

# ANNEX G: THEORIES OF CHANGE

## G1. Human rights and democracy, reconstructed theory of change

Based on the strategy for the Danish neighbourhood programme (2013-2017) and discussion with EUN and others, a re-constructed theory of change for the human rights and democracy thematic area is visualised in Figure 2.3, and referred to in the analysis below.

The DNP presents two major objectives. Major objective 1 – Human rights and democracy, including good governance, conflict resolution and peace-building, gender equality, minority rights, indigenous peoples’ rights, as well as strengthening of civil society and independent media, and Major objective 2 – Sustainable and inclusive economic development, including private sector development, aiming at promoting sustainable growth, skills development, job creation, energy efficiency and green technology. Major objective 2 is closely linked to major objective 1, as inclusive economic development hinges, at least in part, on the respect and adherence to human rights, as well as the existence of public institutions that are functioning in a way that facilitates economic growth. In other words, coherent economic development cannot happen without democratic structures and the rule of law. (See also “The Right to a Better Life” strategy, where this nexus is made even clearer).

At the time of the launch of the current “Strategy for the Danish Neighbourhood Programme”, i.e. January 2013, the context underpinning the Danish programme was that:

- Albeit to varying degrees, the focus countries were on a continuous trajectory towards democracy, having established structures, institutions, and space for the provision of human rights, including the freedom of expression; active civil society; and accountable public administrations.
- The focus countries continue to pursue closer relations with the EU – either through accession or through association policies – which sets the overall standards for a number of policy areas pursued under the DNP’s major objective 1, and which is aligned with the relevant EU policies; the added-value of the Danish contribution is its relative flexibility and the possibility to provide know-how specific to Denmark.

Important political events in the region (and specifically affecting Armenia, Belarus, Georgia, and Moldova), triggered by the developments in Ukraine in late 2013/early 2014, have influenced this context during the lifetime of the strategy.

**[Interventions to Outcomes]:** The interventions used to achieve the outcomes include:

- In-country training and capacity building
- Promoting public awareness and access to information
- Exchange and learning on best practices
- Supporting partnerships
- Policy, legal, institutional analysis and recommendations
- In-house work processes and procedures analysis
- Support in planning of reforms
- Facilitation of dialogue, peace and confidence building measures, regional networking/cooperation.

In principle, the interventions reflect the typical menu of types of activities (a mixture of which can be found in projects and programmes across donors) and there is no issue to be found with those, as long as there is an acknowledgement that at this level, these are ultimately technical issues, and that technical answers will not necessarily be able to address political questions. For example, in the area of criminal justice sector reform, the mere change of legislation though an important benchmark will be insufficient if there is no sustained political will to see implementation through (for example in Moldova). Political dialogue at bi-lateral and multilateral levels should be reflected as an intervention area in a future strategy; this would then need to be reflected in a practical arrangement where progress or lack thereof of projects is fed back to the political level and can, in this way, become subject of political dialogue processes.

**[Outcome to Intermediary]:** At outcome level, the DNP expects the following:

- Civil society actively participates in the democratic process and assumes responsibility; civil society organisations act as change agents (promoting rights, expressing views, formulate demands to authorities, contribute to public hearings, constructive dialogue with authorities, implement smaller projects for self-strengthening inclusiveness and cohesion).
- Public Administrations are equipped to respect and uphold the rights of citizens, adhere to the rule of law, provide equal access for all citizens to fair legal proceedings, administer funds in a transparent way, allow access to independent and objective data on issues of concern to society as a whole, and provide mechanisms that allow citizens to participate in decision-making.
- Independent Public Institutions such as ombudsmen have the capacity, mandate and resources available to ensure that the state adheres to human rights legislation. Complaints mechanisms are in place through which citizens can seek redress for human rights violations by the state, and there is a dialogue between the state and independent public institutions.
- Latent conflicts in ethnically mixed communities and refugee/internally displaced people/communities are addressed so that these can realise their rights. Stakeholders at national and regional level have the capacity, knowledge, resources, and the networks to deal with cross-border challenges posed by organised crime; migration; environmental protection, and climate change.

The main assumptions for these outcomes that contribute to the chain of the above effects and longer-term impacts are:

- Absence of conflict disrupting economic activity and affects commitment to human rights.
- Early gains made to establish deep and sustainable democracies are sustained, consolidated and expanded.
- Political economy and vested interests are manageable.
- There is political interest to address and resolve latent conflicts, including ethnically motivated conflicts.
- It is possible to distinguish and direct support towards genuine civil society that reflects wider society and avoids capture by narrow interests.

Drivers include:

- The political aspiration to implement association and partnership agreements.
- The commitment to honour and implement obligations stemming from countries' membership in international organisations and having signed legal commitments.
- Successful public administration reforms including prevention and fight against corruption; and including exclusion of political and economic concentrations and the skills and beneficial policies for continued usage of the gain for economic growth and job creation.

The logic of the outcome level is by-and-large sound and reflects the key vectors that need to be in place and functioning in a democratic society, i.e. state institutions that serve citizens exist and are able to function; and citizens are able to hold the state to account and the state is willing to be held to account. Echoing the discussion under “impact” below, there are questions around the emphasis on organised civil society to hold the state accountable, and the focus on organised civil society as “agents for change”. In the western understanding of democracy, the state can, in principle, be held accountable outside of NGOs – not least through elections. A concern, in addition to the emphasis on NGOs to represent civil society, is whether the expectations towards civil society as reflected in the Theory of Change do not exceed expectations that donors have to civil society in their own countries and whether it is justified to tag progress on democratisation to the performance of civil society. This does not argue against civil society support, rather, it goes to suggest that it might be useful to detach it somewhat from the achievement of progress in areas that for example relate to public administration reform. With regards to the other assumptions underpinning the achievement of outcomes, a key consideration in a future strategy or engagement needs to circle around critical mass. The Danish programme is too limited in its resources to individually and without linkage to wider processes, through a very modest amount of interventions, lead to the types of results indicated in the chains described.

Over the course of the implementing period of the DNP Strategy, it has become obvious that not all key assumptions or drivers stand the test of reality any longer. While EU-integration (and which includes the implementation of human rights and other international standards) did provide a strong incentive in the early stages of the strategy period, this commitment has been uneven across countries and the strategy period. In Ukraine, for most of the strategy period, EU-integration was a nominal commitment, and clearer moves towards association with the EU only materialised in earnest after 2014. Moldova has had a pro-European perspective at the official level from 2009 onwards, but in reality, the determination to the implementation of the association agreement has been fickle at best, and is also influenced by geo-political processes in the wider region, in particular in connection with the conflict between Russia and Ukraine. Approachment between the EU and Belarus has not happened. Corruption has been a major factor undermining reforms and has emerged as the key obstacle to progress in the majority of the neighbourhood countries. As governments are unable to deliver to citizens, latent conflicts are being instrumentalised to deflect attention away from the lack of progress on key reform areas. Neighbourhood countries’ elites are no longer driven by EU integration aspirations, but are keeping options open, in part in order to retain access to power and resources, while paying lip service to reforms.

**[Intermediary to Impact]:** At the intermediary level, under major objective 1, the DNP seeks to contribute to the consolidation of democratic structures and public institutions which promote and facilitate economic growth and economic integration, and which are run on the basis of transparency and accountability to citizens. Accountability is ensured by a vibrant civil society with a responsible citizenry that has both awareness and the capacity (through functioning organisational structures, membership, and other forms of legitimacy) to impact on the quality of all aspects of public governance. Civil society is also seen as one of the vectors that advocates for equal rights of the more vulnerable or minority groups, where another vector is independent public institutions at the interface of citizens and the state, and who hold the state accountable for the adherence and respect for human rights. As a result, societies become more inclusive. The DNP acknowledges the risk posed by latent conflicts in ethnically mixed communities, or in communities with a high share of refugees and displaced persons, and seeks to stabilise these conflicts so that they do not turn violent and hamper countries’ ability for continuous economic growth as well as threatening regional stability and security. Acknowledging the cross-border nature of a number of current challenges, the DNP works to put in place cross-border structures

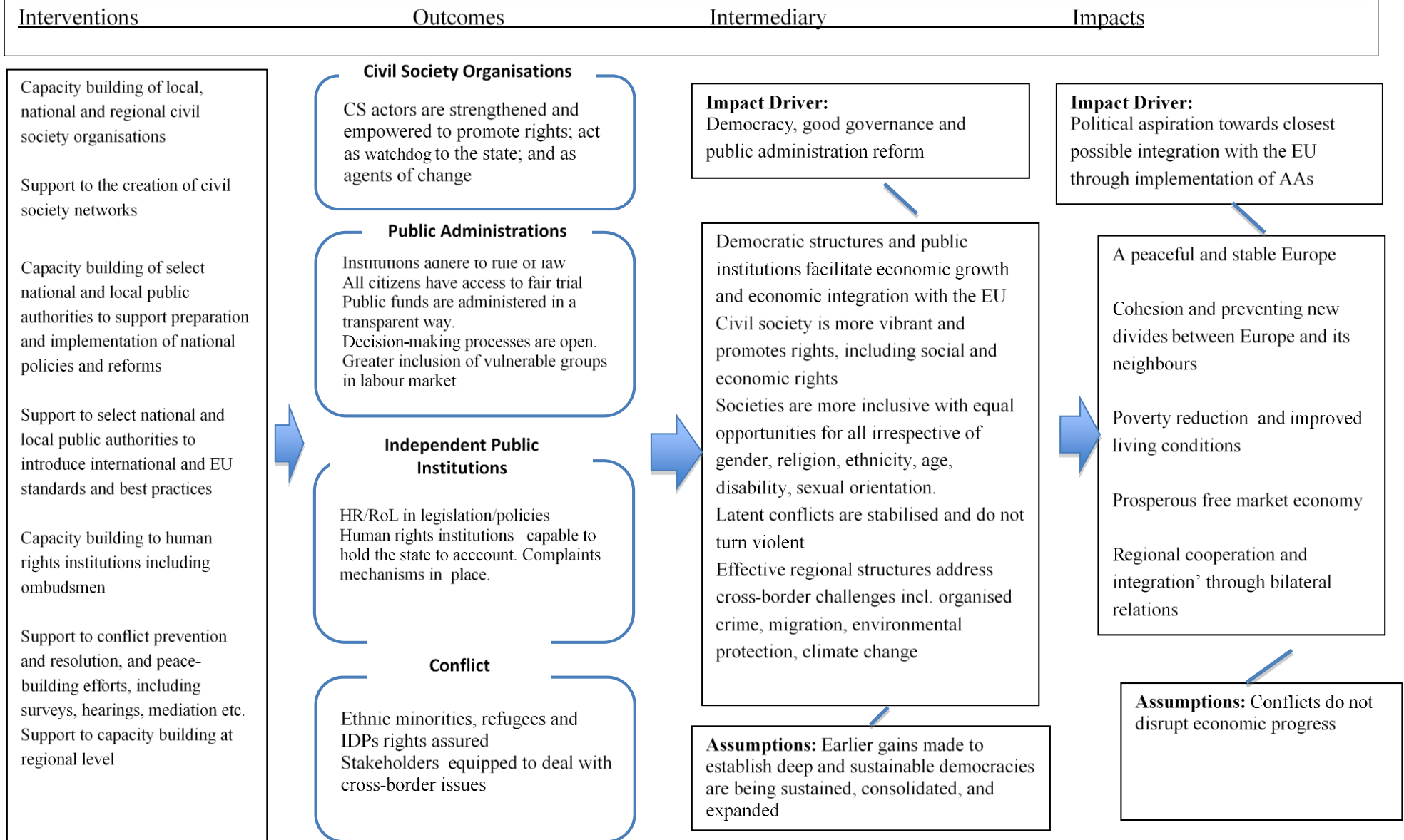
that are able to tackle these. Ultimately, the strategy is underpinned by the premise that only democratic countries are stable countries in the long-term.

The nexus between an accountable public administration on the one hand and the ability of civil society to hold the state accountable is in principle sound. And while thus the importance of a vibrant civil society and its role in building, consolidating and maintaining democracy are not in question, there is, in reality as reflected in the portfolio of interventions (see the various civil society projects in Belarus, Moldova and Ukraine), a common confusion between “civil society” and non-governmental organisations (NGOs). The approach favours organised civil society, i.e. NGOs, that might not be reflective of civil society at all. There is a risk that support to such organisations creates perverse incentives, as it encourages the creation of organisations because of the funding available, rather than based on issues of genuine concern to communities at grassroots level. Ultimately, there might be a considerable disconnect between the amount of organisations representing “civil society” on the one hand, and real civil society in the western understanding. Also, the uncomfortable question that needs to be asked is where the limits are of external donors’ ability to accelerate the emergence of genuine civil society, and whether the support provided might not also hamper the achievement of the objective. The threat posed to democracy by latent and actual ethnic conflict is sound in principle, however, as is shown in other parts of the evaluation, has in practice found scant reflection in the portfolio of interventions.

**[Impact]:** At the impact level, the Danish Neighbourhood Programme’s overarching objective is to contribute to a peaceful and stable Europe. Peace and stability are affected by the situation in the countries that border, or are in close geographical proximity, to the borders of the European Union. And, vice versa, if the neighbouring countries suffer from violent conflict and economic crises, this will have a tangible impact on the European Union as a whole, and on Denmark. The longer term impacts include:

- A peaceful and stable Europe
- Cohesion and preventing new divides between Europe and its neighbours
- Poverty reduction and improved living conditions
- Prosperous free market economy
- Improved regional cooperation and integration’ through bilateral relations

**Figure 2.3 Simplified and strategy-loyal theory of change and intervention logic –human rights and democracy**



## G2. Sustainable and inclusive economic growth, reconstructed theory of change

Based on the strategy for the DNP (2013-2017) and discussion with EUN and others, a reconstructed theory of change for the sustainable and inclusive economic growth thematic area is presented in Figure 2.4 and referred to in the analysis below.

As mentioned earlier the two overarching objectives of Danish neighbourhood policy in human rights and pro-poor sustainable economic growth are closely interrelated. This is reflected through the portfolio of the DNP, for example, through interventions aimed at participatory policy-making, public oversight on economic decisions, and usage of resources in the regions.

**[Interventions to Outcomes]:** Main interventions applied to achieve outcomes are as follows:

- Improving policies for national economics, business environment, and competition
- Improved MSME access to finance, and support to MSME value chain operations
- Capacity development of business support organisations
- TVET and skills development
- Improving policy planning and regulation that integrates environmental and energy efficiency
- Modernisation and support for pilot projects to promote innovation, energy efficiency, green technology, including in partnerships with the International Financial Institution.

The above interventions can be seen as a complete continuum of actions that lead to expected outcomes. Some of these interventions were able to bring results expediently, while others needed support from additional measures (inputs, activities) and a better focus on existing opportunities for growth, and an improved policy and institutional environment is needed to be more effective in achievement of these outcomes.

Thanks to policy support, the quality of new policies for agricultural and rural development was increased for the horizon of 2014-2020, however improvements in policy clusters for competitiveness and market surveillance (inputs quality, food safety, phytosanitary) are still pending. New and successful educational programmes were established with the first cohort of graduates averaging 75% success in work placement and internships, a notable advancement compared with the general 20% employment rate of youth in the region. However, this is not the same for extension services due to lengthy reforms in that area. Some policy improvement has taken place in renewable energy production and use, thanks to successful methodological support and pilot projects. However, wider replication of these successful experiences is still pending stronger policy support for renewable energy from local/national institutions.

Due to value chain interventions, thousands of farmers increased their income (although this is still a temporary gain), seasonal employment level has somewhat increased in target areas, and a number of food processing companies were established or upgraded. However, there have been some value chains consolidated on a district level (countries' internal regions), and furthering this development would be more sustainable. In some instances, the interventions targeted too small areas where farmers were not linked to other participants in the chain. While a number of micro-credit institutions became more knowledgeable and capable of handling high-risk agricultural projects, the portfolio of loans remained low due to unfavourable monetary policy, high interest rates and absence of systemic support, such as insurance and quality of business planning.

The overview of these and a number of other issues, suggests that interventions need to be:

- a. supported by an early evidence-based feasibility studies for the target sub-sectors, policies, resources;
- b. focused on less geographical areas, segments of economic activity, and concentrate on areas where there is potentially a critical mass of actors and activity for Danish support to build on;
- c. focused more on 'system' and 'quality' building blocks rather than widespread financial support and grants (e.g., policies and their implementation and monitoring capacities, technologies, training and research centres, stronger business development services and structures, quality assurance entities and bodies, localised development funds and financial intermediaries, financial services); and,
- d. supported with appropriate policy environment, i.e. steps undertaken by the governments and local authorities to improve the further usage of deliverables of projects and achievement of outcomes. An example of such policies can be those aimed at reforms in food safety, phytosanitary, quality assurance systems, accessibility of information and knowledge, accessibility to infrastructures, as well as fair competition rules. Only these policy measures create transformational effects for the processing industry (by increasing consumer trust, fair rules of game), which in turn may impact positively on the development of effective agricultural practices and value chains.

**[Outcomes to Intermediary]:** The main groups of outcomes expected of Danish neighbourhood policy interventions are as follows:

- Conducive policies for development of micro, small and medium enterprises (MSME), including supportive policies for establishing and running MSMEs, funding opportunities, infrastructures, consultancy and business information networks.
- High-potential agribusiness value chains increasing profits and volume. Specifically, in the agriculture sector - the main economic area of intervention - it was expected that improving conditions allows for further development of entrepreneurship and emergence of new agricultural holdings (MSMEs, associations) through integration of farmers, advancement of food processing, logistics and trading companies, and key input and service providers.
- Improved and increased labour resources and employability of the workforce, including the more skilled graduates, as well as trainings, extension and consultancy services and introduction of new techniques aimed at labour productivity in agriculture sector.
- Greater inclusion of disadvantaged groups in the population, into the labour market through improved qualifications, gender equality and related practices.
- Conducive policies for renewable energy production and energy efficient technologies, wider replication of green energy technologies and energy efficient practices (at household, and residential and municipal governance and production sectors), and reducing carbon emissions at a wider scale.
- More efficient and strategic usage of Danish technologies, best practices and experience.

The main assumptions for these outcomes to contribute to a chain of intermediary impacts of an enabling environment for business, job creation, inclusive labour markets, environmentally sustainable energy sectors and strengthened Danish bilateral relations are:

- the presence of a stable macro-economic environment and absence of conflict disrupting economic activity;
- the identification of considerable job creation opportunities that outweigh job losses due to productivity increases; and,
- that political economy and vested interests are manageable (i.e., linked efficient and stable policies, as well as managing corruption risks that slow down reforms).

The main drivers to contribute to intermediary impacts are:

- public commitment to administration reforms and the principles of good governance; and
- the advantages availed through cooperation with EU and Denmark, and the potential of increased access to markets and investments.

The set of expected outcomes are likely to contribute to the intermediary effects provided that: (i) the outcomes are realised to a comprehensive extent; (ii) the drivers of good governance/public administration reforms are effective in practice and assumptions on an improved political economy prove valid; and (iii) there is a critical mass of economic activity developing during the main timeline of Danish assistance in the period of 2009-2015.

Some of the outcomes were not realised in full, due to lengthy reforms and a slowdown in economic growth attributable to both the financial crisis in 2009-2012, and the relatively short time span of strategic planning. These included the establishment of high potential agribusiness value chains, wider replication of educational programmes and more efficient implementation of inclusive policies, as well as full-scale development of the policy environment for renewable energy. Subsequently this contributed to slow progress in job creation, reduction of disparities, development of opportune and inclusive labour markets, and development of the green energy sector.

Some of the assumptions were not realised as expected. For example; while the policies in agriculture and rural development generally improved together with the capacities of the policy-makers and implementation agencies - despite some early evidences of raising value chains - improvements in the sector and sustainability of temporary gains in income and employment were impacted as much as anticipated. Some reasons for this were poor development and implementation of sub-policies for competition (fair rules for quality assurance and food safety), competitiveness ('supplying' skilled labour force, technologies, knowledge/extension services, infrastructures and property rights), market surveillance/consumer trust and exports (affecting processing industry – the 'engine' of the sector), and agricultural insurance and funding (risk management and diversification of funding instruments). The related causes for weak sub-policies can be found in vested interests and poor administration of reforms. Another, perpetual reason for limited real impacts on agricultural development is slow economic growth and lack of critical mass in most of the target regions and municipalities.

Similarly, while there were remarkable results with a quality shift in human resources in agriculture management and administration, the intermediate effects on the labour market and jobs is pending and contingent on more intensified state policies and investments. In the renewable energy sector, there is again a need to facilitate reforms and conducive policies in regard to making investments attractive (incentives-based tariff system), management systems effective and independent (autonomous grids and grid connections – more flexible), and more accessible renewable energy funding.

This demonstrates that risks related to vested interests and slow reforms need to be analysed further, with a specific conditionality used to balance this risk. Additionally, the driver of declared administrative reforms and good governance should be assessed and monitored more frequently and, if possible, in cooperation with other development partners and donors. At the same time, the significance of the time-factor should not be neglected. For most of the projects, the active period for the delivery of results was too short, as it was within the period of 2011-2015. It is difficult to expect any notable long-term effects in such a short time period.



The importance of the drivers of cooperation opportunities, and support by Denmark and the EU, should not be overlooked. These included the supporting role of Danish competences for development of renewable energy technologies, and the EU's interventions (IPARD and ENPARD) for agricultural development policies and practices. Despite sluggish systemic changes, the Danish neighbourhood strategy contributed to wider social effects, even if they can only be perceived as short-term at the moment. This suggests a need to refine the approach of the neighbourhood strategy to strike a better balance between supporting the poor and supporting sustainable development. A cooperation option for supporting stronger local partners together with development of social responsibility, and social investment mechanisms should also be explored.

**[Intermediary to impact].** The priority intermediary impacts under the Danish neighbourhood strategy's second objective are very relevant. It is expected that the more efficient public policies will provide for an enabling environment for continued economic growth. The initiatives for development of agricultural sector, TVET and higher education are assumed to be conducive to sustainable job creation, inclusive labour market and reduction of regional disparities. It is also expected that dedicated support in elaborating relevant policies for energy efficiency and renewable energy development combined with successful pilots would boost the use of green energy and a more sustainable development path. Moreover, based on these longer-term effects, it is expected that in the future Danish bilateral relations will be improved through commercial ties and increased technical cooperation. The above intermediate effects, if realised, can potentially lead to achievement of the overall objective of Danish neighbourhood policy.

The aspiration to implement EU association and accession programmes in support of closer ties with the EU and Denmark, in particular, is a potentially strong driver. The strength of this aspiration varies greatly from country to country, which suggests that this driver needs a more thorough analysis and assessment on the extent of support in the different countries. Furthermore, the association and accession frameworks vary in the degree of addressing the vested political-administrative interests and systemic impediments for effective policies aimed at inclusive and equitable growth.

Given the accession status of Albania and potential accession status of Kosovo and Bosnia Herzegovina, it can be expected that these countries would have more dedication for related reforms than those under the association status in the East. However, even in these countries it is clear that good governance, public administration reforms and sector-specific reforms are not always as effective and efficient as expected. The challenge could be that these countries expect continued support with an unchanged intensity (as has happened perhaps in the past), even if they are not complying sufficiently at times with conditions set forth for support and integration. In the East, the presence of multiple group interests and, sometimes, differentiating expectations put by development partners and international coalitions need to be taken into account. Another risk factor in these countries is the persistent extremely low capacity for reforms, which is difficult to influence and transform through development cooperation.

A global risk for both regions (as also mentioned above for Human Rights and Democracy section) is the very early stage of development of democratic societies, which further prevents: reduction in migration, the establishment of civil and political trust (and hence, investments), as well as continued efforts and growth. Another global risk is the 'substitution' of the political will and reform-making capacity of partner countries by promises and practices of abundant assistance, which is not well-earmarked enough to specific and influential conditions.

These risks need to be considered and relevant strategies put forward. Some options may include closer teaming-up with the EU and EU Member States in dialogue with these countries; stronger

conditionally set for policy and administrative reforms; more direct – economic cooperation projects; and wider awareness-building and involvement of civil society in reforms and economic initiatives. Particularly, the review of European Neighbourhood Policy in 2015 has benchmarked these and some other aspects of the renewed framework of cooperation and partnership policies of the EU.

**[Impact]:** The ultimate goal of a peaceful and stable Europe and the longer-term impacts of the Danish neighbourhood policy linked with increased cohesion and preventing new divides in Europe, increased regional cooperation, poverty reduction and improved living conditions, as well as gaining free market economy, may be supported better, if the current EU – governments and Denmark – dialogue becomes more owned by the societies of the partner countries. One particular aspect of ownership can be the continuous assessment of efficiency and effectiveness of cooperation results and prospects, and wider dissemination of information to the public.

**Figure 2.4 Simplified and strategy loyal theory of change and intervention logic – sustainable and inclusive economic growth**

