

Management response and follow-up note Evaluation of the Peace and Stabilisation Fund 2010-13

This note contains the conclusions and recommendations from the final report of the Evaluation of the Peace and Stabilisation Fund (PSF). It also includes the Inter Ministerial Steering Group on Stabilisation's response and follow-up actions to the evaluation. The management response is inserted after the conclusions and recommendations.

The evaluation was commissioned and managed by the evaluation department in the Ministry of Foreign Affairs based on a request from the Inter Ministerial Steering Group. It was conducted from March to August 2014 by an independent evaluation team of international consultants from Coffey International, UK.

The overriding purpose of the evaluation of the PSF was to ensure learning from the Fund's first 4 years of operations to inform the programming of the next phase for the period 2015-17 that was due to start in the summer of 2014. To ensure that there was early input into this process a work shop with the participation of all relevant stakeholders among the many Danish authorities involved was held in June where the evaluation team presented their preliminary findings and facilitated a theory of change work shop to guide future programming.

1. Conclusions and recommendations from the evaluation

The overall conclusion of this evaluation is that there have been clear successes in the implementation of the Fund to date.

In particular, progress has been made in terms of:

- Developing cross government working on stabilisation;
- Aligning the PSF to Danish strategic priorities;
- Supporting engagements that address drivers of conflict and instability and produce benefits for people and countries receiving PSF support;
- Promoting the effective and efficient use of resources;
- Developing management structures; and
- Learning lessons.

The Evaluation Team has examined the evolution of two similar cross-government funds in the UK and The Netherlands and considers that Denmark has accomplished a great deal across these dimensions in a relatively short amount of time. A brief comparative assessment between the UK Conflict Pool and the PSF shows that the two funds have faced similar issues, notably in relation to ensuring a clear comparative advantage and coherence with other funding streams and in ensuring adequately robust M&E at both the project and strategic level. The two funds are, however, very different in terms of size and human resource availability. The UK conflict pool is about twelve times the size of the PSF in terms of annual spend and is therefore able to draw on significantly more stabilisation expertise. This brings an additional challenge for the PSF in terms of matching political ambition with resources.

The challenge for the Danish government is now to build on what it has been achieved during the first three-year phase of the PSF's activities and to take the performance of the Fund to the next level. This will require attention to a number of structural, strategic, and programmatic issues going forward.

The Evaluation Team has identified seven areas on which the Danish government should focus attention in the coming three year period:

- Deepening the Danish integrated approach to stabilisation;
- Matching political ambition with human and financial resources;
- Sharpening the PSF's focus on key stabilisation issues;
- Strengthening the PSF's capacity for assessing context and developing theories of change as a basis for PSF programming;
- Ensuring that the Fund's comparative advantage is adequately reflected in programming;
- Ensuring adequate flexibility in the use of PSF funding; and
- Strengthening the management of the Fund to further enhance the effective and efficient use of PSF resources.

Each of these issues is considered in turn below. The Evaluation Team present their main conclusions on the operation of the Fund to date and recommend future actions to further enhance the effectiveness, efficiency, relevance and overall impact of the PSF. While the main responsibility for the effective implementation of these recommendations lies with the members of the Inter-Ministerial Steering Committee, it will also be necessary for senior management at headquarters, Embassies, and ambassadors to play a leading role in ensuring that the recommendations are implemented.

The Evaluation Team has made 16 recommendations. We are aware that the human resource constraints that confront the PSF will make it necessary to prioritise the implementation of these recommendations. This prioritisation should be the responsibility of the IMSC in consultation with other PSF stakeholders. However, the Evaluation Team believes that recommendations 1, 2, 3, 4, 12 and 14 should be considered the highest priority.

1.1 Deepening the Danish integrated approach to stabilisation

The Evaluation Team conclude that the PSF has made an important contribution to developing the Danish integrated approach to stabilisation, but additional steps need to be taken to develop a fully integrated approach to supporting peace and stabilisation. The IMSC has a central role to play in this process by providing strategic guidance and oversight.

The PSF has progressively supported enhanced interaction and trust among Danish officials, promoted the inclusion of a greater number of Danish actors in stabilisation activities, developed structures for cross government working such as the Inter-Ministerial Steering Committee and the Whole of Government Secretariat, and fostered common agreement around certain PSF priorities, approaches and activities in support of peace and stabilisation. Additionally, by establishing regional and country programmes the Fund has provided the basis for some coherence among PSF funded engagements and alignment behind strategic objectives in specific contexts.

To deepen the integrated approach to stabilisation, the PSF requires more strategic level guidance and oversight. While there is evidence of alignment of PSF interventions to strategic priorities, more attention needs to be paid to prioritising Denmark's scarce human and financial resources to maximise the effectiveness and efficiency of the Fund and overall impact. A truly integrated approach requires close coordination with other Danish instruments (funding and political) within the framework of agreed country strategies that address core Danish stabilisation objectives. These need to be accompanied by well targeted results frameworks that are achievable using available human and

financial resources. The use of financial resources should be monitored regularly to ensure that funding is flowing as planned to achieve top priority Danish objectives.

As a funding mechanism, the PSF is just one of the instruments, albeit an important one, that needs to be combined in a coherent manner in order to promote an integrated approach. While the Evaluation Team has found evidence of coherence, it is also the case that Denmark does not yet optimise its stabilisation inputs by consistently and fully exploiting synergies with all Danish instruments and related programmes, whether supported by Denmark or national, regional or international actors. The challenge thus remains for Denmark to bring all relevant instruments, both financial (Danida, PSF) and political, together behind its strategic objectives in a given context.

The experience of the British government in developing its approach to conflict and stabilisation over the last 13 years led to the decision in 2014 to structure stabilisation efforts around country strategies (and if relevant and feasible regional strategies) that will provide the framework for UK government wide approaches to stabilisation in the UK's 44 priority countries. The Danish government has taken steps in a similar direction.

As highlighted above, in 2014, Denmark developed a policy paper for Somalia based on Danida's guidance on the development of policy papers for Danish engagement in its priority countries. The Somalia policy paper is an important step forward in that it specifies the roles of both PSF and Country Programme financing in achieving Danish objectives in that country and was reviewed by the IMSC. It is, however, incomplete in two respects.

- The Somalia policy paper does not provide much detail on how the political and financial instruments are to complement and support each other. To achieve this objective, it will be important in the future that the programming processes for the different instruments are clearly aligned with these overall policies and proceed to the extent possible in an integrated manner. Currently, Danida and PSF programming processes in Somalia are proceeding in tandem by chance while in Afghanistan, the Danida Country Programme was developed in early 2014 while programming for the PSF allocation began in mid-year. It is not likely that the schedules for PSF and Danida programming exercises will frequently coincide, given the different timeframes for the two funding channels. The situation is even more complex where PSF regional programming needs to be coherent with Country Programmes in several countries simultaneously. This places a premium on ongoing communication between different funding sources, particularly while programming is underway. In addition, in order to achieve maximum coherence between political and funding instruments, political tools such as diplomacy and policy dialogue also need to be more consistently deployed in support of strategic objectives and funded programmes, and the policy papers should provide an indication of how these tools will be integrated with the financing tools.
- Although the Danida guidance states 'The priority country policy papers will provide a single integrated presentation of Denmark's policy towards a given priority country which encompasses Denmark's entire engagement and strategic direction in a country, i.e. foreign and security policy, development cooperation, climate policy and commercial relations,' they are reportedly viewed as "Danida" documents and not truly a cross government product.

The 2014 PSF Guidelines describe the IMSC as "the principal decision-making body of the Fund... responsible for ensuring the coherence of policies and strategies affecting the Danish stabilisation agenda." The Guidelines also give the IMSC responsibility for "general Fund oversight including monitoring overall progress and performance of activities." To date, however, the IMSC does not appear to have played its role as strongly and effectively as required.

Recommendation 1: To deepen the integrated approach to stabilisation, the Evaluation Team recommend that the IMSC strengthen its strategic guidance and oversight of the PSF (policy, priority results and financing). They should give particular attention to working with other relevant government ministries and agencies to establish a framework for developing agreed policies/strategies for countries receiving stabilisation support. These policies should encompass all relevant instruments (within their respective mandates).

The Danida Guidelines for the Development of Policy Papers for Denmark's Relations with Priority Countries should be taken as a starting point in this exercise, as that paper sets out a procedure for identifying the strategic objectives of all Danish engagements in the country in question. Where additional attention is needed is in developing cross government ownership of the process of producing policy papers for stabilisation countries and in clarifying how all Danish instruments (political/diplomatic, security and funding) will be engaged in addressing the top priority objectives to ensure that the response is truly integrated and cross government.

Once the process for developing policies is agreed, a mechanism should be identified for ensuring that all relevant instruments are deployed and coherent against these policies. In particular, there is a need to find ways to align the programming processes of different funding instruments, for example by developing agreed procedures for ensuring that decisions taken on programming the Danida Country Programme and PSF regional and country programmes are consulted with the Danida Programme Committee and the IMSC and Whole of Government Secretariat respectively. Additionally, monitoring and evaluation processes should be structured to capture diplomatic engagement.

The Evaluation Team also conclude that a number of thematic programmes (within the broader regional programmes) have provided strategic direction to PSF funding and that it is at this level that coherence is most likely to be achieved and to have a positive impact.

There has been a tendency to think that all thematic programmes within PSF regional programmes need to reinforce and be linked to each other as well as be linked to the overall regional programme objective. The Evaluation Team concludes that, from the perspective of enhancing integrated working, it is more important to be clear how each thematic programme is linked to strategic objectives contained within country policies, including their regional dimensions (i.e. how they add up to higher level objectives) in concert with other instruments (financing and political) and actors (both Danish and regional/international). So, while the thematic programmes should be internally coherent (i.e. the engagements that form part of each thematic programme should be mutually reinforcing), the thematic programmes do not necessarily need to align to each other.

Recommendation 2: To further deepen the integrated approach to stabilisation, the Evaluation Team recommend that in designing new PSF country or regional programmes, PSF stakeholders (under the leadership of Programme Coordinators) should focus on ensuring that thematic programmes are coherent with other instruments (both Danish and international) and aligned to the broader strategic frameworks where they exist (e.g. Somalia policy). While the thematic programmes making up the PSF regional programmes should be internally coherent (i.e. the engagements reinforce each other against a thematic objective), it may not be feasible or even desirable for the thematic programmes to have a collective coherence. It will be more important that the thematic programmes are coherent with other instruments and broader strategic frameworks.

1.2 Matching political ambition with human and financial resources

The Evaluation Team conclude that Denmark has gone a long way toward accomplishing its goal of becoming an important and effective player in the stabilisation arena, and that it has used the PSF on a number of occasions to achieve this outcome. As a relatively small donor Denmark regularly 'punches above its weight'. However, by reducing the human resources available to administer the PSF, the 'leaning process' has created a significant risk to the ability of the PSF to secure a return on investment and fulfil its objectives.

Effective peacebuilding and stabilisation efforts require adequate human and financial resources. There are various functions that must be filled if the PSF's performance is to be efficient, effective and match policy ambitions and these require appropriate funding.

- Programme management at embassies. In country programme management capacity is essential to exercise effective oversight of PSF engagements and implementing partners. Programme managers can identify emerging problems with the implementation of engagements, ensure that information received from implementing partners is accurate and liaise with other donors implementing activities in the same area. Without adequate project management oversight at embassies, PSF financed engagements risk failing to use resources effectively and efficiently. While it might be feasible to carry out some administrative functions from headquarters (collating progress reports and information on disbursements), there is no substitute for on the ground oversight of implementing partners and engagement with other donors. Channelling significant resources through implementing partners without adequate capacity to provide direction, oversight and monitor progress will, at best, undermine the effectiveness and efficiency of the fund and, at worst, risks doing more harm than good.
- Stabilisation advice at embassies. Stabilisation advisors in the country/region monitor and report on the evolving situation and risks associated with PSF financing. The experience of the Horn of Africa programme suggests that risks need to be constantly identified, prioritised and actively managed. Additionally having a stabilisation advisor in country adds value to the Embassy's stabilisation work, in supporting Danish stabilisation efforts (by identifying and responding to windows of opportunity, acting as a locus for cross government conversations, engaging with international and local counterparts, helping to bring in the political dimension, locus for lesson learning). While some of these functions could be filled by other Embassy staff, the impact of the leaning process and the attendant move toward generalists means that staff with stabilisation expertise are in short supply in the Foreign Ministry as a whole. A stabilisation advisor should have the ability to analyse, monitor and report on conflict/stabilisation contexts and to understand the role of and engagement with a wide variety of stakeholders at the international, national and local levels.
- Fund management and stabilisation advice at headquarters. The Whole of Government Secretariat is the engine of the PSF. It has accomplished much in the first three years of the PSF's existence with relatively few resources. If the Secretariat is unable to fulfil its multiple tasks – ranging from day to day management of the Fund, to overseeing stabilisation and fragile states policy implementation, to liaising with key stabilisation partners at headquarters level – the PSF simply will not work effectively and efficiently and Denmark's investment in stabilisation will be diminished. The programme owners also have an important role to play in ensuring both that current programming is developed and implemented as planned and that lessons are identified and fed into the next programming cycle. The responsibility for the programme cycle is particularly important, and the competition between monitoring PSF programmes and lessons learning, on the one hand, and the day to day tasks of a foreign ministry, on the other hand, have only been exacerbated by the leaning process. If embassies are unable to manage their PSF portfolios, an even greater burden will fall on MFA's regional departments. Here too inadequate capacity in the regional departments will cause Denmark's investment in stabilisation to be diminished.

- Methods of linking political analysis and activities to stabilisation activities at embassies and headquarters. Stabilisation is essentially a political activity and supporting sustainable political settlements is fundamental to success. Failing to provide timely and appropriate political support for PSF engagements runs the risk of undermining the efficient and effective use of PSF resources. Not having the capacity to engage with other actors on stabilisation issues reduces Denmark's overall profile on stabilisation issues. While having a stabilisation advisor at an Embassy has been shown to enhance the capacity of the Embassy to engage politically in stabilisation environments, that advisor ideally needs to be a part of the team that develops political responses to the evolving context. Stabilisation advisors need to support and be supported by political officers in the Ministry in Copenhagen and at Embassies.

Recommendation 3: The Evaluation Team recommends the IMSC ensure resources are available for adequate stabilisation capacity at the level of Embassies and at headquarters within Copenhagen (Regional Departments and the Secretariat).

- PSF programmes require a stabilisation advisor and programme management capacity on the ground. Ideally these functions would be fulfilled by two individuals, particularly for large portfolios or where one stabilisation advisor has the responsibility for more than one country. Where portfolios are smaller and the geographic coverage is less, these positions could be combined.
- At headquarters there is a need for a more adequately resourced secretariat, with less turnover, and dedicated programme staff within MFA Regional Departments with adequate time allocated for programme management throughout the entire programme cycle. In addition to a modest increase in the number of dedicated staff, the development of a stabilisation/conflict cadre within the PSF ministries would be an important contribution to the future success of the PSF and provide critical support to Denmark's stabilisation objectives.

If these human resources are not available, then the political ambitions of the PSF should be reduced commensurately.

The Evaluation Team also conclude that the 2012 Budget Law renders the PSF less fit for purpose as a stabilisation funding mechanism.

The PSF is highly valued by Fund stakeholders for its flexibility. One of the main reasons for this is that stabilisation environments are characterised by a high degree of uncertainty. The implementation of activities at the nexus of security and development is frequently delayed and the activities need to adjust to changing circumstances. The requirement under the 2012 Budget Law that non-ODA resources must be spent in the budget year that they are committed reduces the flexibility of the PSF. If circumstances do not permit a particular activity to advance during the fiscal year in which resources have been committed there is no guarantee that they will be available in the following fiscal year. Although ODA funds can in some cases substitute for non-ODA funds, this will not always be the case, either because the activity cannot be carried out using ODA funding or because ODA funding is fully committed.

While the PSF – and the MoD in particular – are learning how to re-programme funds during the financial year more efficiently in order to avoid having to return those funds to the Ministry of Finance, this is a time-consuming process and it is far from clear that this is the most effective and efficient use of scarce PSF human resources, particularly Secretariat resources which are already stretched very thin. It also makes commitments that span more than one fiscal year difficult to guarantee. This can in turn

reduce the effectiveness of PSF supported activities. Successful PSF implementers have pointed to the importance of multi-year funding to the continuity of their programmes.

Recommendation 4: The Evaluation Team recommend that the IMSC (at the highest level) ensure that Parliament is made aware of the negative consequences of the budget law on the effectiveness of the PSF as a stabilisation instrument.

1.3 Sharpening the PSF's focus on key stabilisation issues

The Evaluation Team conclude that the broad policy framework that has guided the work of the PSF has served the Fund well to date, but that the Fund's Guidelines lack clarity in two important areas: 1) the political underpinnings of stabilisation and 2) human rights and gender.

The objectives and activities supported by the PSF are well aligned to thematic and geographic strategic priorities in Danish foreign, security and development policies and to Fund objectives. While the Danish government does not have a definition of stabilisation, its policy statement on engagement in stabilisation in fragile and conflict affected areas clearly indicates the intention to focus on 'integrated stabilisation efforts lying at the nexus between security and development in fragile and conflict-affected countries,' and the Fund has sought balance between the different policy objectives by focusing on areas of support at the nexus of development, peacebuilding and security. The PSF's broad policy framework has given the Fund flexibility to respond to a range of issues, situations on the ground and strategic priorities, in a variety of ways. It has given the Fund a degree of fluidity and flexibility in relation to other Danish funding mechanisms.

That said, good international stabilisation practice underscores the political nature of stabilisation engagements and the importance of promoting political settlements as a core stabilisation goal. The Danish government is clearly cognizant of the centrality of a political approach to achieving stabilisation outcomes. 'Active diplomacy' and 'political dialogue' are two of the key instruments cited in Denmark's draft Somalia Policy Paper, for example. Nonetheless, the PSF Guidelines do not provide adequate guidance on how to link the political, security and development aspects of stabilisation into a coherent and integrated approach.

In the same vein, some attention has been paid to the policy objectives of supporting human rights. More limited attention has been paid to gender and indeed there are still discussions within the Danish government as to the extent to which gender issues are central to stabilisation.

Recommendation 5: To sharpen the PSF's focus on key stabilisation issues, the Evaluation Team recommend that the Fund retains its current broad overarching policy framework but that the IMSC ensure that the Fund's guidance includes direction on: 1) linking political, security and development objectives and instruments (for example in the ways described in core evaluation question 3.1 above) and 2) integrating gender concerns and compliance with UNSCR 1325, for example by providing references to key resources and guidance and requiring programming exercises to include specific expertise relating to gender.

1.4 Strengthening the PSF's capacity for assessing context and developing theories of change as a basis for PSF programming and monitoring

The Evaluation Team conclude that the interventions examined were broadly relevant to drivers of conflict and instability, particularly those of a regional nature. However, conflict analysis is not yet undertaken, updated or referenced systematically to inform PSF programmes, nor are there systematic efforts to consider the conflict sensitivity of interventions. This potentially jeopardises the effectiveness of engagements by undermining the strength of evidence and ultimately the degree of certainty regarding the relevance of engagements to context. It also makes it more difficult to assess the possibility of any unintended negative consequences. The Evaluation Team also conclude that there have been efforts to develop theories of change in order to support funding choices, strengthen the

intervention logic and to facilitate monitoring and evaluation. These however these require a stronger evidence base if they are to support a robust intervention logic.

Efforts are made to reflect on the conflict context and respond to the priorities of local counterparts during PSF programming processes. Embassy staff is consulted during programming, and communication between HQ and Embassies has become more regular. Moreover, there is evidence that staff involved in programming sometimes have substantial experience in the region. For the effectiveness of PSF interventions to be maximised and the potential for harm minimised, however, it will be necessary to collect additional information and make better use of the information already at hand through a more structured process of analysis and ensuring consistent attention to conflict sensitivity. For example, consultations with Embassy staff are not yet at the level necessary for their experiences and insights, including on strategic opportunities to engage in response to evolving contexts, to be fully reflected in programming processes. Where consultants undertake certain aspects of programming, such as analysis and the identification of key interventions, it is particularly important that they ensure different perspectives and understanding from across government are reflected in programming. That said, it has been recognised that the Danish government's capacity to undertake conflict and context analysis needs to be strengthened and there is the intention to work on this issue.

Recommendation 6: To strengthen the PSF's capacity for assessing the context in which its funding is applied, the Evaluation Team recommend that the IMSC ensure that:

- *A tool is developed to ensure that structured conflict analysis informs PSF programming and draws on the perspectives and knowledge from across different government stakeholders both in Embassy and headquarters (including at the Concept Note stage). Use of this tool should be referenced in the 2014 Fund Guidelines.*
- *Guidance for conflict sensitive programming is included in the 2014 Fund Guidelines.*

Recommendation 7: The Evaluation Team recommend that the IMSC ensure that the 2014 Fund Guidelines are amended to include guidance on using Theories of Change in programming or make reference to the new Danida guidance on developing ToC a requirement. It should be required that theories of change are substantiated by references to research and analysis (including conflict analysis) in order to strengthen the evidence base and degree of confidence in their validity.

Recommendation 8: The Evaluation Team also recommend that communication via Video Conference (VC) between departments managing PSF at HQ (e.g. Regional Departments), Embassy staff (including Ambassadors and PSF Programme managers/Stabilisation Advisors) and the Whole of Government Secretariat occurs routinely either when a) there is a significant development in the conflict context, b) an opportunity for the use of unallocated PSF funds emerges (see criteria below), or c) in response to particular issues affecting the performance of the fund, such as the performance of implementing partners. This requirement should be included within the 2014 Fund Guidelines.

1.5 Ensuring adequate flexibility in the use of PSF funding

The Evaluation Team conclude that the allocation of a large proportion of the PSF regional programmes' resources at the outset of each three year period curtails the Fund's flexibility by limiting its ability to respond to evolving contexts, windows of opportunity and new crises in situations where unallocated funds have been expended.

In determining the proportion of unallocated regional programme funds, PSF stakeholders face a trade-off. Too few unallocated funds can limit flexibility and the ability to respond rapidly to changes in the environment that characterise stabilisation environments. Too many unallocated funds can lead to the risk of a proliferation of interventions across a wide variety of issues, thereby undermining the opportunities for achieving impact. The assessment of the Evaluation Team is that the benefits of greater flexibility should outweigh the risks as long as the risks are understood and managed. One way of managing the risks would be to ensure that 1) the role and focus of Fund interventions and their

relationship to other instruments is defined and strategically anchored within a broader integrated approach (see conclusion 1 above); and 2) there are clear criteria guiding the use of unallocated funding.

Recommendation 9: To ensure adequate flexibility in the use of PSF funding, the Evaluation Team recommend that the IMSC ensure the proportion of unallocated funds within regional programmes is 25-30 percent. This is in line with the overall proportion of the Fund originally not allocated to regional programmes (28 percent).

Recommendation 10: The Evaluation Team also recommend that the IMSC ensure that the 2014 Fund Guidelines are amended to include key criteria for programming unallocated funding in order to maximise opportunities for both strategic relevance and impact.

The first three criteria should be required for all new engagements:

- New engagements should be demonstrably coherent with broader strategic frameworks, such as the country policy and the PSF programme strategy;
- New engagements should also clearly add value to and be coherent and synergistic with existing interventions, including those that are not funded by the PSF (e.g. APP, development funding, other donor engagements) and where the PSF clearly has a comparative advantage (see PSF comparative advantage in the following conclusion); and
- New engagements should be assessed from the perspective of the availability of human resources at headquarters and embassies to effectively manage and monitor them.

In addition to these three pre-requisites, interventions should also fulfil one or more of the following criteria:

- New engagements should have a potential catalytic or coordinating effect in terms of broader donor engagement;
- They should give Denmark a seat at the table and give it a voice in the broader political and policy dialogue; and/or
- They should respond to clear windows of opportunity or need in terms of the evolving context where the PSF has a comparative advantage to engage.

1.6 Ensuring that the Fund's comparative advantage is adequately reflected in programming

The Evaluation Team conclude that while the PSF displays a range of features that support its effectiveness and efficiency as a stabilisation funding mechanism in the context of an integrated approach, only five can be identified as a comparative advantage of the fund, vis-à-vis other funding channels.

There is considerable evidence that the PSF is flexible, has a high tolerance for risk, supports rapid response and focuses on the grey zone between security and development. Since there is evidence that, in some circumstances, Danida funding also displays these characteristics these features cannot be defined as a clear comparative advantages of the fund. Rather, the features of the PSF that distinguish it from other Danish funding channels are:

- Its capacity to fund projects that are not classed as ODA or to combine ODA and non-ODA funding, making it particularly well suited to working at the nexus of security and development;
- Its facilitation of agency to agency approaches;
- Its ability to mobilise a range of Danish instruments, capacities and perspectives across different parts of government;
- Its preference to work at a regional level;

- The availability of unprogrammed funding facilitating an ability to respond to windows of opportunity or emerging issues in high risk and politically sensitive areas.

Recommendation 11: In order to ensure that the Fund's comparative advantage is adequately reflected in programming, the Evaluation Team recommend that the IMSC ensure that these comparative advantages are articulated in the 2014 Fund Guidelines so that they are understood by key Fund stakeholders and reflected alongside the specific principles (section 2.1 of the Guidelines) in programming, including when considering the Fund's relationship to other funding sources and suitability for use within any given context. In addition, subsequent PSF reviews or reviews of sister funds could examine overlap, synergy and comparative advantage. The IMSC should play a role in monitoring these factors.

1.7 Strengthening the management of the Fund to further enhance the effective and efficient use of PSF resources

The Evaluation Team conclude that over the past three years Denmark has learned a number of important lessons and deployed various strategies with the aim of making the Fund more effective and efficient, and to help secure impact. However there are five areas that still require attention if the efficiency and effectiveness of the fund as an instrument to support integrated approaches to stabilisation are to be maximised: 1) monitoring and evaluation; 2) choice and oversight of implementing partners; 3) piloting; and 4) timeframe for PSF programming processes;

Efforts are underway to make the fund more strategic and effective through developing results frameworks at the programme level and articulating theories of change. There is also an understanding of the importance of focusing the Fund on countries where Denmark has a presence, including from the perspective of risk management, oversight and instrument coherence. The 2014 Fund Guidelines have created greater clarity over roles, responsibilities and decision making procedures which allow for sufficient flexibility and are fit for purpose. The current arrangement whereby the PSF guidelines signpost and recommend reference to the Danida guidelines is useful and should be maintained. The Danida guidelines should not supercede the PSF guidelines in order to maintain maximum flexibility for the PSF.

As a small fund the PSF has leveraged impact in a number of ways:

- By engaging with other donors in areas supported by the fund in order to shape broader international engagement and encourage coordination and coherence of efforts;
- By using the PSF to finance small interventions that are subsequently supported by others in areas where there is a Danish niche; and
- Through using funding to support broader political objectives and to get a 'seat at the table' in order to influence decisions on stabilisation agendas.

The ability to reflect on overall performance and apply lessons in relation to the functioning of the fund is one of the strengths of the PSF. The Evaluation Team believes that attention to the following four issues will further enhance the efficiency and effectiveness of the PSF and bring a greater return on investment to the Danish government.

1.7.1. Monitoring and evaluation

The Evaluation Team conclude that monitoring and evaluation within the fund is weak. It is limited to the level of individual engagements or interventions and focuses on outputs rather than outcomes.

This approach does not allow for managers to adequately understand progress of groups of engagements against higher level thematic programme objectives, whether interventions are leading to change in the direction intended, or to identify when or where adjustments to the approach need to be made.

Recommendation 12: The Evaluation Team recommend that the IMSC ensure that an M&E system is developed and implemented by each PSF programme, under the direction of the responsible Unit at headquarters (e.g. Regional Department) that:

- Systematically captures engagement outcomes through information provided by implementing partners, supplemented if necessary, by external evaluations depending on the size of the engagement;
- Uses ToC approach to help identify intermediate objectives (‘enabling conditions’) between engagement outputs and higher-level goals (strategic or component objectives);
- Tracks the contribution of engagements against intermediate and thematic component objectives, including through using additional monitoring information captured by Programme Managers;
- Directly feeds monitoring information into decision making regarding programme adjustments including being part of the reporting requirements stated within the 2014 Fund Guidelines;
- Ensures that adequate resources are allocated to M&E across the PSF portfolio (a rule of thumb among donors is 3 percent of the value of the total portfolio; larger engagements/programmes may require more and smaller ones less); and
- Provides guidance on remote monitoring in environments where security considerations do not enable those responsible for overseeing PSF engagements to travel.

Recommendation 13: The Evaluation Team recommend that the IMSC ensure that the 2014 Fund Guidelines are revised to require (rather than recommend) that Danida guidelines for country programmes should be consulted for developing results and risk frameworks when formulating programmes.

1.7.2. Choice and oversight of implementing partners

The Evaluation Team conclude that the PSF tends to underestimate the degree of partner oversight required to ensure effective and efficient interventions, particularly with regard to multilateral implementers.

Choice, scrutiny, monitoring and oversight of implementing partners requires strengthening if there is to be sufficient understanding of their efficiency, effectiveness and ability to facilitate integrated working.

There are various types of partners and implementing modalities used by the Fund (e.g. programmes and trust funds run by multilateral organisations such as the UN, multi-partner funds, agency to agency arrangements and advisors, contractors or NGOs). Each will bring different strengths and weaknesses depending on the context and objectives. Different mechanisms allow different degrees of strategic direction and the ability to accompany resources with other Danish instruments. Agency to agency engagements, for example, allow a high degree of Danish direction. Supporting a large multilateral programmes may blunt the potential for influence and accompanying support with political engagement. Some mechanisms are more amenable to supporting coordination and integration within the overall partner effort such as those that have steering committees with donor representation or joint programmes with other donors.

The Evaluation Team understand that there are differences of opinion within the Danish government about the advisability and utility of deploying advisors to support projects. The experience of the PSF to date suggests to the Evaluation Team that there can be great utility in providing advisors in certain circumstances. However the Evaluation Team would just point out that not only is it important to assess whether agency to agency support is the most effective means of reaching Danish stabilisation objectives, it is also essential when deploying advisors to consider the specific competencies and aptitudes of those individuals in relation to the task in hand.

Recommendation 14: The Evaluation Team recommend that the IMSC ensure that the 2014 PSF Guidelines are revised to include the following good practices followed by PSF programme managers in the Horn of Africa for identifying and managing partners or implementing mechanisms (such as UNSOA or the ANA Trust Fund):

- Map the strengths and weaknesses of available partners or mechanisms in terms of achieving PSF objectives, including integrated working. Does the potential partner have the appropriate capacity to achieve implement the activity and achieve the desired objective? Is Denmark able to exert strategic direction over the activities funded through the PSF?
- Review the efficiency and effectiveness of the partner or mechanism (e.g. by looking at recent evaluations, drawing on the perspectives of other donors). This involves understanding both the partner's track record and importantly the current status of the partner's capacity (i.e. track record isn't everything).
- Consider the transparency of the partner in terms of ability to monitor and report on progress. Is the implementing partner willing to provide regular reporting? Is there a steering group that can provide a voice for donors? Does the implementing partner commission external evaluations?
- Recognise the extent of oversight that may be required, particularly for multilateral implementers. There is strong evidence that multilateral implementers can require considerable oversight to ensure efficient and effective use of PSF funding. It is important to factor that need into the choice of implementing partner.
- Monitor partner performance. Methods of monitoring the performance of implementing partners includes obtaining information from partners in a way that can support overall component and programme monitoring, regularly checking up on progress, and applying pressure to ensure that partners are on track and doing what they are supposed to be doing.

1.7.3. Piloting

The Evaluation Team conclude that efforts to exploit opportunities to build on the success of smaller 'pilot' type initiatives are not undertaken systematically.

PSF stakeholders frequently speak about conducting pilot programmes but it is often unclear whether such engagements are consciously developed and implemented as true pilots, for example by identifying partners to take programmes to scale and by identifying and disseminating lessons and evidence of effectiveness. In some cases, engagements described as pilots were developed after another donor had decided to develop a programme in the same area but prior to that donor engaging in programming. In those cases, the PSF funded engagement reportedly provided lessons for the larger programme, but it was unclear whether this was part of the original intent.

Recommendation 15: The Evaluation Team recommend that the IMSC ensure that the 2014 PSF Guidelines include guidance on how to make the 'seed funding approach' an explicit funding model. This could, for example, include: systematic approaches to identifying partners to take the programme to scale, collecting evidence around effectiveness and identifying and disseminating lessons.

1.7.4. Timeframe for PSF programming processes

The speed of the programming processes for the new regional programmes militates against the development of strong foundations of effective integrated peace and stabilisation efforts.

Squeezing programme development into a six month period reduces the time available for context analysis, discussions aimed at forging coherence with other instruments, and scrutiny of partners. Without adequate preparation, PSF programming risks being based on retro-fitted contextual analyses and weak results frameworks, as well as missing opportunities for synergies with related programmes.)

Recommendation 16: The Evaluation Team recommend that the IMSC ensure the procedure (process action plan) for programming the regional/country programmes provides adequate time for context assessments to be undertaken, theories of change elaborated and appropriate partners to be identified.

Denmark's general comments to the evaluation

The Inter-Ministerial Steering Committee (IMSC) welcomes the Evaluation and finds the recommendations useful for the next phase of the Peace and Stabilisation Fund 2015-2017. The overall conclusion of the Evaluation is that there have been clear successes in the implementation of the Peace and Stabilisation Fund. The IMSC notes that the evaluation commends the continued development of the fund since its establishment and the ability of the inter-ministerial stabilisation engagement to continuously evolve and learn from experiences on the ground. The Evaluation also constructively points to areas of improvement - notably recommendations 1-4, 12, and 14 - to be taken into account in the next phase of the Peace and Stabilisation Fund 2015-2017. Furthermore, the evaluation's recommendations are useful for Denmark's other engagements. Specifically, the evaluation's lessons will be fed into on-going efforts to strengthen Denmark's development engagement with fragile and conflict affected states. The IMSC will take each recommendation into consideration as described below and update the 2014 Fund guidelines respectively.

Specific comments on recommendations and follow-up actions

Recommendation 1: To deepen the integrated approach to stabilisation, the Evaluation Team recommend that the IMSC strengthen its strategic guidance and oversight of the PSF (policy, priority results and financing). They should give particular attention to working with other relevant government ministries and agencies to establish a framework for developing agreed policies/strategies for countries receiving stabilisation support. These policies should encompass all relevant instruments (within their respective mandates).

The IMSC agrees with the recommendation to engage more systematically in results management and financial oversight. Programmes will be discussed based on regular reports, following the reporting format in the revised (2014) PSF guidelines.

An ambassador for fragile states was appointed August 1, tasked with i.a. strengthening Denmark's development assistance to fragile states. A particular focus for the ambassador will be to facilitate a better integration of development programming with other Danish support to fragile states. The ambassador will provide advice i.e. about strengthening the processes for country strategy papers and country programming – and involving the steering group in countries of joint focus. Although considerable cooperation already exists between the Danida decision-making structures and the IMSC (HQ and embassy staff participate in both), the Ambassador will assess opportunities for an improved collaboration, involving MOD and other government agencies in a resource-optimal manner.

Addressing some of the recommendations mentioned in the evaluation report (improve monitoring and evaluation, formulating baseline assessments and expected outcomes of the overall program and the specific activities, etc.) will improve the foundation for the IMSC to provide strategic guidance.

With regards to policy guidance, it should be underscored that several interministerial policy discussions do also take place within the IMSC incl. the Afghanistan Plans and Strategies, the Libya strategy, the country policy paper for Somalia, the fragile states policy (2010) counter-piracy efforts, counter radicalisation, and police deployments. Specifically, a number of policy frameworks were commissioned directly by the IMSC, comprising the Government's Stabilisation Policy (2013), a comprehensive approach review (2011), and the civilian capacities

review (2010). These policy tracks were not [addressed comprehensively by/] included in the scope of the evaluation.

Recommendation 2: To further deepen the integrated approach to stabilisation, the Evaluation Team recommend that in designing new PSF country or regional programmes, PSF stakeholders (under the leadership of Programme Coordinators) should focus on ensuring that thematic programmes are coherent with other instruments (both Danish and international) and aligned to the broader strategic frameworks where they exist (e.g. Somalia policy). While the thematic programmes making up the PSF regional programmes should be internally coherent (i.e. the engagements reinforce each other against a thematic objective), it may not be feasible or even desirable for the thematic programmes to have a collective coherence. It will be more important that the thematic programmes are coherent with other instruments and broader strategic frameworks.

The country policy papers currently being developed include PSF engagements. While this is not a new phenomenon (cf. Afghanistan, South Sudan and Libya, all developed in a whole of government procedure), efforts will be made to ensure that all future country papers include PSF engagements in countries of joint priority, and that relevant government agencies are involved in the formulation process. In addition, Danish engagements will continue to be aligned to and coordinated with other donors.

Regional PSF programmes (Horn of Africa and Afghanistan-Pakistan) are currently being developed together with the respective country teams to ensure fully coherence and complementarity with the country programming and other regional support. Efforts will be made to strengthen programme integration and joint (pol-dev-mil) implementation at embassy level rather than simply having separate programmes co-exist at the country-level. Among others, the respective embassies are deeply involved in the formulation of the PSF programmes, and possibilities for decentralisation of programming will be considered, where personnel resources allow.

Recommendation 3: The Evaluation Team recommends the IMSC ensure resources are available for adequate stabilisation capacity at the level of Embassies and at headquarters within Copenhagen (Regional Departments and the Secretariat).

The IMSC acknowledges that capacities are being stretched. In fact, the evaluation points to a common challenge to operating in fragile states, cf. the follow up report to the OECD/DAC examination of Denmark (2014). To address this challenge the IMSC will i) examine opportunities to address potential bottlenecks and cumbersome procedures; ii) clarify roles and responsibilities; iii) build in sufficient technical expertise into regional programmes; iv) contract short-term and assignment specific technical assistance to provide input to e.g. external M&E advisory services to support fund management v) examine the MOD defence attaché and defence advisor arrangements and explore whether resources can be streamlined; vi) look at prospects of joint donor analysis, programming and implementation; vii) prioritise joint discussions within OECD/DAC about human resource management in fragile states; and viii) balance ambitions to resources.

Recommendation 4: The Evaluation Team recommend that the IMSC (at the highest level) ensure that Parliament is made aware of the negative consequences of the budget law on the effectiveness of the PSF as a stabilisation instrument.

The IMSC will ensure that expectations are aligned with relevant stakeholders of the PSF on what can be achieved with the PSF and the allocated resources. The Budget Law has been approved by Parliament. The IMSC's mandate is to ensure that PSF support strictly concurs with the Budget Law, herein matching ambitions to resources. However, working in fragile states and their complex and unpredictable environment under the current Budget Law can cause situations where money cannot be used appropriately within the fiscal year and will thereby be "lost" for the Fund.

Recommendation 5: To sharpen the PSF's focus on key stabilisation issues, the Evaluation Team recommend that the Fund retains its current broad overarching policy framework but that the IMSC ensure that the Fund's guidance includes direction on: 1) linking political, security and development objectives and instruments (for example in the ways described in core evaluation question 3.1 above) and 2) integrating gender concerns and compliance with UNSCR 1325, for example by providing references to key resources and guidance and requiring programming exercises to include specific expertise relating to gender.

The IMSC recognise the need to further develop its comprehensive approach to stabilisation, not least the centrality of the political dimension in ever-changing and often violent contexts. As a starting point, and as a follow up the UK/DK Wilton Park seminar on stabilisation in June 2014, the inter-ministerial stabilisation secretariat will convene a focused seminar in Copenhagen about applying lessons learnt from engaging in political settlements. Mainstreaming gender will be addressed in the next phases of the programmes. It will also be included in the strengthening of the fund's M&E capacity (see below).

Recommendation 6: To strengthen the PSF's capacity for assessing the context in which its funding is applied, the Evaluation Team recommend that the IMSC ensure that:

- *A tool is developed to ensure that structured conflict analysis informs PSF programming and draws on the perspectives and knowledge from across different government stakeholders both in Embassy and headquarters (including at the Concept Note stage). Use of this tool should be referenced in the 2014 Fund Guidelines.*
- *Guidance for conflict sensitive programming is included in the 2014 Fund Guidelines.*

The IMSC agrees that there is a need to ensure that structured conflict analysis informs PSF programming. General work on the issue of conflict analysis and conflict mainstreaming is currently in progress in the Ministry of Foreign Affairs under the auspices of the newly appointed ambassador for fragile states. As a starting point, the ministry will be holding a seminar with international analysts to explore best practice in this area and how it can be applied to Danish development assistance. Whether a conflict analysis tool and guidance for conflict sensitive programming are to be included in the 2014 PSF Fund Guidelines will be guided by this process. Another prospect could be to include training in conflict mainstreaming (eg. pre-departure training prior to postings in fragile or conflict affected states). Conflict analysis will be informed by new and existing academic research and analyses. It is presently explored whether government internal resources, i.e. the Defence Intelligence Service, can contribute to joint conflict analyses for the development of phase II regional programmes for the Horn of Africa and the Afghanistan-Pakistan region.

Recommendation 7: The Evaluation Team recommend that the IMSC ensure that the 2014 Fund Guidelines are amended to include guidance on using Theories of Change in programming or make reference to the new Danida guidance on developing ToC a requirement. It should be required that theories of change are

substantiated by references to research and analysis (including conflict analysis) in order to strengthen the evidence base and degree of confidence in their validity.

The IMSC acknowledges Theories of Change as an important tool in programming and will seek to ensure that ToC are incorporated into future programming and mentioned in revised Fund guidelines as part of the wider (DANIDA) exercise of updating the aid management guidelines for fragile states. The IMSC commends the evaluation team for training a large number of staff at a cross-government seminar (June 2014) on applying theory of change into future regional programmes. In our experience, applying learning and joint training and teambuilding can be even more effective than guidelines.

Recommendation 8: The Evaluation Team also recommend that communication via Video Conference (VC) between departments managing PSF at HQ (e.g. Regional Departments), Embassy staff (including Ambassadors and PSF Programme managers/Stabilisation Advisors) and the Whole of Government Secretariat occurs routinely either when a) there is a significant development in the conflict context, b) an opportunity for the use of unallocated PSF funds emerges (see criteria below), or c) in response to particular issues affecting the performance of the fund, such as the performance of implementing partners. This requirement should be included within the 2014 Fund Guidelines.

The IMSC finds regular communication (eg. VCs) between departments managing the PSF, Embassy staff and the Whole of Government Secretariat important, especially on the issues listed in the recommendation. The IMSC will strive to enhance communication between all relevant actors and ensure that the modality of regular strategic dialogue in programming and implementation are reflected in fund guidelines and programme documents of a certain size (esp. regional programmes).

Recommendation 9: To ensure adequate flexibility in the use of PSF funding, the Evaluation Team recommend that the IMSC ensure the proportion of unallocated funds within regional programmes is 25-30 percent. This is in line with the overall proportion of the Fund originally not allocated to regional programmes (28 percent).

The IMSC agrees with the evaluation's recommendation to ensure adequate flexibility. Specific criteria for the use of the unallocated funds (inside and outside the programmes) will be developed as part of the revision of the Guidelines. An important principle that activities funded by unallocated funds are in line with the individual programme priorities will be maintained.

Recommendation 10: The Evaluation Team also recommend that the IMSC ensure that the 2014 Fund Guidelines are amended to include key criteria for programming unallocated funding in order to maximise opportunities for both strategic relevance and impact.

The IMSC finds it important to programme unallocated funding in a way that maximises opportunities for both strategic relevance and impact. The IMSC will be advised by the revision of DANIDA guidelines for fragile states (see above) on how to tailor aid to allow for improved crisis response and significant changes in context.

Recommendation 11: In order to ensure that the Fund's comparative advantage is adequately reflected in programming, the Evaluation Team recommend that the IMSC ensure that these comparative advantages are articulated in the 2014 Fund Guidelines so that they are understood by key Fund stakeholders and reflected

alongside the specific principles (section 2.1 of the Guidelines) in programming, including when considering the Fund's relationship to other funding sources and suitability for use within any given context. In addition, subsequent PSF reviews or reviews of sister funds could examine overlap, synergy and comparative advantage. The IMSC should play a role in monitoring these factors.

The Fund's comparative advantages are well-articulated in Annex A of the 2014 Fund Guidelines, containing the minister approved Principles Paper from 2012. These guidelines figure on the Aid Management Guidelines site www.amg.danida.dk. The issue of comparative advantage and complementarity with other funding streams has been and will continue to be a specific focus of the IMSC. The IMSC will remind heads of departments, ambassadors, fund managers, and other key staff of the need to apply Annex A. Similarly, the same issue will be at the core of the project to develop new DANIDA guidelines on fragile states, see above. The IMSC agrees with the recommendation of having overlap, synergy and comparative advantage examined in subsequent PSF reviews.

Recommendation 12: The Evaluation Team recommend that the IMSC ensure that an M&E system is developed and implemented by each PSF programme, under the direction of the responsible Unit at headquarters (e.g. Regional Departments):

The IMSC acknowledges the need for an M&E system and will seek to ensure that M&E systems are developed and implemented by each PSF programme and the fund in general. In the 2015-17 budget, the IMSC will include additional funding for M&E both within the regional programmes and for the general fund management. The IMSC intends to engage an external M&E provider through a framework agreement.

Recommendation 13: The Evaluation Team recommend that the IMSC ensure that the 2014 Fund Guidelines are revised to require (rather than recommend) that Danida guidelines for country programmes should be consulted for developing results and risk frameworks when formulating programmes.

The IMSC agree and will amend guidelines accordingly.

Recommendation 14: The Evaluation Team recommend that the IMSC ensure that the 2014 PSF Guidelines are revised to include the following good practices followed by PSF programme managers in the Horn of Africa for identifying and managing partners or implementing mechanisms (such as UNSOA or the ANA Trust Fund):

- *Map the strengths and weaknesses of available partners or mechanisms in terms of achieving PSF objectives, including integrated working. Does the potential partner have the appropriate capacity to achieve implement the activity and achieve the desired objective? Is Denmark able to exert strategic direction over the activities funded through the PSF?*
- *Review the efficiency and effectiveness of the partner or mechanism (e.g. by looking at recent evaluations, drawing on the perspectives of other donors). This involves understanding both the partner's track record and importantly the current status of the partner's capacity (i.e. track record isn't everything).*
- *Consider the transparency of the partner in terms of ability to monitor and report on progress. Is the implementing partner willing to provide regular reporting? Is there a steering group that can provide a voice for donors? Does the implementing partner commission external evaluations?*
- *Recognise the extent of oversight that may be required, particularly for multilateral implementers. There is strong evidence that multilateral implementers can require considerable oversight to ensure efficient and effective use of PSF funding. It is important to factor that need into the choice of implementing partner.*

- *Monitor partner performance. Methods of monitoring the performance of implementing partners includes obtaining information from partners in a way that can support overall component and programme monitoring, regularly checking up on progress, and applying pressure to ensure that partners are on track and doing what they are supposed to be doing.*

The IMSC considers the above mentioned good practices to be of great value and underlines the importance of carefully identifying and managing partners and implementing mechanisms. Whether the good practices should be included in the 2014 Fund Guidelines is yet to be decided. As a starting point, the recommendation will be carried forward into the programming of new fund activities for 2015-17 as well as into the project (see above) of the fragile states ambassador, as the recommendations are highly relevant to all multilateral fragile states support.

Recommendation 15: The Evaluation Team recommend that the IMSC ensure that the 2014 PSF Guidelines include guidance on how to make the ‘seed funding approach’ an explicit funding model. This could, for example, include: systematic approaches to identifying partners to take the programme to scale, collecting evidence around effectiveness and identifying and disseminating lessons.

The IMSC will consider whether the fund guidelines are the correct entry point to a ‘seed funding approach 2.0’ or whether some flexibility in defining innovative approaches is preferred. Often seed funding is provided to explore or develop new policy areas, and the approach naturally depends on other logics than PSF funding.

Recommendation 16: The Evaluation Team recommend that the IMSC ensure the procedure (process action plan) for programming the regional/country programmes provides adequate time for context assessments to be undertaken, theories of change elaborated and appropriate partners to be identified.

The IMSC agrees with the recommendation and will seek to ensure that adequate time for assessing context, developing theories of change and identifying appropriate partners is provided, as this will increase the quality and robustness of the regional programmes.