives and corresponding activities in IDB operations and to strengthen IDB country policy frameworks.

Annex 1 shows the latest log frames for each of the programmes. Other key features of the Latin America team’s approach which cannot be captured in a log-frame and should be considered in the evaluation include:

- The emphasis on joined-up working, within DFID, with Other Government Departments, with PPA and other Civil Society partners, and with other donors;
- The importance attached to building, strengthening, and improving partnerships; many of these relationships are managed at multiple levels in London, in Washington, and in the region.
- The conception of the programme as a single, region-wide intervention implemented in a variety of locations;
- The attention to **race** and **gender** as cross-cutting issues.

Activities in support of these programmes are delivered through two main mechanisms. Each sub-regional office has a budget of £600,000 per year of ‘decentralised funds’ nominally split equally between the LAMIT and PSPS programmes (ENLACE was not included). Additionally funds are transferred twice a year to separate Markets and Governance Trust Funds held by the IDB and WB (activities under the LAMIT programme are also funded from a second separate Trade & Poverty TF in the IDB). The ENLACE programme only had one partner, the IDB, where there were 2 TFs.

Table 1: DFID spend on LAMIT, PSPS and ENLACE programmes

	2005/06	2006/07	2007/08	2008/09*
LAMIT	£m	£m	£m	£m
Brasilia	.1	.3	.3	.2
Andes (Bolivia office)	.1	.3	.3	-
C. America (Nicaragua)	.1	.3	.3	.1
TOTAL DECENTRALISED	.3	.9	.9	.3
IDB	.5	1.1	.9	.6
WB	.2	.3	.6	.3
TOTAL TRUST FUND	1.0*	1.5	1.6	.9

TOTAL	1.3	2.4	2.5	1.2
PSPS				
Brasilia	.1	.3	.3	.2
Andes (Bolivia office)	.1	.3	.3	-
C. America (Nicaragua)	.1	.3	.3	.2
TOTAL DECENTRALISED	.3	1	1	.4
IDB	.3	.7	.8	.3
WB	.3	.7	.8	.4
TOTAL TRUST FUND	1*	1.4	1.6	.8
TOTAL	1.3	2.4	2.6	1.1
ENLACE				
TOTAL (All IDB TF)	.5	.4	-	-

* Includes initial costs outside of TF.

Post 2008

DFID is changing its approach to working in the Latin America Region. As from March 2008, DFID will no longer have regional offices in Nicaragua and Bolivia, whilst the office in Brazil will focus entirely on the BRICs and climate change agenda. DFID's Latin America Regional Unit will also be significantly reduced. Total funding to the regional will increase over the period 2008/11, but will no longer be delivered through bilateral or regional programmes in the traditional sense. Rather it will be delivered through PPA partners working in the region, research programmes managed in London, contributions to the World Bank and European Union and other channels as yet to be defined. The LAMIT and PSPS programmes will run their course to March 2009 and will not be renewed. The ENLACE programme is already completed. This evaluation review will provide the main input into Project Completion Reports (PCRs), completing the DFID project management cycle for each of these programmes, as well as documenting the lessons learnt from 3 years of implementation.

6 The evaluation

With the planned office closures, the associated staff movement and the changing nature of the LA programme after March 2009 there is a need to review and document successes and failures while two of the three programmes are still under implementation, though due to close. As such the exercise falls in between a formative and a summative evaluation. It is intended that it should examine the delivery of the programmes and the quality of their implementation, as well as assessing the organizational context, staffing, procedures, and inputs, though there will be little time to implement any recommendations to improve the programme design or delivery. Similarly it is an attempt, though at an early stage for two or the three programmes, to determine whether or not each programme is likely to achieve its objective - in the absence of other evidence this may be based on examining the achievement of annual milestones.

As such, the final report should be oriented to evaluating these programmes to:

- assist DFID staff to improve the design and implementation of similar programmes and respond to new institutional challenges;
- draw out the wider implications for DFID from the Latin America experience for the way we tackle growth, markets and trade issues and influence the International Financial Institutions.

Annex 1: PSPS – Latin America logical framework

Narrative summary	Verifiable indicators (OVI)	Means of verification (MOV)	Important assumptions and risks
Goal			
The activities of IDB and World Bank enable poor people to shape, participate in and benefit from systems of public management and political systems that are increasingly representative, accountable and transparent.	Improvements in the design, delivery and monitoring of IFI programmes for the poor and excluded in Latin America in 2008 as compared with 2005 including wider use of participatory processes, verified by: <ul style="list-style-type: none"> Indicators of results developed through IDB's Medium Term Action Plan (MTAP) Indicators developed in World Bank's Latin America and Caribbean Strategic Framework 	DFID internal monitoring, review and reporting processes including those of Evaluation Department	Political environment within the region is conducive to working in areas of governance
Purpose			
To support the IDB and World Bank to integrate accountability to and the rights and participation of the poor and excluded in their approach to governance	Innovative Policy Analysis in IFIs improves the pro-poor, transparency and equity focus of strategies and operations and is observable in: <ul style="list-style-type: none"> a) More than 50% of new WB CASs and IDB CSPs between 2007 and 2008 b) 50% of new governance related lending in each Bank between 2007 and 2008 c) more than 50% of new TA between 2007 and 2008 	<i>Independent evaluative surveys</i> that examine the success of partnerships, the mainstreaming of governance analysis and the influence of new approaches on policy outcomes <i>are undertaken at the end of 2006 and 2008.</i> <i>Monitoring</i> by DFID sub-regional offices of extent to which IFIs strategies, lending and assistance, impact on increasing accountability and responsiveness in public management and political systems to the poor and excluded	Countries and IFIs have the political will and management incentives to negotiate strategies and loans with representation, accountability and rights in their approach to governance IFIs are willing to engage with civil society and organisations representing the interests of the poor in design and monitoring processes Political and economic stability exists in countries where IFIs are working Country governments are willing to negotiate loans which are increasingly pro-poor
Outputs			
1. IDB and WB develop good practice enabling country strategies to be more responsive to poor	1a) Policy Analysis in political economy and governance informs Bank operations within 3 IDB Country Strategies and 3 WB	DFID Strand Leader monitors performance of Facility and decentralised funds in delivering on output <i>at end of each year</i>	Good practice and lessons learned are supported and adopted by Banks' management, and resources are allocated to putting

<p>and excluded people's interests in the areas of pro-poor, representative, responsive, accountable and transparent governance</p>	<p>Country Assistance Strategies by the end of the programme and results in greater pro-poor focus.</p>	<p>DFID sub-regional offices monitor performance of IFI country strategies and public sector reform operations at <i>the end of 2006 and 2008</i> to assess greater use of partnerships and better use of governance analysis</p>	<p>these into wider practice</p> <p>Related areas of institutional reform (e.g. aspects of development effectiveness initiatives) including training and incentives are successful</p> <p>Key change agents in Banks remain in place</p>
	<p>1b) Analyses of political economy of poverty and drivers of pro-poor change are integrated into Bank analytical work on governance indicators and governance assessments in 3 countries by 2007.</p>	<p>IFI monitoring indicators of performance in each year of the programme indicate an improved pro-poor focus <i>as compared with 2005</i></p>	<p>Good interdepartmental working sustained</p>
	<p>1c) Joint WB/IDB analytical work in areas of political economy and governance is undertaken and leads to a shared analysis in 2 Country Assistance/ Country Strategies by the end of the programme.</p>	<p>Independent, participative evaluations of bank activities in political economy, representation, rights and participation are undertaken by means of surveys <i>at the end of 2006 and 2008</i>.</p>	
	<p>1d) Four new lending operations demonstrate active partnerships with poor and excluded communities by 2007</p>		
	<p>1e) By 2007 M & E systems which indicate pro-poor impact are designed and implemented by both banks as part of the "managing for results programme" and 3 operations from each Bank demonstrate pro-poor, responsive and rights based approaches to lending.</p>		

<p>2. IFI policy and operations better support political representation and participation of poor and excluded people in national and sub-national policies</p>	<p>2 By the end of the programme, improved strategies for engaging with the political system and supporting incentives for pro-poor change are developed by:</p> <p>a) Analytical work in 6 countries that leads to greater understanding of the ways in which the political environment helps or hinders pro-poor outcomes.</p> <p>b) The voice and representation of the poor in the political system (including elections, political party reform, direct democracy etc) is strengthened and its impact documented through country strategies and other core Bank documents in 6 countries.</p> <p>c) Analytical work on sub-national lending in 3 countries leads to greater accountability, representation and transparency in Bank operations at sub-national levels</p>	<p>DFID Strand Leader monitors performance of Facility and decentralised funds in delivering on output <i>at end of each year</i></p> <p><i>Annual Reports</i> of the Facility Oversight Board indicate increasing activity in relation to output intentions</p> <p>Requests to Technical Review Committee to fund work in this area increase <i>in each year of the programme</i></p> <p><i>During the life of the programme</i>, increasing numbers of participatory M & E systems are developed as compared with 2005</p> <p>Independent external evaluations of the overall programme are undertaken <i>at the end of 2006 and 2008</i></p>	<p>Bank technical staff and task managers can see value of new approaches</p> <p>Key change agents in Banks remain in place</p> <p>Political domination by elites in borrower countries constrains wider representation by poor and excluded</p>
<p>3. IFI policy and operations on budgets support transparency, distributional impact and responsiveness to poor and excluded people.</p>	<p>3 Innovative and replicable approaches to pro-poor responsive budgeting are demonstrated by:</p> <p>a) Four new IDB and/or WB operations improve the equity and accountability of government spending through active citizen engagement by 2008.</p> <p>b) At least 4 IDB and/or WB operations promote social auditing approaches to public finance that integrate equality and active citizen engagement at</p>	<p>DFID Strand Leader monitors performance of Facility and decentralised funds in delivering on output <i>at end of each year</i></p> <p><i>Annual Reports</i> of the Facility Oversight Board indicate increasing success in relation to output intentions</p> <p>Requests to Technical Review Committee to fund work in this area increase <i>in each year of the programme</i></p> <p><i>During the life of the</i></p>	<p>Bank technical staff and task managers can see value of new approaches</p> <p>Key change agents in Banks remain in place</p>

	<p>either national or sub-national level by end of year 2007/8</p> <p>c) Joint initiatives such as diagnostic work, participative budgeting and expenditure tracking improve efficiency, transparency and accountability of government spending in 4 countries.</p>	<p><i>programme</i>, increasing numbers of participatory M & E systems are developed as compared with 2005</p> <p>Independent external evaluations of the overall programme are undertaken <i>at the end of 2006 and 2008</i></p>	
<p>4. IFI activities foster improved generation, accessibility and use of evidence and data to help facilitate achievement of outputs 1, 2 and 3.</p>	<p>4. Better access to and use of disaggregated data on poverty and social exclusion influences policy of IFIs and governments through:</p> <p>a) at least 4 new IDB and/or WB country strategy and operations promote demand for development information from poor and excluded groups; with new fora for their participation in the governance structures of data producing institutions in at least 3 countries by 2008</p> <p>b) at least 4 new IDB and/or WB country strategy and operations promote participation in determining indicators to monitor social policy implementation</p> <p>c) Analysis and dissemination of disaggregated data supported by IDB and/or WB in at least 6 additional countries and which is adopted by the Banks and individual governments in their policy making</p>	<p>DFID Strand Leader monitors performance of Facility and decentralised funds in delivering on output <i>at end of each year</i></p> <p><i>Annual Reports</i> of the Facility Oversight Board indicate increasing success in relation to output intentions</p> <p>Requests to Technical Review Committee to fund work in this area increase <i>in each year of the programme</i></p> <p><i>During the life of the programme</i>, increasing numbers of participatory M & E systems are developed as compared with 2005</p> <p>Independent external evaluations of the overall programme are undertaken <i>at the end of 2006 and 2008</i></p>	<p>Bank technical staff and task managers can see value of new approaches</p> <p>Key change agents in Banks remain in place</p>

Annex 2: LAMIT logical framework

Narrative Summary	Indicative OVI	MoV	Assumptions
Super-goal:			

Narrative Summary	Indicative OVI	MoV	Assumptions
Poor people in Latin America benefit from pro-poor growth and sustainable development	Both absolute (growth in incomes of the poor) and relative (growth in incomes of the poor relative to growth in per capita income) measures show pro-poor growth has occurred over the period 2005-2010.	UN (ECLAC) and/or World Bank regional data on per capita income and incomes of the poor	
Goal:			
To enhance the impact of the IADB and World Bank in Latin America on poor people's ability to shape, participate in and benefit from inclusive and sustainable growth.	<p>a) Doing Business indicators show improved business environments for poor in at least 5 countries in region in 2009 compared to 2005.</p> <p>b) Changes in policy to improve market access for the poor have occurred in at least 5 countries in 2009 compared to 2005.</p> <p>c) Links between trade and poverty are better incorporated in country policies in at least 5 countries in 2009 compared to 2005.</p>	<p>Doing Business survey reports.</p> <p>ECLAC or IFI assessments of policies in the region.</p>	External conditions, beyond the influence of IFIs, are conducive to poor people benefiting from pro-poor growth and sustainable development.
Purpose:			
IDB and World Bank better facilitate increased access of poor men and women to markets and international trade in Latin America through their operations.	<p>a) New policy thinking and approaches to promoting increased access of poor men and women to markets (domestic/international) developed by programme incorporated in at least 3 IADB and at least 3 WB loans, in each case worth at least \$100m.</p> <p>b) IADB and WB Group operations on markets and trade planned from 2009 onwards involve working with at least one new partner organisation representing the interests of smaller enterprises or the poor.</p> <p>c) IADB or WB Group divisional objectives better reflect aims of increasing access of poor to markets and promoting links between trade and poverty in 2009 compared to 2005.</p> <p>d) Experiences and success stories from LAMIT programme have been shared with relevant internal IADB and WB audiences by 2009.</p>	<p>External evaluation of impacts on operations and institutional behaviour, based on information from Banks and DFID country offices.</p>	<p>Political and economic stability exists in countries where IFIs are working, and macroeconomic conditions are favourable.</p> <p>Country governments are able and willing to implement new policy approaches.</p> <p>Policy approaches developed address the needs of the poor in Latin America.</p> <p>Global policymaking is conducive to poverty reduction in Latin America,</p>

Narrative Summary	Indicative OVI	MoV	Assumptions
			e.g. US and EU are willing to negotiate trade agreements that promote poverty reduction.
Outputs:			
1. IADB and WB develop and disseminate good practice enabling country strategies to be more responsive to poor and excluded people's interests in the areas of markets and international trade.	<p>1a) Between 2006 and 2008 at least 3 examples, for each of WB and IADB, of high quality analytical products on how to improve access of the poor to markets and international trade being used as inputs to country (or regional) strategy design or implementation.</p> <p>1b) By 2008, WB and IADB develop better indicators for measuring pro-poor impact in the areas of markets and international trade. Indicators also reflect gender dimensions to poverty.</p> <p>1c) WB and IADB each work with at least 1 additional organisation representing SMEs or the poor in design or implementation of country (or regional) strategies between 2006 and 2008.</p> <p>1d) Good practices from 1a) to 1c), plus corporate strategies relevant for pro-poor market access (e.g. indigenous people strategy), disseminated widely within each of WB and IADB by 2009.</p>	<p>Evaluation of programme, based on Bank and DFID office information</p> <p>Evaluation methods built into IADB and World Bank activities.</p>	<p>Country governments are receptive to new policy advice.</p> <p>Other donors willing to collaborate with IFIs on similar agendas</p> <p>IFIs able to develop and sustain productive relations with civil society and organisations representing interests of the poor.</p> <p>Good practice and lessons learned are supported and adopted by Banks' management</p> <p>Related areas of institutional reform (e.g. development effectiveness initiatives) are successful.</p> <p>IFIs are willing to use their own grant funding to improve the design, implementation and monitoring of country strategies and operations.</p>

Narrative Summary	Indicative OVIs	MoV	Assumptions
<p>2. Innovative policies and approaches to private sector development that promote pro-poor market access are created and disseminated by and within IDB and World Bank Groups.</p>	<p>2a) By 2009, 3 successful examples of innovative analytical and policy thinking on investment climate, informality and other key barriers to pro-poor market access in Latin America developed and disseminated by each of IADB and World Bank Groups.</p>	<p>Evaluation of programme, based on Bank and DFID office information</p>	<p>Country governments are receptive to new policy advice.</p>
	<p>2b) Analytical and policy thinking in 2a) focuses on how to achieve pro-poor growth, factoring in, where appropriate, dimensions of social inclusion and inequality, gender, and environmental sustainability.</p>	<p>2c) Analytical and policy thinking in 2a) has developed through greater participation of key stakeholders, including organisations representing the interests of the poor, where appropriate.</p>	<p>Evaluation methods built into IADB and World Bank activities.</p>
<p>3. Innovative policies and approaches to international trade that promote poverty reduction and sustainable development are created and disseminated by and within IDB and WB Groups.</p>	<p>3a) By end of programme, a total of at least 5 successful examples of innovative analytical and policy thinking on ensuring poor benefit from, and are protected against adverse consequences of, greater trade integration in Latin America, developed and disseminated by IADB and World Bank Groups.</p>	<p>Evaluation of programme, based on Bank and DFID office information</p>	<p>Country governments are receptive to new policy advice.</p>
	<p>3b) Analytical and policy thinking in 3a) focuses on how to achieve poverty reduction, factoring in, where appropriate, dimensions of social inclusion and inequality,</p>		<p>Evaluation methods built into IADB and World Bank activities.</p>

Narrative Summary	Indicative OVI	MoV	Assumptions
	gender, and environmental sustainability.		managers and country programme heads see value of new approaches
	3c) Analytical and policy thinking in 3a) has been developed through greater participation of key stakeholders, including organisations representing the interests of the poor, where appropriate.		Good inter-departmental working sustained in activities not funded by DFID
			Banks are willing to provide any necessary training for staff in new approaches
			Key change agents in Banks remain in place

Annex 3: ENLACE logical framework

Narrative Summary	OVI	MoV	Assumptions
Goal: Strengthened IDB impact on poverty reduction and social equity			
Purpose: To strengthen the IDB's policies and operations to tackle more effectively the social exclusion of poor women, men and children in Latin America, particularly Central America.	Extent to which IDB policies on social exclusion, as expressed in strategies, are implemented Extent to which operations address social exclusion during implementation	Evaluation of CSP implementation Annual reviews and evaluations of operations Project completion review	
Outputs: Output 1: IDB operations, particularly those in Central America, include social inclusion objectives and corresponding activities.	Increase in number of operations with social inclusion objectives and activities Proportion of projects with meaningful participation of poor men and women	Project documents and logical Framework of each operation Project reviews and evaluations	National authorities are willing to address the issue of social inclusion in IDB project implementation. IDB Staff capacity exists to implement proposed

			activities and IDB is willing to commit resources for staff training
Output 2: Increased capacity of national and local stakeholders to address social exclusion, in particular in their engagement with IDB.	Extent to which stakeholders implement new knowledge and skills Changes in quality of operations in which stakeholders have inputs	Post-training assessments	National and local actors willing and able to use enhanced capacity
Output 3: IDB country policy frameworks strengthened to address social exclusion.	Increase in analysis, pipeline operations and benchmarks in CSPs Degree to which quality of analysis of social exclusion and proposed strategies is improved in CSPs etc.	Evaluation of Country Strategy Papers (CSPs), CSP Updates and Policy Dialogue Papers (PDPs)	National authorities are willing to address the issue of social inclusion in its programming with the IDB.
Output 4: Lessons learned and best practices effectively communicated within IDB and to borrowing and non-borrowing member countries.	Number and quality of dissemination activities. Extent to which other departments of IDB and country stakeholders understand lessons learnt in Enlace Change in behaviour of IDB staff	Enlace Annual Reports, Evaluations of dissemination activities Survey of IDB staff and country stakeholders	Lesson learned component of IDB Social Inclusion Action Plan is implemented.

Annex 5 List of interviewees

DFID headquarters

Graham Symons
Michelle Winthrop

Brazil field visit

DFID Brazil

Ana Doria Galvão	Markets and Trade Advisor
Ernesto Jeger	Governance Advisor
Miranda Munro	Former Head of DFID Brazil
Carla Skeff	Programme Officer

IDB

Carlos Scartascini	Senior Research Economist Department of Research and Chief Economist
Luciano Schweizer	MIF, IDB

World Bank

Francisco Lanza	IFC, São Paulo
Nicolas Manning	Sector Manager, LCSPS
Debbie Wetzel	World Bank Brazil

Other partners

Mansueto de Almeida	Instituto de Pesquisa Econômica Aplicada, Brazil
Francisco Gaetani	Secretario Ejecutivo Adjunto, Ministry of Planning
Brian Mier	ActionAid Brazil
Florence Raes	Institute Polis/Logilink
Gil Suarez	IBAM Brazil
Judith Tendler	Professor, MIT
Yuri Wofsy	ABC – Ministry of Foreign Affairs

Central America field visit

DFID

Martin Johnston	Head of Office
Maria Jose Jarquin	Governance Advisor
Marieke De Ruyter De Wildt	Private Sector Development Advisor
Matilde Neret	Social Development Advisor
Penny Davies	Former Head of Office

IDB

Hector Moreno	IDB Washington (interviewed by telephone)
Ignacio Corlazolli	IDB Washington (interviewed by telephone)
Mia Harbitz	IDB Washington (interviewed by telephone)

World Bank

Ana Bellver	World Bank Washington
Alberto Leyton	World Bank El Salvador
Aline Coudel	World Bank Washington
Arsala Deane	IFC Washington
Coleen Littlejohn	World Bank Nicaragua

Carlos Siezar	World Bank Nicaragua
Ernesto Martin-Montero	IFC Nicaragua
Gloria Paniagua	Formerly WB Institute Washington
Tova Solo	World Bank Washington

Other partners

Alberto Arene	UNDP Honduras
Alvaro Pinto	Netherlands Institute for Multiparty Democracy (interviewed by telephone)
Egda Velez	PEMCE
Jorge Navas	UNDP Nicaragua
Jaakko Jakkila	UNDP Nicaragua
Ileana Aguilar	IDEA Costa Rica
Ingrid Figueroa	CENPROMYPE
Lorenzo Jimenez de Luis	UNDP Argentina
Miguel Gomez	RUTA

Andes field visit

DFID Andes

Adam Behrendt	Coordinator, PSPS
Jessica Smith	Head of Office
Sara Shields	Acting Coordinator, LAMIT

IDB

Ana María Rodríguez	IDB, Lima
Geovana Acosta	IDB Country Coordinator, Lima
Jessica Luna	Consultant, Banco Interamericano de Desarrollo, Lima
Marcelo Barrón	IDB, La Paz

World Bank

José Varderrama	World Bank Regional Office, Lima
Julio Loayza	World Bank, La Paz
Livia Benavides	World Bank Regional Office, Lima
María Alejandra Velasco	World Bank, La Paz
Ruth Llanos	World Bank, La Paz

Other partners

Carlos Aramburú	CIES, Lima
Carlos Herz Saenz	National Director, RED-Perú/Instituto Fortalece
Eduardo Cáceres Valdivia	Regional Policies and Programme Advisor, Oxfam UK, Lima
Eduardo Morón Pastor	Director, Centro de Investigación, Universidad del Pacifico/CIES, Lima
Fernando Dick	National Director, GNTP, Santa Cruz
GNTP PAR team	Roberto Telleria, Laurenz Romero, Edgardo, Eusebio, Ilana
Géraldine Zeuner	Head of Cooperation, COSUDE (Swiss Cooperation), La Paz
Guillermo Dávalos	Fundación SEPA, Santa Cruz
Hermann Krützfeldt	Corporación Andina de Fomento, La Paz
Jim Swigert	NDI, Washington (interviewed by telephone)
Laurent Umans	Programme Officer, Netherlands Embassy, La Paz
Marcelo Renjel	PAR Coordinator, La Paz
Marcelo Varnoux Garay	Bolivian Association of Political Scientists
Marco Antonio Zelada	CARE Internacional, La Paz
Maria Reith	NDI, Washington (interviewed by telephone)

Marina Irigoyen	CARE Internacional, Lima
Marta Lazo	Comité de Enlace de Pequeños Productories, Santa Cruz
Martín Beaumont	Manager of Peru Programme, Oxfam UK, Lima
Michel Rowland García	NDI, La Paz
Municipal council members	Guayaramerín, Beni, Bolivia
Norma Correa	CIES, Lima
Officials of the prefeitura	Guajará-Mirim
Patricia Alborta Valda	Corporación Andina de Fomento, La Paz
Patricia Caballero	GNTP
Rafael Roncagliolo	Head of Andean Countries, IDEA, Lima
Ricardo Cuenca Pareja	President, Foro Educativo, Lima
Rodolfo Soriano López	Desarrollo Económico Rural (Prorual), La Paz
Rubén Terrazas Aguilera	Manager, Mancomunidad de Municipios Pantanal, Bolivia
Sara Martinez Bergström	Programme Officer, Sida/ASDI, La Paz
To Tjoelker	Head of Cooperation, Netherlands Embassy, La Paz
Ulla-Britt Hedvall	Country Director, Sida/ASDI, La Paz
Vidal Aparicio	Executive Director, Fundación PAP, Santa Cruz

Washington, DC field visit

IDB

General

Kai Hertz	Financial & Institutional Specialist, GCM Unit
Marguerite Berger	Chief, GCM Unit
Stewart Mills	UK Executive Director

LAMIT

Antoni Estevadeordal	Sector Manager, Integration and Trade Sector
Dana Martin	OMJ
Daniel Shepherd	Senior Projects Specialist, Office of the MIF (interviewed by telephone, September 2008)
Elizabeth Davidsen	Senior Investment Officer, OMJ
Erick Zeballos	Former DFID-seconded Trade and Poverty Advisor, Trade and Hemispheric Issues Division (interviewed by telephone, August 2008)
Jaime Granados	Integration & Trade Specialist, Integration and Trade Sector (interviewed by telephone as part of joint discussion with Ziga)
Luiz Ros	Sector Manager, OMJ
Paolo Giordano	Integration & Trade Economist, Integration and Trade Sector
Ulrike Alestia Vargas	Associate Trade Financial Officer, Financial Markets Division
Ziga Voduzek	Integration and Trade Specialist, Integration and Trade Sector

PSPS

Carlos Pineda	Urban & Municipal Development Specialist, Fiscal and Municipal Management Division
Carlos Scartascini	Senior Research Economist, Department of Research, and Chief Economist (interviewed as part of Brazil field visit)
Jose Antonio Mejía-Guerra	EQxIS and MECOVI
Juliana Pungiluppi	Former PSPS Coordinator/Technical Advisor (interviewed by telephone, July 2008)

Leslie Harper	Modernization of State Specialist, Institutional Capacity of State Division
Miguel Manzi	Senior Country Coordinator, Country Department Central America, Mexico, Panama and the Dominican Republic
Pablo Alonso	Senior Modernization of State Specialist, Institutional Capacity of State Division

ENLACE

Anne Deruyttere	Former IDB consultant
Hector Salazar	Principal Advisor, Social Sector
Jose Luis Lobera	Communications Specialist, Development Communications Unit
Marfil Francke	Former IDB consultant (interviewed in London, July 2008)
Mary Thompson	Former DFID-funded Social Development Advisor, Region II, Social Programme Division (interviewed by telephone, August 2008)
Mia Harbitz	Social Development Specialist, Institutional Capacity of State Division (interviewed by telephone, September 2008 and also as part of Nicaragua/PSPS fieldwork)
Natalia Winder	Former ENLACE Trust Fund Coordinator
Miguel Manzi	Senior Country Coordinator, Country Department Central America, Mexico, Panama and the Dominican Republic
Peter Sollis	Senior Financial & Institutional Specialist, GCM Unit
Susana Cárdenas	Financial & Institutional Specialist, GCM Unit

World Bank

General

David Gray	Knowledge and Learning Coordinator, LCSDE
Denis Robitaille	Manager, LCSDE
Marcelo Giugale	Director, LCSPR
Nicolette Bowyer	Senior Operations Officer, LCSDE
Jaime Saavedra Chanduvi	Sector Manager, LCSPR (Poverty and Gender)
Roberto Tarallo	Regional Manager, Financial Management LAC, LCSFM
Stefan Koeberle	Director, LCSOS

LAMIT

Henri Fortin	Senior Financial Management Specialist, LCSFM
Michael J. Goldberg	Senior Private Sector Development Specialist, LCSFP
Yaye Seynabou	Country Economist, Economic Policy Sector (LCSPE)

PSPS

Jeffrey Rinne	Senior Public Sector Management Specialist, LCSPS
Laura Rawlings	Lead Social Protection Specialist, HDNSP
Nicolas Manning	Sector Manager, LCSPS
Roby Senderowitsch	Country Manager, Santo Domingo, Dominican Republic, LCCDO
William Reuben	Senior Social Development Specialist, Sustainable Development Department, LCSSD

Annex 6 Information on LAMIT helpful for completing PCR

Performance of the various LAMIT projects against indicators set out in logframe

1. *IDB and WB develop and disseminate good practice enabling country strategies to be more responsive to poor and excluded people's interests in the areas of markets and international trade.*

1a) Between 2006 and 2008 at least three examples, for each of WB and IDB, of high quality analytical products on how to improve access of the poor to markets and international trade being used as inputs to country (or regional) strategy design or implementation.

Fulfilled: The 2007 LAMIT Annual Review states that ‘the IADB has developed at least 7 analytical products as input to country strategies, such as CGE modelling of trade impacts on poverty’.⁹⁴ Additionally, the report cites several products for the WB, including the financial inclusion survey conducted in Guatemala and micro-finance/micro-insurance products for several countries. The IFC work, i.e. the Municipal Scorecard, which looks at barriers to business formalisation across Latin America, is also an example of this work.

The IFC product seems to be of high quality. The supporting documentation provided by DFID about the financial inclusion study demonstrate that the project was intended to address a number of LAMIT-relevant questions about the links between financial exclusion in the economic and social sectors; had a sound methodology; and presented an opportunity for future engagement with the WB on micro-finance issues, which became a strong focus of the TF projects in later years.⁹⁵ As has been noted, the strategic nature of this analytical tool is more questionable (there were indications during the Central American fieldwork that this study would have gone ahead even without DFID support and that the piece was not joined up with the rest of the programme), but it does seem to support this indicator.

1b) By 2008, WB and IDB develop better indicators for measuring pro-poor impact in the areas of markets and international trade. Indicators also reflect gender dimensions to poverty.

Fulfilled: The work with the Integration Department of the IDB has been strongly focused on designing indicators measuring pro-poor impacts of international trade, as is reflected in the previous indicator. As above, DFID has fulfilled this objective in the WB through support of the IFC’s work on municipal simplification through the Municipal Scorecard. However, the project has been focused strongly on positive business impacts and less strongly on measuring positive pro-poor impacts and gender outcomes. However, in both Brazil and in Central America, the IFC has agreed to evaluate impacts of the municipal simplification scheme on poor and exclude groups, including women.

1c) WB and IDB each work with at least one additional organisation representing SMEs or the poor in design or implementation of country (or regional) strategies between 2006 and 2008.

Fulfilled: The major success story for this indicator is the excellent support that DFID provided for CENPROMYPE and how its partnership with CENPROMYPE allowed the institution to engage with the IFIs on regional trade issues, in particular the work on the EU

⁹⁴ DFID (2007) ‘Annual Review, LAMIT’, pp. 5-6.

⁹⁵ DFID (2008) ‘Tripartite Meeting between DFID, IADB and World Bank’, Back to Office Report, 11 April, para 3.

trade agreement, which engaged with the IDB's INT. There are also new efforts in the Brazil office to work with organisations representing SMEs in the Amazon.

1d) Good practices from 1a) to 1c), plus corporate strategies relevant for pro-poor market access (e.g. indigenous people strategy), disseminated widely within each of WB and IDB by 2009.

On track? It is too early to make a formal evaluation of whether or not this indicator will be fulfilled. As is true of the other DFID programmes, comprehensive and more systematic lesson learning, dissemination and knowledge management strategies have been developed relatively late in the lifecycle of the programmes. On the other hand, the LAMIT team has made a recent push to ensure that lessons learned from the experiences in Washington in particular are captured and shared. Minutes and back to office reports from the final TF coordination meeting in April 2008, as well as interviews with Graham Symons, suggest that, despite some initial hesitation, there is now a good process in place to capture lessons learned and enthusiasm from some IFI staff (in particular David Gray of the WB) for sharing lessons both internally and with other divisions of DFID. At this stage, the WB seems better positioned to take this agenda forward than the IDB (see Annex 3 as well).

2. Innovative policies and approaches to private sector development that promote pro-poor market access are created and disseminated by and within IDB and WB Groups.

2a) By 2009, three successful examples of innovative analytical and policy thinking on investment climate, informality and other key barriers to pro-poor market access in Latin America developed and disseminated by each of IDB and WB Groups.

Fulfilled/on track: The 2007 LAMIT Annual Review states that there are 'several examples for each Bank. For the IDB, the programme has, for instance, been contributing to thinking under the Opportunities for the Majority initiative, engaging regional stakeholders in the process. In the case of the World Bank, the programme has supported innovative distance learning programmes on micro-finance, supported regional dissemination of the Virtuous Circles for Poverty Reduction and Growth flagship, and has enabled the IFC to develop new approaches to business simplification at municipal level'.⁹⁶

The TFs also show significant progress in this area. The MGPR TF at the WB funded four projects related to this area in 2007, including work on micro-finance in South America, a programme on improving municipal investments in Peru and more work with the IFC on the Municipal Scorecard. The 2007 Annual Report for the MTP TF at the IDB suggests that there were numerous projects on this topic, including a large and new stream of work with SMEs.

With regard to dissemination, **on track:** see above assessment of processes in place for lesson learning.

2b) Analytical and policy thinking in 2a) focuses on how to achieve pro-poor growth, factoring in, where appropriate, dimensions of social inclusion and inequality, gender and environmental sustainability.

Partially fulfilled: Of the abovementioned initiatives, only some have had an explicit focus on either growth or social inclusion. Growth objectives figured more predominately in the Central American bilateral programme (PEMCE), and had some spillovers into the regional programme, including impacts on work with CENPROMYPE. There was also spillover on

⁹⁶ DFID (2007) 'Annual Review, LAMIT', p. 9.

social dimensions from a PEMCE secondee.⁹⁷ The study undertaken by MIT funded by the Brazilian office looked at the impact of regulatory frameworks on growth, though not necessarily separating out pro-poor growth from more general growth impacts. The work on empowering the economic base of the pyramid for the OMJ has a significant pro-poor focus.

2c) Analytical and policy thinking in 2a) has developed through greater participation of key stakeholders, including organisations representing the interests of the poor, where appropriate.

Partially fulfilled: Significant partnerships were built with Central American organisations such as RUTA and CENPROMYPE. However, partnerships with Brazilian and Andean groups representing the poor on LAMIT topics have been weak to non-existent. The work on micro-finance and micro-insurance at the WB links up with a number of organisations that represent the interests of the poor as well.

3. Innovative policies and approaches to international trade that promote poverty reduction and sustainable development are created and disseminated by and within IDB and WB Groups.

3a) By end of programme, a total of at least five successful examples of innovative analytical and policy thinking on ensuring poor benefit from, and are protected against adverse consequences of, greater trade integration in Latin America, developed and disseminated by IDB and WB Groups.

Partially fulfilled: There is strong evidence demonstrating that INT of the IDB has significantly changed its analytical and policy thinking on the incorporation of the poor in international trade. However, success with the WB is more limited, as the TFs have tended to focus on indicators more linked to Objective 2 (market access) in the WB and the IFC. The 2007 LAMIT Annual Review (DFID 2007) states that efforts to engage the WB included the following: ‘a trade and poverty experts workshop was held which led to development of thinking within the Bank, whilst further analytical and policy thinking has been developed around value chains, social impact of exporting SMEs, Aid for Trade, competitiveness of export associations’.⁹⁸ However, strong evidence of significant changes to WB policy on international trade has not been identified, justifying the partially fulfilled metric.

3b) Analytical and policy thinking in 3a) focuses on how to achieve poverty reduction, factoring in, where appropriate, dimensions of social inclusion and inequality, gender and environmental sustainability.

Partially fulfilled: Tools developed by the IDB (INT) have specifically and repeatedly included links between trade and poverty, including gender variables. There has also been increased focus on indigenous peoples and the impact that international trade has on them.⁹⁹ 50% of the money spent in the MTP TF has gone to ‘aim at strengthening the focus on poverty in IDB policy analytical studies and integrating poverty reduction objectives in trade-related operations’.¹⁰⁰ Further, a number of individual TF projects are aimed at this objective, including assessments of the poverty reduction impact of the EU-CAM trade agreement; CGE studies on trade impacts on poverty in Andean countries; assessment of distributive impacts of Mercosur; etc.¹⁰¹

⁹⁷ Based on field report from Nicaragua by Bhavna Sharma and Malcolm Geere.

⁹⁸ DFID (2007) ‘Annual Review, LAMIT’, p. 11.

⁹⁹ Based on the market stories document presented by Graham Symons at the LAMIT meeting held with the ODI team in June 2008.

¹⁰⁰ IDB Trade and Poverty Trust Fund Annual Report 2007: Executive Summary.

¹⁰¹ *Ibid*, p. 7.

There has been far less focus on these issues in the World Bank: the 2007 Annual Report of the MGPR Trust Fund for the WB reports that 41% of the fund was spent on LAMIT issues and only one of five projects funded under LAMIT had an international trade component.¹⁰² This was a project assessing the poverty impacts of exports in Bolivia and Paraguay.¹⁰³ Thus, given the weakness of the uptake of these issues in the WB, the indicator is considered to be partially fulfilled.

3c) Analytical and policy thinking in 3a) has been developed through greater participation of key stakeholders, including organisations representing the interests of the poor, where appropriate.

Partially fulfilled: The same organisations mentioned under 2c above are appropriate here, which points to even further weaknesses about the number of partnerships with organisations representing the poor.

Differences in performance based on modalities, and synergies

The above exercise demonstrates that the RAP/LAMIT framework, which sought to achieve results by working ‘for’ the IFIs through direct funding (the TFs) and ‘with’ the IFIs by funding projects in region (the DFs), was successful at achieving results. Both DFs and TFs contributed to achieving the objectives set out in the logframe. In all three regional offices, the flexibility of the decentralised funding was seen as a comparative advantage for making things happen quickly, and for providing DFID a way to try things that other donors found too risky (an example from Central America was working with the private sector in negotiations with the government). Users of the TFs commented that the untied nature of the funds was a major advantage, as was the lack of geographic restriction, as this allowed staff to access money for projects in MICs that are otherwise hard to fund.

However, the fieldwork and the documentation suggest that LAMIT was far less successful at achieving synergies between these two modalities, with the few exceptions that have been noted. Communication and synergies among offices – and particularly between the three regional offices and Washington – were seen by many as problematic. This in turn has led to the fact that there very few examples of projects undertaken with joint DFs and TFs. In Central America, poor communications with Washington via London created a disconnect between TF and DF activities in the CAM region, which prevented the regional staff from identifying the right interlocutors in DC. Staff also believe that there was a lack of clarity at the outset about the role of the advisors on the ground. In the Andes, local IFI officials took very varied views on whether the Washington TFs were good for them. In Brazil, the WB office was keen to be seen as separate from Washington, and thus synergies were minimal.

¹⁰² The ‘Annual Review, LAMIT’ (DFID, 2007) suggests that an ever smaller amount was spent on LAMIT: 28% by number of proposals and 22% by net grant amount (p. 6).

¹⁰³ WB MGPR Trust Fund Annual Report 2007 (p. 12).

Annex 7 Information on PSPS helpful for completing PCR

Performance of the various PSPS components in relation to the output-level indicators in the logframe of the programme memorandum

*Output 1: IDB and WB develop good practice enabling **country strategies** to be more responsive to poor and excluded people's interests in the areas of pro-poor, representative, responsive, accountable and transparent governance.*

*1a) **Policy analysis** in political economy and governance informs Bank operations within three IDB country strategies and three WB CASs by the end of the programme and results in greater pro-poor focus.*

Fulfilled: In several instances, notably Nicaragua, country strategies or CASs have been prepared in a more consultative way thanks to DFID support. In particular instances, quality has been enhanced as well. For example, alignment with the country PRS has improved (IDB, Honduras); greater use has been made of Poverty and Social Impact Analysis (PSIA)-type and political economy analysis (WB, Bolivia); and a more results-based approach has been taken to CAS preparation (WB, Brazil). In Bolivia, DFID assisted the IDB to review lessons learned about political risk as part of its country strategy preparation.

In several further instances, there has not yet been time for improved policy analysis to feed through into the CAS or country dialogue around the CAS but it is a reasonable expectation that it will soon do so. An example is the support being given from Andes DFs to improved governance engagement by the WB in Peru, which continues until March 2009. The TFs are also generating contributions to the improvement of future country strategies. The work of the IDB on governance reviews to assess, in a systematic and participatory manner, the institutional and governance constraints in a given country, as well as the causes of these limitations and future governance scenarios, has been important in this respect. There is, for example, a TF-supported study of the demand for social protection in Peru.

*1b) **Analyses** of political economy of poverty and drivers of pro-poor change are integrated into Bank analytical work on governance indicators and governance assessments in three countries by 2007.*

Fulfilled or on track: In several instances, DFID-supported improvements in the focus and sophistication of IFI analytical work not only have been significant in themselves but also have contributed to improvements in country policy frameworks. This is the case in the follow-up provided through the WB to RECURSO in Peru, the support provided to political analysis in the Colombian Poverty and Inequality Reduction Strategy process (delivered in partnership with the IDB and UNDP) and the support provided directly and through the PAR programme to the WB's AAA effort on social protection policy for Bolivia.

In a more diffuse way, the assistance provided to the dissemination and discussion of flagship IFI reports in particular countries appears to have contributed to the quality of policy discussion in the country. One example usually cited is the Virtuous Circles of Growth report of the WB. Another example is the work done with the WB in Honduras on disseminating and promoting debate around the findings of the Institutional and governance review and the Education and Health PER. Equivalent support was provided to the Social Sector Evaluation/PER in Nicaragua.

In other cases, only the immediate output expected – namely, a significant change in one of the Bank's ways of working – has been produced. For example, DFID support helped to kick-start the OMJ initiative: the IDB's new President, Moreno, inaugurated the change process

associated with his tenure. The IDB's Bolivia office has been able to take the unprecedented step of assuming the joint lead in aid harmonisation and alignment work among the country's donors thanks to a DFID secondment. At the WB, a good example is the mainstreaming of socio-political analysis in its Bolivia operations via the carrying out of a Country Social Assessment and the holding of a related series of workshops with civil society at sub-national levels. An example of TF contributions in this area, the TF-supported project on multidimensional poverty/quality of life ('empowering the economic base of the pyramid' for OMJ at the IDB), is expected to help shape analytical work in the IFIs in the longer term.

1c) Joint WB/IDB analytical work in areas of political economy and governance is undertaken and leads to a shared analysis in two Country Assistance/Country Strategies by the end of the programme.

Partially fulfilled: Joint analytic work has not emerged strongly as an output from PSPS activities, for reasons explained in the evaluation report. However, DFID funding to aspects of the strategy processes of both the WB and the IDB resulted in increased coordination of these processes in Nicaragua and Guatemala. Joint projects have also been supported from the TFs in respect of budgeting for access to justice in the Andes, country commitment to PRSs in Nicaragua and Honduras and a conference on performance budgeting organised jointly by the IDB and the WB (as well as DFID and the OECD) in Mexico. This aspect is therefore to be recorded as partially fulfilled.

1d) Four new lending operations demonstrate active partnerships with poor and excluded communities by 2007.

Partially fulfilled or on track: Impacts on actual lending operations have not yet been apparent, or have not been recorded. However, the IFIs' awareness of lending opportunities involving poor and excluded communities has been enhanced by DFID's support to the IDB's Indigenous Peoples Strategy and its Right to Identity programme. The Brazil office has also helped to bring about South-South learning on social transfers with the International Poverty Centre and the government of Ghana. A TF project supporting the role of CCs in Colombia (IDB) is one of several ways in which the fulfilment of this indicator will be enhanced in the years following the conclusion of the programme.

1e) By 2007 M&E systems which indicate pro-poor impact are designed and implemented by both Banks as part of the 'managing for results programme' and three operations from each Bank demonstrate pro-poor, responsive and rights-based approaches to lending.

Partially fulfilled or on track: Improvements in M&E systems have not been particularly prominent among the recorded PSPS outputs. However, on the related theme of improving lesson learning and knowledge management, some headway as a result of DFID support through TFs has been noted. This is the case particularly at the WB, which was starting from a more favourable starting point, but also at the IDB. Several initiatives now in place will pay off slowly over coming years.

Output 2: IFI policy and operations better support political representation and participation of poor and excluded people in national and sub-national policies.

By the end of the programme, improved strategies for engaging with the political system and supporting incentives for pro-poor change are developed by:

*2a) Analytical work in six countries that leads to greater understanding of the ways in which the **political environment** helps or hinders pro-poor outcomes.*

Fulfilled or on track: In several linked areas, PSPS activities have helped transform the ways in which the two IFIs relate to political and governance processes. DFID support has resulted in a strengthened and wider use of the instrument of country governance reviews by the IDB. More indirectly, the IDB's participation as a partner in the political parties work in Central America and the Andes (see below) has improved the Bank's sensitivity to parties and party systems in client-country policy processes, reinforcing the impact on operations of the IDB's established collaboration with Harvard researchers on the Politics of Policies.

The WB's use of its flagship institutional and governance reviews has been made more politically sensitive and consultative in Bolivia thanks to DFID support. In parallel with this, the projects funded by the TF at the WB are reported to have contributed to the Bank's analytical work becoming less narrowly focused on institutional assessment and systems, and more capable of embracing state–society interactions. For example, the WB has been enabled to work with Transparency International on party funding and corruption. A TF-funded project at the WB on service delivery in Central America has also been important in promoting participation and greater accountability.

The full results of these activities are expected over the coming years rather than immediately, but a solid set of immediate outputs has clearly been achieved.

*2b) The voice and representation of the poor in the **political system** (including elections, political party reform, direct democracy etc.) are **strengthened** and impact documented through country strategies and other core Bank documents in six countries.*

Fulfilled or on track: Outputs under this heading have been fulfilled by two large programmes of work on political parties and pro-poor policy development, in Central America and the Andes. These initiatives were driven by recent work within DFID and the IDB pointing to parties as a relatively neglected component of country governance systems.

It is not yet clear whether this work, involving elements of analysis, training and action research, is actually capable of delivering changes in political practices. (The indicator is a good deal more ambitious than most of the PSPS output indicators in calling for this.) However, several of the necessary ingredients have been created. They include strengthened ongoing partnerships between IDB offices and implementing agencies with experience and capacities for work in this area (including IDEA, NDI, UNDP, and the Bolivian Association of Political Scientists). They also include the generation within at least some of the partner organisations of clear ideas about how to move on, from the current analysis and capacity-building efforts, to initiatives that actually help to change behavioural incentives within parties and party systems.

*2c) Analytical work on **sub-national lending** in three countries leads to greater accountability, representation and transparency in Bank operations at sub-national levels.*

Fulfilled or on track: Lesson-learning on pro-poor modalities of sub-national governance has been the focus of a strong cluster of PSPS activities, whose outputs include improved conditions for Bank lending or advisory operations at this level. The centrepiece of these efforts – PAR – has been working in at least seven countries, linking sub-national governments and their associations with experienced NGOs and IFI staff, and providing 'learning laboratories' oriented towards influencing both governments and lending agencies.

PAR activities are plausibly credited with providing missing linkages between key stakeholders and creating new policymaking opportunities, both on cross-border governance (Brazil–Bolivia) and on urban municipal social protection (Bolivia). These may be considered at least very important first steps towards the adoption of appropriate and innovative sub-national lending approaches by the Banks. Specific support is also being provided through

PAR to the IDB on sub-national lending in Peru and the application of the MDGs to the planning systems of large urban municipalities in Bolivia. This is complemented by a TF project looking at the system of transfers to sub-national government in Bolivia, as well as another TF project to improve performance-based management at the sub-national level in the departmental government of Chocó (Colombia).

Output 3: IFI policy and operations on budgets support transparency, distributional impact and responsiveness to poor and excluded people.

Innovative and replicable approaches to pro-poor responsive budgeting are demonstrated by:

3a) Four new IDB and/or WB operations improve the equity and accountability of government spending through active citizen engagement by 2008.

Fulfilled or on track: The major elements of the PSPS programme in Brazil – where citizen engagement with budget processes is well established but many related challenges remain – have been focused on the political economy of public financial management. They have been delivered primarily through a close partnership with the WB. The WB's approach to these issues has been significantly enabled, if not radically changed, by this cooperation with the DFID office.

One key component has been the major research programme carried out with DFID support on state-level public sector management and reform. As well as facilitating the WB's reorientation towards AAA work at the state level in Brazil, this work is expected to shape the IDB's forthcoming round of country strategies and the approach taken within its programme on Modernising the State.

Another major study undertaken with PSPS funds in the region is likely to have operational impacts. Done in partnership with the IDB, it drew conclusions about systematic differences in budget processes across 10 Latin American countries. This is being disseminated widely as a book and will be expected to have a strong influence both within the two IFIs and beyond.

A number of more limited activities have also contributed to this output. Promotion of the Extractive Industries Transparency Initiative (EITI) implementation and forest law enforcement has been undertaken with UK embassies and the WB in Peru, Bolivia and Brazil. In Central America, DFID supported a regional evaluation of participatory planning methodologies used in the IDB's social investment programmes, which was expected to shape upcoming discussions about the future of Social Investment Funds in the region. Meanwhile, a TF project is looking at public expenditure patterns in Costa Rica.

3b) At least four IDB and/or WB operations promote social auditing approaches to public finance that integrate equality and active citizen engagement at either national or sub-national level by end of year 2007/08.

Fulfilled or on track: Several TF projects are studying and/or promoting improvements in country practices in this area, for example citizen monitoring of social programmes in Ecuador, civil society accountability in Colombia and lessons learning from the *Bogotá ¿Cómo Vamos?* initiative in Colombia. Another TF project is looking at M&E for social programmes in Mexico.

3c) Joint initiatives such as diagnostic work, participative budgeting and expenditure tracking improve efficiency, transparency and accountability of government spending in four countries.

Partially fulfilled: Again, significant *joint* initiatives have been much fewer than significant initiatives involving just one of the IFIs. However, in Bolivia, DFID-supported dissemination of the PER and of the joint country financial accountability assessment (CFAA) was done jointly.

Output 4: IFI activities foster improved generation, accessibility and use of evidence and data to help facilitate achievement of Outputs 1, 2 and 3.

Better access to and use of disaggregated data on poverty and social exclusion influences policy of IFIs and governments through:

*4a) At least four new IDB and/or WB country strategy and operations promote **demand for development information from poor and excluded** groups; with new fora for their participation in the governance structures of data producing institutions in at least three countries by 2008.*

Fulfilled or on track: The outputs under this heading are significant in scale and likely impact. Two IDB initiatives to improve access to cross-national statistics have been supported and facilitated by DFID: the governance indicators portal, DataGob and EqxIS. A joint initiative by the IDB and WB to provide support to national statistics systems in 15 countries is another major contribution in this area. TFs are also being used to increase government awareness of the use of statistics for policymaking in Costa Rica, Guatemala and Panama.

*4b) At least four new IDB and/or WB country strategy and operations promote participation in determining indicators to **monitor social policy implementation**.*

On track: TF projects are contributing substantially to this output, by exploring the operational potential of PSIA methods in Mexico, the ‘listening approach’ to social protection design in Argentina and Uruguay and community-based violence prevention in Central America and Haiti, among others. It is too soon to expect these projects to have produced changes in country strategies or operations, however, so this indicator should be considered on track rather than fulfilled at the conclusion of the programme.

*4c) Analysis and dissemination of **disaggregated data** supported by IDB and/or WB in at least six additional countries and which is adopted by the Banks and individual governments in their policymaking.*

Fulfilled or on track: TF resources have been used to support work on social and equity indicators, and on disaggregation of the MDGs. In relation to this, activities in Brazil have included a gender audit of the *Bolsa Familia* cash-transfer programme, the findings of which will be captured in a World Bank social inclusion technical paper.

Annex 8 ENLACE projects and contributions

ENLACE projects showing activities and anticipated outcomes				
	Country	Name	Amount (US\$)	Related to other processes or standalone
1	Dominican Republic	Support to the Dominican Republic Poverty Assessment ATN/KE-9088-DR DR-T1013	95,000	<p>Influencing poverty reduction programmes in the DR. Support was provided to develop a new poverty map and a proxy means test model to implement a beneficiary identification system to better meet the needs of the poorest and most marginalized sectors of the country, both of which were key inputs into the IDB/WB Dominican Republic Poverty Assessment: Achieving More Pro-Poor Growth, developed in close collaboration with the Technical Secretariat of the Presidency, the Central Bank and the National Planning Office.</p> <p>This work proved to be very influential in supporting the framework for streamlining the DR's welfare targeting system and highlighting the need to cut inefficient and regressive subsidies in order to improve investment in health, education and social protection, with a clearer focus on targeting fewer but improved programmes within these sectors. This initiative was also influential in supporting IDB, WB and International Monetary Fund (IMF) harmonisation around key subsidy and programming issues, especially related to scaling down inefficient subsidies and improving targeted social investment.</p> <p>The outputs of this project also facilitated the development of key recommendations arising from the poverty assessment study through the design of two key IDB operations: i) Loan DR0150 – Social Management Reform (US\$150 million) to support reform of the education, health and social assistance sectors system; and ii) Loan DRL1006 Local Markets and Social Transfers (US\$10 million) to support and strengthen the social protection system through active labour market policies aimed at improving the conditions of participation, particularly of young people.</p>
2	El Salvador	Social Inclusion in the Social Protection Net ATN/KE-9207-ES ES-T1032	130,000	<p>Influencing the government of El Salvador to make social welfare programmes more inclusive and influencing the IDB and the WB to improve programme implementation. Support was provided to undertake a socio-cultural analysis of the rural population in El Salvador, with specific attention paid to the situation of indigenous peoples, to enhance the IDB/WB supported Solidarity Network welfare programme (IDB's loan ES-L1002 – US\$57 million). The study found that the situation of indigenous peoples was not taken into consideration in national social programmes or policies, and included the preparation of a Training Module on Indigenous Inclusion, which was used by the programme's technical team to revise the programme approach and incorporate a culturally appropriate approach for indigenous peoples. This</p>

				experience was replicated in the design of the Social Protection Programme in Panama.
3	Mexico	Advancing Inclusion in Labour Market Intermediation Services ATN/KE-9309-ME ME-T1006	66,000	Influencing the government of Mexico's Mexican National Employment Service to adopt a gender inclusion approach in service provision. Support was provided to evaluate labour intermediation services, disaggregated by sex and illustrating the level of women's inclusion in the workforce, highlighting differences in labour market outcomes for women and men, concluding that occupational segregation is still a problem for women despite economic growth, increased women's participation in the labour market and overall a higher level of female education. The results and recommendations of the study are being used to design the loan Training and Employment Support Programme, Phase II and will be used to design currently planned technical cooperation projects: i) the design of an M&E system for labour market programmes; ii) a project proposal to the Bank's MIF to develop a pilot project to integrate the private sector into labour intermediation services to improve access to employment opportunities.
4	Regional	Strategy and Operational Policy for Indigenous Peoples ATN/KE-9361-RS RS-T1183	68,400	Influence design and implementation of policy and strategy for indigenous peoples. Support was provided for expanding the final consultation process on the policy with indigenous peoples and using this to develop a Guide on Consultation and Participation. This will have an influence on all future country strategies and Bank programming in countries that have an indigenous population.
5	Regional	Development of an Agenda for the Cross Integration of Gender Issues in the Plan Puebla Panama (PPP) regional integration initiative ATN/KE-9436-RS RS-T1205	77,000	Potential to influence a major regional integration strategy and facilitate a gender mainstreaming approach into PPP initiatives. Support was provided to develop mechanisms for gender mainstreaming in the PPP based on an analysis of the key gender issues in the eight PPP areas, including inputs from the Dialogue on Gender Equity in the PPP, supported by this project (Nicaragua, 2005). Anticipated results include an increase in the level of women's participation in decision-making processes in the PPP and improved gender equity reflected in access to resources and benefits.
6	Honduras	Development of Strategy for Autochthonous Population ATN/KE-9478-HO HO-T1045 (in Honduras 'autochthonous' is used to refer to indigenous and afro-descendant populations.	144,000	Strengthening the government of Honduras to positively address indigenous issues in Honduras; and direct support to IDB loan implementation for a programme to support development of autochthonous peoples (HO-0197). Anticipated outcomes include the strengthening of the government of Honduras to establish social inclusion mechanisms and programmes for autochthonous peoples, and the strengthening of leadership amongst autochthonous groups through participatory development initiatives with the government.
7	Guatemala	Energy for Poverty	110,000	Support to implementation of the Global Energy Facility Global Village Energy Partnership

		Reduction in Rural Areas ATN/KE-9514-GU GU-T1038		programme. Support was provided to develop technical and economic feasibility studies, in conjunction with preliminary environmental and social assessments to support the implementation of three micro-hydro projects in areas of high social exclusion in Guatemala. Anticipated outcomes include access to sustainable community managed run-of-the-river electricity supply in these areas with social and economic outcomes that benefit the communities involved.
8	Regional (Nicaragua Honduras)	Regional Border Development for Honduras-Nicaragua ATN/KE-9662-RS RS-T1177	150,000	Support to provide capacity building for the participatory development of a Transborder Regional Development Plan to promote and support transborder social and productive activities and support the development of mechanisms for transborder policies and programmes.
9	Panama	Support for Social Protection System ATN/KE-9797-PN PN-T1021	149,900	Influencing the government of Panama to make social welfare programmes to improve health, education and nutrition programmes for the country's poorest children more inclusive; and influencing the IDB and the WB to improve programme design and implementation for a new Social Protection System targeting rural and indigenous households living in extreme poverty. Support was provided to develop a conceptual framework and methodology for a programme appropriate for indigenous peoples in Panama, including the design of social inclusion modules for the programme's operational system that will feature in the loans of both the IDB (PN-L1007 - US\$20 million) and the WB (P098328 - US\$24 million) to support the programme.
10	Belize	Strengthening the National Response to HIV/AIDS in Belize ATN/KE-9819-BL BL-T1003	109,749	i) Influencing the government of Belize National AIDS Committee (NAC) to adopt a more inclusive approach to HIV/AIDS and provide institutional strengthening to improve implementation of the National AIDS Plan, which also supports the implementation of the wider HIV/AIDS strategy for the Caribbean (UNAIDS). ii) Influencing the design of the IDB's forthcoming social sectors policy-based loan (PBL) for Belize. Support was provided to undertake a participatory institutional analysis to clarify NAC roles and responsibilities and provide capacity building for institutional strengthening to support accelerated change and improvements in the functioning of the NAC. The institutional analysis has highlighted inclusion as a priority and will provide support to improve the NAC Action Plan drawing in People Living with AIDS to design and implement a participatory stigma and discrimination reduction strategy. The findings and recommendations arising from this work will also feed into the design of a new social sector PBL with the government of Belize.
11	Regional	Campaign for Promoting Diversity and Social Inclusion in Central	145,000	i) Influencing governments in Central America to better understand right to identity as a social inclusion issue to feed into their policy making processes and generate demand from governments for Bank support on identity initiatives. ii)

		America ATN/KE- 10026-RS RG-T1198		Supporting the Bank's right to identity commitments under the high-level OMJ strategy to improve understanding of and support for right to identity projects in the Bank; support to the Bank's institutional partnership with UNICEF and the OAS vis-à-vis their commitments under the International Coalition to Make All Children Count; and support to Bank social inclusion policies. Support is being provided to develop a sub-regional communication campaign to promote the right to identity in three Central American countries (Guatemala, Nicaragua and Honduras) to increase awareness on the importance of birth registration and the need for reliable systems; and to increase awareness of the causes and consequences of lack of birth registration related to social exclusion issues. Key challenges highlighted so far include data quality; weak registration mechanisms, outdated legislation and social exclusion barriers directly related to lack of registration. The campaign will pilot a participatory communication methodology with rural communities to analyse and evaluate barriers to birth registration and develop strategies to promote registration in the political agenda as a tool for social inclusion and poverty reduction.
12	Dominican Republic	Analysis of Potential Effects of Trade Agreement on Rural Households (CAFTA) ATN/KE-10072-DR DR-T1002	60,000	Regional integration: understanding CAFTA and its effect on poor rural households. A study is being undertaken on the potential effects of CAFTA on the DR economy to complement and amplifying the results of similar IDB studies in Central America. The DR study will specifically take into account the potential effects of CAFTA on vulnerable groups, differentiated by demographic characteristics including gender, age and ethnicity. Expected results from the study are: i) dissemination and discussion of study results in terms of potential effects of CAFTA on rural incomes; ii) identification of potential obstacles to adjustment, particularly in low-income rural households; iii) recommendations for policy options that could address these obstacles to adjustment. It is anticipated that this (and the other studies) will facilitate the design of appropriate policy agendas and support appropriate Bank programming activities.
13	Guatemala	Development of a Social Sector Study for Indigenous Peoples in Guatemala ATN/KE-10205-GU GU-T1056	20,000	Influencing a country strategy process with the potential to influence the Bank's country programme portfolio for Guatemala. The study, along with other complementary work, should facilitate i) dialogue and agreement between the IDB and the government of Guatemala on specific programmes and strategies to address intercultural health issues and access of indigenous peoples to quality basic services; and ii) the development of a country investment portfolio between the IDB and the government of Guatemala that reflects new agreements in this area.

Source: DFID (2007) 'DFID/IDB ENLACE Social Inclusion Trust Fund: Preliminary Lessons Learned following Three Years of Execution'. Internal DFID document. Draft.