

*Thematic global evaluation of the Commission
support to decentralisation processes*

Final Report

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Framework contract for
**Multi-country thematic and regional/country-level strategy
evaluation studies and synthesis in the area of external co-
operation**

**LOT 1:
Multi-Country Evaluation Studies of Economic
sectors/themes of EC External Cooperation**

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**Thematic global evaluation of the
Commission support to decentralisation
processes**

FINAL REPORT

February 2012

**This evaluation was carried out by
Particip GmbH**

The evaluation has been managed by the Evaluation Unit of DG DEVCO.

The author accepts sole responsibility for this report, drawn up on behalf of the Commission of the European Union. The report does not necessarily reflect the views of the Commission.

Thematic global evaluation of the Commission support to decentralisation processes

Final Report

The report consists of 2 volumes:

Volume I: Main report

Volume II: Annexes

VOLUME I: MAIN REPORT

1. Introduction
2. Methodology
3. Answers to the Evaluation Questions
4. Conclusions and Recommendations

VOLUME IIA: ANNEX 1 - DETAILED INFORMATION MATRIX

1. EQ1: Policy framework
2. EQ2: Institutional capacity
3. EQ3: National context
4. EQ4: 3Cs
5. EQ5: Transfer of functions & resources
6. EQ6: Stakeholders' capacities
7. EQ7: Local governance
8. EQ8: Service delivery

VOLUME IIB: ANNEX 2 TO 10

1. Annex 2: Terms of Reference
2. Annex 3: Inventory
3. Annex 4: Results of the survey to EU Delegations
4. Annex 5: MTRs & JARs analysis
5. Annex 6: CSP analysis
6. Annex 7: CSE analysis
7. Annex 8: ROM analysis
8. Annex 9: Evaluation Matrix
9. Annex 10: List of People Interviewed

VOLUME IIC: ANNEXE 11 - COUNTRY NOTES

1. Benin
2. Honduras
3. Lebanon
4. Mali
5. Peru
6. The Philippines
7. Rwanda
8. Sierra Leone
9. South Africa
10. Tanzania

Table of Contents

1	EQ1: Policy framework	1
1.1	JC1.1 EC incorporates decentralisation in its co-operation with third countries.....	1
1.2	JC1.2 EC policies, programming guides and reference documents are comprehensive and coherent.....	19
1.3	JC1.3 EC policies provide clear orientation and guidance to its interventions in support of decentralisation processes.....	22
2	EQ2: Institutional capacity	27
2.1	JC2.1 The overall institutional environment at the level of the EC is suitable for appropriate support to decentralisation.....	27
2.2	JC2.2 The EC has adequately adapted the staffing levels required to deal with governance and decentralisation issues.....	36
2.3	JC2.3 Improved framework for monitoring and internalisation of experience related to EC support to decentralisation.....	44
3	EQ3: National context	55
3.1	JC3.1 The EC response strategies in the area of decentralisation have been aligned with national regulations and the partner Governments' priorities / activities.....	55
3.2	JC3.2 The choice of entry points (including their sequencing or combination) reflects national contexts.....	68
3.3	JC3.3 The choice of aid delivery methods (including their potential combination) has been appropriate to national contexts.....	75
3.4	JC3.4 The EC use of multi-actor/level approach is responsive to national contexts.....	91
4	EQ4: 3Cs	100
4.1	JC4.1 The EC has contributed to establishing and implementing coordination mechanisms with EU Member States and major donors (on decentralisation support programmes at different levels).....	100
4.2	JC4.2 There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena.....	109
4.3	JC4.3 EC support to decentralisation processes is coherent with other policies, programmes and activities.....	115
5	EQ5: Transfer of functions & resources	124
5.1	JC5.1 National decentralisation policies and strategies have been developed.....	125
5.2	JC5.2 National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted.....	132
5.3	JC5.3 Local governments fiscal and human resources have increased.....	136
5.4	JC5.4 Local governments autonomy has increased.....	150
6	EQ6: Stakeholders' capacities	157
6.1	JC6.1 Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies).....	158
6.2	JC6.2 Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers.....	168

6.3	JC6.3 Improved capacities of relevant non state actors (LG associations, etc)	181
7	EQ7: Local governance	187
7.1	JC7.1. Increased local participation in local government affairs	188
7.2	JC7.2 Improved local accountability of local governments/ decentralised units.....	194
7.3	JC7.3 Increased transparency in fund allocation and utilisation	197
8	EQ8: Service delivery	205
8.1	JC8.1 Increased financial resources and improved allocation of resources for local service provision.	205
8.2	JC8.2 Improved operation and maintenance of locally provided services	217
8.3	JC8.3 Improvements in the coverage and quality of locally provided services	222

List of Figures

Figure 1	Evolution of EC financial contributions by category – commitments.....	4
Figure 2	Overview of EC funding by region – Direct support (commitments)	5
Figure 3	EC financial contributions - Breakdown	7
Figure 4	Clarity of the EC policy framework, as perceived by the EUDs	25
Figure 5	Change in the quality of communication and coordination from 2000 to 2009	32
Figure 6	Extent to what EC allows for space for risk-taking and innovative actions in the field of decentralisation in your country	35
Figure 7	Perceived usefulness of the 2007 reference document (EUD survey)	39
Figure 8	Perceived usefulness of the 2009 programming fiche (EUD survey).....	40
Figure 9	Perceived usefulness of training on decentralisation (EUD survey)	43
Figure 10	The 5 clusters of EC support presented in the 2005 ACP-LG study.....	46
Figure 11	Adequacy of Resources for monitoring of support to decentralisation, as perceived by the EUDs.....	49
Figure 12	Change in the quality of dialogue and coordination on decentralisation between the two strategic cycles – ‘high’ or ‘quite high’ responses	63
Figure 13	What was the main type of approach adopted by the EC to support decentralisation in your country?	69
Figure 14	EUD's perception on the appropriateness of specific aid delivery mechanisms for support to local governance and support to national policy and legislative framework (scale 1: low – 4: high).....	88
Figure 15	EUD's perception on the appropriateness of specific aid delivery mechanisms for different types of capacity building support (scale 1:low – 4:high)	89
Figure 16	Change in the quality of dialogue and coordination on decentralisation between the two strategic cycles – ‘high’ or ‘quite high’ responses	101
Figure 17	Change in perceived importance of other donors' support and the complementarity between EC support and other donors' support between the two strategic cycles – ‘high’ or ‘quite high’ responses	101
Figure 18	Impact of support, as perceived by the EUDs	124
Figure 19	Evolution of the fiscal resources at local level in selected desk countries.....	141

Figure 20	Composition of LG Income and Revenues - Benin	144
Figure 21	Impact of support to decentralisation on capacity strengthening, as perceived by the EUDs	157
Figure 22	Impact of support to decentralisation on improving local governance, as perceived by the EUDs	187
Figure 23	LG Expenditure Patterns (the case of Tanzania)	208
Figure 24	National versus District Total Budgets	212
Figure 25	Total Estimated Value of LED Projects per Target – South Africa.....	225
Figure 26	Net enrolment rate (%) – Tanzania	227
Figure 27	Estimated and Projected Under-Five Mortality 1997 – 2015 (Tanzania)	228
Figure 28	Survey Data on Water Supply (Tanzania).....	229

List of Tables

Table 1	Comparison with the whole EC co-operation by region.....	6
Table 2	Analysis of decentralisation in the national context section of the CSPs	8
Table 3	Analysis of major regional policy/ programming documents.....	16
Table 4	Perceived constraints of the EC policy framework (EUD survey)	25
Table 5	Perceived quality of communication and coordination in the EUDs.....	32
Table 6	Internal resources for decentralisation at Delegations.....	37
Table 7	AidCo E4 Commissioned Staff Training on Decentralisation Issues.....	42
Table 8	Training opportunities related to decentralisation at the EUDs (EUD survey).....	44
Table 9	Systems for building up of the institutional memory	49
Table 10	Indicators for PROADES	51
Table 11	Releases from PROADES	52
Table 12	Overview of changes in the EC support to decentralisation between the two programming cycles.....	70
Table 13	Evolution of entry points to support decentralisation – complementary information from field visits	72
Table 14	Overview of major financing aid modalities for main EC support interventions in desk countries.....	77
Table 15	Evolution of EC approach – complementary information from field visits	81
Table 16	Overview of partners and stakeholders per country	95
Table 17	EC's coordination efforts (EUD survey)	105
Table 18	Indicators for Decentralisation in the Assessment Framework for General Budget Support 2008 to 2011	123
Table 19	Overview of EC support to national transfer of functions and resources (focus of the support & results).....	125
Table 20	LG Share of total Public Employment (Tanzania)	138
Table 21	Municipalities expenditures on salaries - Honduras	139
Table 22	Evolution of fiscal resources at local level in selected desk countries.....	142
Table 23	Local councils' collection of revenues from 2005 to 2009 (Sierra Leone)	143
Table 24	Local councils' total revenues 2005 to 2009 (Sierra Leone).....	143

Table 25	LG Share of total Public Expenditure	144
Table 26	Origin of transfers to local authorities (excl. LG's own resources)	145
Table 27	Contribution to local investment fund: Contribution by stakeholders	145
Table 28	Overview of the evolution of the use of discretionary & non discretionary funds for local investments in Mali	146
Table 29	Municipalities' total revenues, own revenues and transfers (Honduras)	147
Table 30	Trends in municipal finance in Lebanon 1999-2008	148
Table 31	Transfers to sub-national governments (Peru)	148
Table 32	Sub national governments' own revenues (Peru).....	149
Table 33	Overview of EC support to stakeholders' capacities (focus of the support & results)	158
Table 34	Municipalities according to category in 2002, 2006 and 2009.	165
Table 35	Overview of EC support to local governance (focus of the support & results)	188
Table 36	Citizens' Participation in Local Government Activities	194
Table 37	Overview of Local Government Grant Systems in Selected Case Countries	198
Table 38	Overview of LG Financial Resources and EC Contributions during the evaluation period	206
Table 39	Average % expenditure against budget 2004-2009	207
Table 40	Municipal Expenditures in Honduras from 2002 to 2009	209
Table 41	Total expenditures of the Public Sector (Peru).....	210
Table 42	Municipalities capital projects vs. operations in 2003/2004 (South Africa)	219
Table 43	Gijima Programme Outcomes – South Africa.....	226
Table 44	Primary and Secondary School Net Attendance Rates, by Wealth Quintile, 2000/01 and 2007 (Tanzania).....	228
Table 45	Number of ANICT funded projects by sector (Mali).....	229
Table 46	Outcome indicators in the Result Framework for the IRCBP	233
Table 47	Contribution of LG to the level of expenditures per student (Mali)	235

List of Boxes

Box 1	Overview of the most recent (2007-2010) major programmes in direct support of decentralisation	4
Box 2	Extract from the Thematic Global Evaluation on EC support to education (conclusions on decentralisation)	11
Box 3	Key definitions adopted by the 2008 European Charter on Development Co-operation in support of local governance	21
Box 4	Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation	22
Box 5	Assessments of policy opportunities and risks: Kenya	57
Box 6	Assessment of policy opportunities and risks: Cambodia.....	57
Box 7	EC new project in support of municipal finance reform in Lebanon	58
Box 8	The EC and the evolution of national policy orientations in Mali.....	59
Box 9	Alignment with national strategies - the case of Tanzania.....	60
Box 10	The case of the Acholi Programme in Uganda.....	60
Box 11	The EC support and national mechanisms of transfer in Mali	61

Box 12	Some major observations on the approach adopted in the ACORDS programme	80
Box 13	Limitations of the sector dialogue in the context of SBS in Mali	83
Box 14	History of EC Formulation of Support to LGDG in Tanzania	84
Box 15	SBS and Risk Assumptions – The case of Jordan	85
Box 16	Selection of indicators of SBS in Mali	86
Box 17	Elements gathered during the field phase in Mali on strengths and weaknesses of SBS.....	90
Box 18	The various levels of the EC support in Lebanon.....	93
Box 19	Lessons learnt from PFM Support in the Philippines (extract from Action Fiche)	94
Box 20	Working Group on Decentralisation and Local Government in the Philippines.....	103
Box 21	The lack of leadership of EC in coordination mechanisms in Peru.....	107
Box 22	The basket funded LGRP in Tanzania	108
Box 23	The coordination between sectors and decentralisation reforms in Tanzania.....	117
Box 24	Decentralisation and GBS: Experiences from Tanzania.....	119
Box 25	Experiences from Ghana with Decentralisation Assessments in GBS.....	120
Box 26	The Benin National Policy of Decentralisation and Deconcentration (PONADEC)	127
Box 27	Institutional arrangements to implement decentralisation reform in Mali.....	131
Box 28	Sustainability of the coordination mechanisms put in place for the decentralisation process in Sierra Leone	131
Box 29	Existence of national legislations supporting decentralisation processes - the case of Mali	132
Box 30	Existence of national legislations supporting decentralisation processes - the case of Honduras	134
Box 31	Existence of national legislations supporting decentralisation processes - the case of Tanzania	134
Box 32	Alignment of sector legislation with decentralisation – the case of Mali.....	135
Box 33	LG human resources in Mali	137
Box 34	Overview of Human Resources in Local Governments - Lebanon	139
Box 35	Fiscal Decentralisation in South Africa.....	150
Box 36	Evolution of LG Autonomy for HRM – the case of Mali	154
Box 37	Evolution of LG Autonomy for HRM – the case of Tanzania	154
Box 38	The role of various layers of government in Mali.....	155
Box 39	Resignation of the Minister Baroud - Lebanon	163
Box 40	LG Performance measurement in the Philippines	166
Box 41	The support to the development of intergovernmental relations in new EC programmes in the Philippines	168
Box 42	The ACORDS programme and the related grant system for LG put in place in Madagascar.....	172
Box 43	PFM at LG level in the Philippines - Extract from MTR 2009.....	173
Box 44	The Ubudehe Fund Allocation and Utilisation Process.....	175
Box 45	Results of the capacity development component.....	176

Box 46	General HRM issues in LGUs in the Philippines	179
Box 47	Specific health sector HRM issues in the Philippines	179
Box 48	Focus on the Joint Action Development Forum in Rwanda	192
Box 49	Local Government relations with NGOs and Civil Society in the Philippines	196
Box 50	Main features of the IRA	203
Box 51	Implementation of Performance-Based Financing Approaches in the Philippines	204
Box 52	EC contributions to IGFT via the ANICT/FICT system in Mali	207
Box 53	Health Financing in the Philippines - Extracts from Health Sector Policy Review 2010	210
Box 54	PPP in the Philippines - Extracts from Health Sector Policy Review 2010	215
Box 55	Arrangements for financing road local governments road maintenance in Tanzania.....	218
Box 56	Tanzania LGDG - Summary of annual assessments in 2010.....	220
Box 57	Findings from the ESFD project evaluation (Lebanon).....	225
Box 58	Results of LED programmes on service delivery (South Africa)	226
Box 59	Summary of Health Service Trends in the Philippines.....	230
Box 60	Extract (on service delivery) from the Final Evaluation Report of Ubudehe.....	231
Box 61	The situation of the education sector in Tanzania	236

List of Abbreviations

AAA	Accra Agenda for Action
ABM	Area Based Management
ABMDP	Area Based Management and Development Programme
ACCRM	Association des collectivités, cercles et régions du Mali
ACORDS	Programme Appui aux Communes et Organisations Rurales pour le Développement du Sud (Madagascar)
ACP	Africa, Caribbean and Pacific countries
ADB	Asian Development Bank
ADELE	Programme of the Local Education Development Association
ADERE Nord	Programme d'appui au développement des régions du Nord
ADL	Agents of Local Development
AECF	Asia-Europe Cooperation Framework
AECI	Agencia Española de Cooperación Internacional
AFD	Agence Française de Développement
AGORAH	Programa de Apoyo al Desarrollo Socioeconómico y a la Descentralización den las Regiones de Ayacucho y Huancaveloca
AIDCO	EuropeAid Co-operation Office
AIDS	Acquired Immune Deficiency Syndrome
ALAT	Association of Local Authorities of Tanzania
AMARES	Apoyo a la Modernización del Sector Salud y su Aplicación en una Región del Perú
AMC	Action Management Committee
AMHON	Association of Municipalities of Honduras
AMM	Association of Municipalities of Mali
AMPE	Asociación de Municipalidades de Perú
AMRUVACH	Asociación de Municipalidades Rurales del Valle de los Chankas
ANC	African National Congress
ANCB	Association Nationale des Communes du Bénin
ANICT	Agence Nationale d'Investissements des Collectivités Territoriales

ANMB	National Association of Municipalities of Benin
AO	Administrative Order
AOP	Annual Operation Plan
ARAL	Assistance for the Rehabilitation of the Lebanese Administration
ARC	Cellule d'appui régionale
ARIANE	Appui au renforcement des acteurs non étatiques – EC support programme to CSO on the strengthening of the capacity of users' associations
ARM	Association des Régions du Mali
ARMM	Autonomous Region of Muslim Mindanao
ASDI	Agencia Sueca de Cooperación Internacional para el Desarrollo (Swedish International Development Cooperation Agency)
ASDP	Agriculture Sector Development Programme
ASEAN	Association of Southeast Asian Nations
ASEF	Asia-Europe Foundation
ASEM	Asia-Europe Meeting
ASoG	Ateneo School of Government
AT	Technical Assistance
ATI – DA	Agricultural Training Institute – Department of Agriculture
AUSAID	Australian Government Overseas Aid Program
BBC	British Broadcasting Corporation
BCDI	Bicol Consortium For Development Initiatives
BE	Basic Education
BEF	Business Enabling Fund
BID	Inter America Development Bank (Banco Interamericano de Desarrollo)
BIHC – DOH	Bureau of International Health Cooperation – Department of Health
BLGD	Bureau of Local Government Development
BLGF	Bureau of Local Government Finance
BM	Banco Mundial / Banque Mondiale
BNR	National Bank of Rwanda
BOT	Build-Operate-Transfer
BRACE	Building Resilience and Community Engagement
BS	Budget Support
BSI	Budget Spécial d'Investissement de l'Etat
BTC/CTB	Belgian Development Agency - Cooperation Technique Belge
BTVL	Bureau Technique des Villes Libanaises
CA	Chief administrator
CAA	Conflict-Affected Areas
CAAD	Cellule d'Appui à la décentralisation/ déconcentration (Ministère: santé, éducation et hydraulique)
CAF	Andean Development Corporation
CAG	Controller and Auditor General
CAR	Cordillera Administrative Region
CB	Capacity Building
CBG	Capacity Building Grant
CBO	Community-Based Organisation
CBP	Community Based Participation
CBR	Community Based Rehabilitation
CCC	Centres de conseil communaux (Centres for local advice)
CCD	Coordinating Committee on Decentralisation
CCI	Intergovernmental Coordination Council
CCM	Chama Cha Mapinduzi – The dominant national party in Tanzania
CCN	Cellule nationale de coordination (national coordination unit)
CD	Community Development
CDC	Centres for Disease Control
CDD	Community-Driven Development
CDF	Common Development Fund
CDG	Capital Development Grant

CDI	Commissariat au Développement Institutionnel (Commission for Institutional Development)
CDL	Conseiller en Développement Local
CDMT	Cadre des Dépenses à Moyen Terme
CDP	Community Development Plan
CDR	Council for Development and Reconstruction
CEDE	Comisión Ejecutiva para la Descentralización del Estado
CEDEX	Central Public Investment & External Finance Bureau
CEFAL	Centre de Formation pour l'Administration Locale
CERMOC	Centre d'Études et de Recherches sur le Moyen-Orient Contemporain
CESMO	Centre d'Études Stratégiques pour le Moyen Orient
CFAA	Country Financial Accountability Assessment
CFAF/FCFA	Communauté Financière Africaine Franc (currency)
CFCT	Centre de Formation des Collectivités Territoriales (Training Centre for Local Authorities)
CFW	Child and Family Wellness
CG	Central Government
CGLU	Office of Cities and Local United Governments
CGR	Contraloría de la República - the Auditor General of the Republic
CHD	Center for Health Development
CHITS	Community Health Information Tracking System
CIA	Central Intelligence Agency
CIDA	Canadian International Development Agency
CIES	Consortium de Investigacion Economica y Social
CIUDAD	Cooperation in Urban Development and Dialogue
CLOGPAS	Comprehensive Local Government Performance Assessment System (Sierra Leone)
CLRG	Center for Local and Regional Governance
CND	Consejo Nacional de la Descentralización
CO	Capital Outlays
COGTA	Department of Cooperative Governance and Traditional Affairs
CoM	Council of Ministers
COM	Communication
COMDE	Consejo Municipal de Desarrollo Educativo
CONAFIL	fr: Commission Nationale des Finances Locales (en: National local government finance commission)
CONASA	National Council on Water Supply and Sanitation
CONCAM	National Committee for Municipal Training and Technical Assistance
COOPI	Associazione Cooperazione Internazionale
CPAR	Country Procurement Assessment Report
CPME	Presidential Commission for State Modernization
CPS	Country Strategy Paper
CRIS	Common Relex Information System
CRO; CLO	Comité regional d'orientation/ Comité local d'orientation
CSCOM	Centres de Santé Communautaire (Basic health care centres)
CSE	Country Strategy Evaluation (or Country Level Evaluations)
CSIR	Council for Scientific and Industrial Research
CSLP	Cadre Stratégique de Lutte contre la Pauvreté
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSR	Corporate Social Responsibility
CSRE	Comité de Suivi de la Réforme de l'Etat (Monitoring Committee of the State Reform)
CSRP	Civil Service Reform Program
CTAR	Transitory Council of Regional Administration
CTB	Belgian Development Agency
CTSP	Transition Committee for the Welfare of the People
CUD	Coordination Unit for Decentralisation
DAC	Development Assistance Committee
DAFCT	Direction Administrative et Financière aux collectivités locales

DANIDA	Danish International Development Assistance
DAT	Dotation d'appui technique (Local investment fund to Local Authorities)
DBM	Department of Budget and Management
DC	District Commissioner
DCBP	Decentralisation Capacity Building Programme,
DCI	Development Co-operation Instrument
DCPETA	Decentralisation, Community Participation, Empowerment, Transparency and Accountability
DCPND	Document Cadre de la Politique Nationale de Decentralisation
DDL	Decentralisation para el Desarrollo Local
DDP	District Development Plan
DDR	Disarmament, Demobilisation, and Reintegration
DecSec	Decentralisation Secretariat
DED	Deutscher Entwicklungsdienst (German Volunteer Service)
DEGOSEA	Democratic Partnership for Local Governance in South East Asia
DENR	Department of Environment and Natural Resources
DER	Développement Economique Régional
DEVCO	Development and Cooperation
DfID	Department for International Development
DG	Directorate General
DG DEV	EC Directorate on Development
DG ECHO	EC Directorate on Humanitarian Aid & Civil Protection
DG RELEX	EC Directorate for External Relations
DGAT	Direction Générale de l'Administration Territoriale (MDGLAAT)
DGB	Direction Général du Budget (General direction of the treasury, Ministry of finances)
DGMP	Base de données des collectivités locales
DHS	Demographic and Health Survey
DIC	Dotation d'investissement
DILG	Department of the Interior and Local Government
DIN	Dotation d'investissement
DIP	Decentralisation Implementation Plan
DIRESAS	Dirección Regional de Salud
DLG	Decentralisation and Local Governance
DLGH	Department of Local Government and Housing
DMTP	Consolidated Municipal Transformation Programme
DNCT	Direction Nationale des Collectivités Territoriales (National Institution for Local Governments)
DOF	Department of Finance
DOH	Department of Health
DP	Development Partner
DPLG	Department of Provincial and Local Government
DPRPR	Decentralised Programme for Poverty Reduction
DPWG-LGD	Development Partners Working Group on Local Governance and Decentralisation
DRC	Democratic Republic of Congo
DSDP	Decentralised Service Delivery Programme
DSWD	Department of Social Welfare and Development
DT	Droits de Tirage (des CT par rapport aux fonds d'investissements de l'ANICT)
DTCA	German Programme to Support Decentralization and Local Development in Benin
EAMR	External Assistance Monitoring Report
EBG	Agricultural Extension Block Grant
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECHO	European Commission Humanitarian Office
ECHO	Humanitarian Aid department of the European Commission (ECHO), formerly known as the European Community Humanitarian Aid Office
ECOM	Specific subvention to local communities
EDF	European Development Fund
EDPRS	Strategy for Economic Development and Poverty Reduction Strategy (2008-2012)

EFLCPE	Focused Strategy to Combat Poverty
EFT	El Foro Tripartido (tri-party forum)
EGEVAL	European Group for Evaluation
EIDHR	European Instrument for Democracy and Human Rights
EMA	Ethikwini Municipality Area
EMAC	Equipes Mobiles d'Appui aux Communes
ENA	Ecole Nationale d'Administration
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EO	Executive Order
EPA	Economic Partnership Agreement
EQ	Evaluation Question
ERP	Estrategia de Reducción de la Pobreza (Poverty Reduction Strategy)
ESDP	Education Sector Development Program
ESFD	Economic and Social Fund for Development
ESMIS	Education Sector Management Information System
ETIS	Task Force for Social Investment
ETU	Education and Training Unit
EU	European Union
EUD	Delegation of the European Union
EUMED	EuroMed
EUR	Euro (currency)
F1	FOURmula ONE (Health Programme in the Philippines)
FADeC	Le Fonds d'Appui au Développement des Communes
FAO	Food and Agriculture Organization
FBO	Faith Based Organisation
FCC	Freetown City Council
FCFA	Franc de la Communauté Financière d'Afrique
FED	Fond Européen d'Investissement
FEMULP	Federacion de Municipios Libres de Peru
FENAPH	Federation of Disabled People's Organizations
FENU	Fonds d'équipement des Nations Unies
FFC	Financial and Fiscal Commission
FGD	Focus Group Discussion
FHIS	Fondo Hondureño de Inversión Social (Honduran Social Investment Fund)
FICT	Fond d'investissement des collectivités locales (financial fund managed by ANICT)
FIF	Financial Innovation Fund
FILOC	Base de données des collectivités locales
FMI	Fondo Monetario Internacional (International Monetary Fund)
FNACT	Fonds National d'Appui aux Collectivités Territoriales (National Fund for Support to Local Authorities)
FONAC	National Convergence Forum
FOS-DA	Field Operations Services – Department of Agriculture
FoSED	Food Security and Economic Development in the Bo, Pujehun and Kenema Districts
FP	Financial Plan
FPT	Fonction publique territoriale
FSP	Food Security Programme
FTD	Foro Tripartito para la Descentralización (Decentralisation Forum)
FY	Fiscal Year
GAP	Good Agricultural Practice
GBS	General Budget Support
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation; formerly GTZ)
GNP	Gross National Product

GoB	Government of Benin
GoBiFo	Project to strengthen social capital in the pilot Districts of Bombali and Bonthe
GOCC	Government Owned and Controlled Corporations
GODEM	Optimised Management of Waste in the Mediterranean
GoH	Government of Honduras
GOLD	Governance and Local development
GoP	Government of Peru
GoR	Government of Rwanda
GoSA	Government of South Africa
GoSL	Government of Sierra Leone
GoT	Government of Tanzania
GPRS	Growth Strategy for Poverty Reduction
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation; now GIZ)
G-Watch	Government Watch
HBS	Household Budget Survey
HC	Health Centres
HCC	Haut Conseil des Collectivités (High Council of Authorities)
HELP	Hands Empowering the Less Privileged
HIMO	Labour Intensive Methods
HIPC	Heavily Indebted Poor Countries
HIV	Human immunodeficiency virus
HMO	Health Maintenance Organization
HOMIS	Hospital Management Information System
HQ	Headquarters
HR	Human Resources
HRM/D	Human Resource Management/Development
HRMO	Human Resource Management Office
HRSOC	Human Rights Society Organisations and Communications
HSPSP	Health Sector Policy Support Programme
HVP	Human Papillomavirus
IADB	Inter-American Development Bank
IAS	Internal Audit Service
ICC	Investment Coordination Committee
ICS	Internal Control Systems
ICT	Information, Communication and Technologies
IDC	Institutional Development Commissariat
IDP	Integrated Development Planning
IEC	Independent Elections Commission
IGFT	Inter-Governmental Fiscal Transfer
IGV	Impuesto General a las Ventas (Value Added Tax)
ILHZ	Inter-Local Health Zones
IMC	Inter-Ministerial Commission (or Inter-Ministerial Committee)
IMESA	Institution of Municipal Engineering of Southern Africa
IMF	International Monetary Fund
INGO	International Non-Governmental Organization
INPS	Integrated National Public Survey
IRA	Internal Revenue Allotment
IRCBP	Institutional Reform and Capacity Building (Sierra Leone)
ISKOLAR	Organization Leadership and Reorientation
ISRDP	Integrated Sustainable Rural Development Programme
IT	Information Technology
JADF	Joint Action Development Forum
JAR	Joint Annual Review (joint EC - partner country review - only ACP countries)
JC	Judgement Criterion
JCI	Juntas de Coordinación Interregionales (Interregional Coordination Bodies)

JCS	Joint Country Strategy
JEU	(EC) Joint Evaluation Unit
JICA	Japan International Cooperation Agency
JMC	Joint Memorandum Circular
KAS	Konrad-Adenauer Stiftung
KDERP	Kenema District Economic Recovery Programme
KfW	Kreditanstalt für Wiederaufbau (German Development Loan Corporation)
KHI	Kigali Health Institute
KNSCC	Koidu/New Sembehun City Council
KZN	KwaZulu-Natal – Province of South Africa
LA	Local Authorities
LAC	Latin America
LADE	Lebanese Association for Democratic Election
LAP	Local Development Plans
LBD	Ley de Bases de la Descentralización
LC	Local Council
LCE	Local Chief Executives
LCF	Local Competitiveness Fund
LCP	League of Cities of the Philippines
LCPS	Lebanese Centre for Policy Studies
LDC	Local Development Council
LdM	Law of Municipalities (Ley de Municipios)
LE	Lempiras (currency)
Le	Leones (currency)
LED	Local Economic Development
LEDF	LED Fund
LEPI	Liste Electorale Permanente Informatisée
LFA	Logframe
LFC	Local Finance Committee
LG	Local Government
LGA	Local Government Association
LGC	Local Government Code
LGCDG	Local Government Capital Development Grant System
LGDG	Local Government Development Grant
LGFD	Local Government Finance Department
LGMD	Local Government Monitoring Database
LGPMS	Local Governance Performance Management System
LGR	Local Government Reform
LGRP	Local Government Reform Programme
LGSF	Local Government Support Fund
LGSP	Local Government Support programme
LGU	Local Government Units
LIRPW	Labour Intensive Public Works
LL	Lebanese Lira (currency)
LMIC	Low and Middle Income Countries
LnB	Liga ng mga Barangay
LoCASL	Local Council Association Sierra Leone
LOGO	EC-funded Local Governance programme Local Governance
LOGODEF	Local Government Development Foundation
LPP	League of Provinces of the Philippines
M&E	Monitoring and Evaluation
MADA	Association for local development
MATCL	Ministère de l'Administration Territoriale et des Collectivités Locales (Ministry of Territorial Administration and Local Governments)
MC	Municipal Council
MCF	Marginalised Community Fund

MCLPP	Mesas de Concertación de lucha contra la Pobreza
MCP	Municipal Council President
MDA	Ministries, Departments and Agencies
MdE	Modernisation of the State Programme
MDEF	Ministry of Development, Economy and Finance
MDF	Municipal Development Fund
MDFO	Municipal Development Fund Office
MDG	Millennium Development Goals
MDGLAAT	Ministère de la Décentralisation, de la Gouvernance Locale, de L'Administration et de L'Aménagement du Territoire
MDP	Municipal Development Programme
MDRI	Mission de Décentralisation et de Réformes Institutionnelles
MDTF	Multi-Donor Trust Fund
MEDA	Former ENPI for the Mediterranean neighbours
MEF	Ministerio de Economía y Finanzas (Ministry of Economy and Finances)
MFMA	Municipal Finance Management Act
MFSP	Municipal Finance Studies Program
MHSPSP	Mindanao Health Sector Policy Support Programme
MIC	Middle Income Country
MIFOTRA	Ministry of Public Services and Labour
MIG	Municipal Infrastructure Grant
MINAGRIC	Ministry of Agriculture
MINALOC	Ministry of Local Government
MinDA	Mindanao Development Authority
MINECOFIN	Ministry of Finance
MINSA	Ministerio de Salud (Ministry of Health)
MIP	Multi-Year Investment Plan
MIS	Management Information System
MKUKUTA	National Strategy for Growth and Reduction of Poverty of Tanzania
MLGRD	Ministry of Local Government and Rural Development (up to April 2011: MIALGRD)
MLRF	Monitoring, Learning, and Research Facility
MMR	Maternal Mortality Rate
MNCHN	Maternal, Neonatal and Child Health And Nutrition
MoA	Memorandum of Agreement
MoEF	Ministry of Economy and Finance
MoF	Ministry of Finance
MOFEA	Ministry of Finance and Economic Affairs
MoFED	Ministry of Finance and Economic Development
MoH	Ministry of Health
MoIM	Ministry of Interior & Municipalities
MoLG	Ministry of Local Governance
MOOE	Maintenance and Other Operating Expenses
MRP	Maximum Retail Prices
MS	Member States
MSS	Minimum Service Standards
MTE	Mid-Term Evaluation
MTEF	Mid-term Expenditure Framework
MTFPRE	Ministry of Labour, Civil Service and State Reform
MTPDP	Medium – Term Philippines Development Plans
MTPIP	Medium – Term Public Investment Program
MTR	Mid-Term Review
MUNIRED	Red de Municipalidades de Peru
NAO	National Authorising Officer
NARP	National Administrative Rehabilitation Program
NCD	Non-Communicable Diseases
NCDDR	National Committee for Disarmament, Demobilisation and Reintegration

NCR	National Capital Region
NDHS	National Demographic and Health Survey
NDIS	National Decentralisation Implementation Secretariat
NDP	National Decentralisation Policy
NDSF	National Decentralisation Stakeholders Forum
NEDA	National Economic and Development Authority
NEO	Newly-Elected Officials
NGO	Non government Organisation
NIP	National Indicative Programme
NOC	National Guidance Committee
NORAD	Norwegian Agency for Development Co-Operation
NP	Northern Province
NPS	National Public Services
NSA	Non-State Actors
NSA-LA	Non State Actors and Local Authorities
NSGRP	National Strategy for Growth and Reduction of Poverty
O&M	Operation and Maintenance
O&OD	Opportunities and Obstacles to Development
OC	Other Charges
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation & Development
OECD DAC	Development Assistance Committee of the Organisation for Economic Cooperation & Development
OISE	Outil Informatisé de Suivi Evaluation (database)
OMS	Operational Management support
OMSAR	Office of the Minister for Administrative Reform
ONCAE	Sistema de Compras y Contrataciones
ONG	Organisation Non-Governmental
OOP	Out-of-Pocket costs
OT	Ordenamiento Territorial
OVC	Orphans and Vulnerable Children
PACA	Participatory Appraisal of Competitive Advantages
PACTE	Programme d'appui aux collectivités territoriales (Mali)
PACTEA	Programme d'appui aux collectivités territoriales pour l'accès à l'eau potable et l'assainissement (WATSAN programme)
PAD	Programme d'Appui aux Districts / District Development Plans
PAF	Performance Assessment Framework
PAGAM	Programme d'Action Gouvernemental relatif à l'Amélioration de la Gestion des Finances Publiques (Government Action Plan for Improvement and Modernisation of the Public Finance Management)
PAN	Programa Articulado Nutricional (EURO-PAN)
PAP	Priority Action Programme
PAPDC	Action Program to support the implementation of Communal Development Plans
PARAD	Programme d'appui à la réforme de l'administration et décentralisation (Mali)
PARADDER	Programme d'appui à la réforme administrative, à la décentralisation et au développement économique régional (Mali) (support program to the administrative reform, decentralisation and regional economic development)
PASA	Programa de Apoyo a la Seguridad Alimentaria
PAT	Plan d'Investissement Trisannuel
PBF	Performance Based Financing
PBGS	Performance Based Grant System
PBIP	Performance Based Incentive Policy
PCM	Presidencia del Consejo de Ministros
PCU	Project Coordination Unit
PDC	Plan de développement des communes (Communal development Plans)
PDDI	Plan Départemental de Développement Intersectoriel
PDESC	Plan de Développement économique et Social

PDF	Philippines Development Forum
PDI	Programme de développement institutionnel (Institutional Development Plan/ Program)
PE	Public Expenditure
PEDM	Plan Estratégico de Desarrollo Municipal (strategic municipal development plans)
PEDP	Primary Education Development Programme
PEF	Performance Enhancement Fund
PEFA	Public Expenditure and Financial Accountability
PEMO	Provincial Environment and Management Office
PER	Public Expenditure Review
PFM	Public Financial Management
PFSCR	Plate Forme de la Société Civile Rwandaise (Rwanda Civil Society Platform)
PGDP	Provincial Growth and Development Plan
PHIC	Philippine Health Insurance Corporation
PHP	Philippine Peso
PHU	Peripheral Health Unit
PHW	Public Health Workers
PIB	Producto Interior Bruto (gross domestic product)
PIF	Project Identification Fiche
PIMS	Planning and Implementation Management Support
PIPH	Province-wide Investment Plans for Health
PISE	Programme d'Investissement du Secteur Education
PLATFORMA	European Platform of Local and Regional Authorities for Development
PLGU	Provincial Local Government Unit
PMdE	Programme for Modernisation of the State
PMGSB	Improvement Plan for Basic Social Spending
PMO-RALG	Prime Ministers Office – Regional Administration and Local Governments
PMU	Project Management Unit
PNACT	Programme national d'appui aux collectivités territoriales (National Plans for the Support to Local Governments)
PNDC	National Capacity Development for Public Administration and Governance of Regional and Local Governments
PNG	Papua New Guinea
PNRPH	National Health Plan
PO	Programme Opérationnel
POA	Plan Operativo Anual
PONADEC	Politique Nationale de Décentralisation et de Déconcentration
PO-PSM	President's Office-Public Service Management
PO-RALG	President's Office-Regional Administration and Local Government
PP	Participatory Planning
PPP	Public Private Partnership
PREM	Poverty Reduction and Economic Management
PRES	Ministry of the Presidency
PRGF	Poverty Reduction and Growth Facility
PROADES	Programa de Apoyo a la Descentralizacion
PRODDEL	Programa Nacional de Descentralizacion y Desarrollo Local (national programme for decentralisation and local development)
PRODECOM	Programme d'appui au démarrage des communes
PRRM	Philippine Rural Reconstruction Movement
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PS	Personal Services
PSC	Programme Steering Committee
PSCBS	Public Sector Capacity Building Secretariat
PSLE	Primary School Leaving Examination
PUCAFS	Peri and Urban Community Action for Food Security Programme
PVD	Pays en Voie de Développement
QSG	Quality Support Group

RA	Republic Act
RALGA	Rwandan Association of Local Government Authorities
RAS	Regional administrative secretaries
RDSF	Rwanda Decentralisation Strategic Framework
REDET	Research and Education for Democracy in Tanzania
REMURAY	La Red de Municipalidades Rurales de Ayacucho
REMURPE	Red de Municipalidades Urbanas y Rurales de Peru
REPOA	Research on Poverty Alleviation
RF	Result Framework
RG	Reference Group
RGC	Royal Government of Cambodia
RHU	Rural Health Unit
RIAM	Rwanda Institute of Administration and Management
RO	Regional Offices
ROM	Results Oriented Monitoring
RS	Regional secretariats
RSA	Republic of South Africa
RSP	Regional Strategy Paper
RW	Rural Water
RWSS	Rural Water Supply and Sanitation
S&T	Science and Technology
SA	South Africa
SACCO	Savings and Credit Cooperatives
SADev	Sustainable Agriculture Development in Koinadugu District
SAFT	Financial Revenue Management System
SALGA	South African Local Government Association
SANAA	National Water and Sewerage Service
SBN	Senate Bill No
SBS	Sector Budget Support
SC	Sociedad Civil
SCRP	Stratégie de Croissance pour la Réduction de la Pauvreté
SCSP	Sector Capacity Support Programme
SDAH	Sector Development Approach to Health
SDC	Swiss Development Agency
SdD	Secretaria de Descentralización (Decentralisation Secretariat)
SDLG	Supporting Decentralisation and Local Governance in Third Countries
SECO	Economic Cooperation and Development Division at the Swiss State Secretariat for Economic Affairs
SEDP	Secondary Education Development Program Project
SEFIN	Secretaria de Finanzas (Ministry of Finance)
SEIP	Secretaria de Interior y Poblacion (Ministry of Interior and Population)
SEPLAN	Secretaría de Planificación y Cooperacion Externa
SERNA	Ministry of Natural Resources and Environment
SERVIR	Initiative to improve the civil service in a comprehensive and continuous services to the citizens
SG	Secretary General
SGJ	Secretaria de Gobernacion y Justicia (Ministry of Governance and Justice)
SGLP	Strengthening Local Governance Programme
SIAFI	Sistema de Administración Financiera Integrada - Central Government Finance System
SIDA	Swedish International Development Authority
SIGMA	Base de données des collectivités locales
SK	Sangguniang Kabataan
SL	Sierra Leone
SLA	Service Level Agreement
SME	Small and Medium Enterprises
SNG	Sub National Government
SNV	Dutch development cooperation agency

SP	Sangunian Palawan (legislative local body)
SPF	Strategic Project Facility (also referred to as Small Projects Facility)
SS	SentrongSigla
SURUDEC	Sustainable Rural Development in the Eastern Cape
SWAP	Sector Wide Approach
TA	Technical Assistance
TACIS	Former ENPI for Eastern neighbours and Russia
TANU	Tanganyika African National Union
TASAF	Tanzania Social Action Fund
TB	Tuberculosis
TB DOT	Tuberculosis Directly Observed Therapy, Short Course
TDRL	tax per capita, the main financial resource of the LG
TF	"Tramo Fijo" or "Tranche Fixe"
TLR	Training, Learning and Research
ToR	Terms of Reference
TOT	Trainers of Trainers
TSC	Tribunal Superior de Cuentas (National Audit Institution)
TSH	Tanzanian Shilling
TV	Tramo Variable
TZS	Tanzanian Shilling
UCLG	United Cities and Local Governments
UDEM	Framework For Urban Development And Environmental Management
UHI	Universal Health Insurance
UK	United Kingdom
ULAP	Union of Local Authorities of the Philippines
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCRPD	United Nations Convention of the Rights of Persons with Disabilities
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNR	National University Rwanda
UoM	Unions of Municipality
URB-AL	Urban Regional Aid Programme
URP	Urban Renewal Programme
URT	United Republic of Tanzania
US	United States
USAiD	United States Agency for International Development
USD	US Dollar (currency)
UTD	Unidad Tecnica de Descentralisacion (Technical Decentralisation Unit)
VUP	Vision 2020 Umurenge
WADI	Urban Water Management
WATSAN	Water & Sanitation
WB	The World Bank
WDC	Ward Development Committee
WG	Working group
WHL	World Heritage List

1 EQ1: Policy framework

Evaluation Question 1: To what extent has the EC managed to establish a **policy framework** that facilitates programming & implementation of the EC support to decentralisation?

1.1 JC1.1 EC incorporates decentralisation in its co-operation with third countries

Main findings at JC level

For the EC, support to decentralisation has, over the last 20 years, evolved from a marginal area of co-operation to one of increasing importance – not least reflected in increasing (but still moderate) levels of financial support directly aimed at decentralisation. By the end of the evaluation period, this support constituted approximately 2.5% of all EC development assistance¹.

Today, a large number of EC reference documents (such as policies and strategy papers) include references to direct or indirect support to decentralisation and local governance. However, this process took time, and support for decentralisation is still a thematic area under development.

The inventory showed that, over the last decade, a growing number of Country and Regional Strategy Papers include programmes directly or indirectly related to decentralisation and local governance: increasing from 30 CSPs for the period 2000-2007 to 42 CSPs in 2008-2013. Moreover, most of the EC support to decentralisation is concentrated in Africa (74% of all direct support to decentralisation). Particularly in recent years, it specifically targets a few large programmes in selected francophone African countries (*Mali, Benin and Madagascar*) where the decentralisation support accounts for a very significant part of the particular country-programming portfolio.

The EC Reference Document (no 2, 2007): “Supporting Decentralisation and Local Governance in Third Countries” is the most comprehensive guidance document on decentralisation. It “seeks to provide strategic and operational guidance on: (1) how best to support processes of decentralisation and local governance in third countries, (2) how to ensure that EC sector strategies (e.g. in health and education) take into account and (indirectly) reinforce ongoing decentralisation processes. The most recent and comprehensive broader policy guidance is found in the European Charter on development co-operation in support of Local governance” (2008) that sets out principles and modalities for better effectiveness of co-operation in support of local governance and decentralisation in partner countries. It was launched during the European Development Days of Strasbourg on 16 November 2008.

Finally, the analysis carried out suggests the following:

- **Entry points evolve over time:** In several countries, EC approaches to support decentralisation and local governance have gradually become more sophisticated, as decentralisation processes have advanced and the EC has learned from experience.
- **Strategic versus piecemeal approaches:** Analysis of existing support programmes reveals that some EC strategies are well conceived and properly coordinated. In other countries, assistance is less comprehensive and appears somehow more fragmented.
- **Diversity of support modalities:** Some countries display a mix of modalities to feed strategically into partner country’s development processes. In other cases, this mix is not evident or clear. It is noteworthy that the EC is increasingly promoting, whenever

¹ The Inventory (Volume III) of this desk report shows that the EC financial contributions to a direct support to decentralisation increased from less 20mEUR to more than 120mEUR over the period 2000-2009 (excluding the contributions to support a sectoral decentralisation policy).

possible, the use of sector budget support in governance related processes. The main reason is the potential “trigger-effects” that budget support may bring along in terms of enhancing ownership; facilitating dialogue; improving public financial management (at both central and local level); and increasing transparency and accountability.

1.1.1 Ind1.1.1 - Financial volumes and numbers and types of projects in the different regions/ localities

Detailed evidence at indicator level

The inventory exercise² carried out in the present study showed that, over the last decade, a growing number of Country and Regional Strategy Papers include programmes directly or indirectly related to decentralisation and local governance: increasing from 30 CSPs for the period 2000-2007 to 42 CSPs in 2008-2013.

EC support programmes are increasingly sophisticated and in several cases mobilise substantial funding. The main features are³:

- **A variety of policy objectives:** Most EC support programmes seek to achieve a multiplicity of (interlinked) objectives. However, in essence two major motivations stand central: (i) poverty reduction through improved social service delivery and (ii) governance reforms.
- **A relatively high variety of possible “entry points”:** EC support is provided under different umbrellas or “entry points”. Sometimes the support is provided under the label “policy support to decentralisation” or under the broader concept of “good governance”. In other cases, it is focused on “decentralisation of services”, integrated into “rural development” or specified as “urban management”. In several countries, one finds a combination of entry points to the subject (e.g. “local governance” and “support to decentralisation in specific sectors”), targeting a diversity of actors (central government agencies and local governments, as well as their associations and civil society).

Moreover, the typology of the inventory is based on the following criteria:

- **Geographical areas:** Africa, Asia, Caribbean, ENP, Latin America, Pacific, Gulf⁴.
- **Financial Instruments:** Geographical instruments (EDF, DCI, ENPI, etc.) and thematic instruments (Food security, NSA-LA, ONG-PVD, Decentralised Co-operation, Instrument for Democracy and Human Rights...).
- **Entry points:** Top-down approach, sectoral approach, bottom-up approach, indirect support (see below).
- **Funding channels:** Government, Private companies or Development agencies, Local Association or NGO, UN bodies, Development Banks, other.

The criteria used for the **typology by entry points** are closely related to the various entry points adopted by the EC to support decentralisation as described in 2007 Reference Document⁵:

- **Category 1: Direct support to a national decentralisation policy or strategy (top-down approach).**

This category corresponds to the “top-down” entry point. The interventions under this category aim to support central government to define or strengthen its orientations in terms of decentralisation policy and to adapt its instruments accordingly.

² For details on the inventory including methodological issues see Volume III.

³ See page 10 - “Support to Decentralisation and Local Governance in Third Countries” (EuropeAid, 2007). For an illustration of the variety of EC-supported interventions, see “Part II – Inventory” of the present Inception Report.

⁴ This geographical categorisation follows the EC Classification on the website of EuropeAid: http://ec.europa.eu/europeaid/where/index_en.htm.

⁵ Reference Document “Supporting Decentralisation and Local Governance in Third Countries” (EuropeAid, 2007).

- **Category 2: Sectoral support in a decentralising context – with or without an explicit intention of supporting decentralisation (sectoral approach)**

Sector programmes and projects focus primarily on the improvements of service delivery within a particular sector (health, education, water, agriculture etc). As part of the implementation strategies and sector reforms this may or may not include explicit support to decentralisation. The evaluation will, during country case studies, explore to what extent decentralised contexts have been taken into account in the design and policy dialogue in those specific programmes. Programmes with an explicit intention of “decentralisation of services” focus on how sectoral responsibilities, authorities and resources are devolved to regional and local levels and on capacity of the latter.

- **Category 3: Support to a national decentralisation policy or strategy at local level (bottom-up approach)**

The entry point on local and rural development focuses on strengthening development at local level and local governance.

- **Category 4: Other indirect support**

This category includes EC funded interventions that indirectly support a decentralisation process and that might be of interest in the coming phases of the evaluation. In particular, the interventions aiming at enhancing democratic participation at the local level (but without an explicit link to a support to decentralisation) were classified in this category. Although not really in the scope of the evaluation, these interventions were kept and classified under this category because they potentially provide interesting information on the history and the context of the support to decentralisation in the various countries under analysis.

Although a sound and systematic approach was applied, the results remain dependent to a certain extent on limits that concern the CRIS database. Indeed, some of the work depended on the information provided in the contract or financial decision titles⁶.

However, the data cross-checking with previous inventories⁷ and with thematic experts and European Commission staff helped the team to obtain the most comprehensive inventory.

The following key patterns emerge from the analysis (for details see the full report in Volume II – Annex 3).

Analysis at the aggregated level

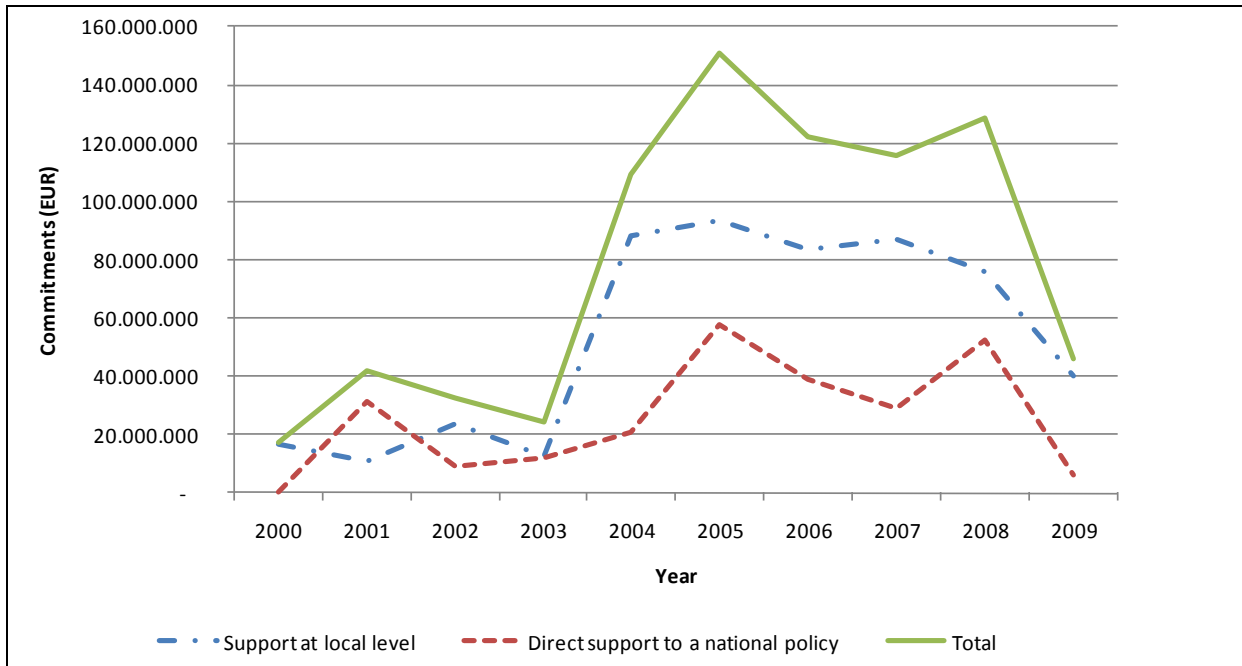
This analysis of aggregate level of support to decentralisation can only meaningfully capture data on the Category 1 (Direct support to a national decentralisation policy or strategy/top-down approach) and the Category 3 (Support to a national decentralisation policy or strategy at local level/bottom-up approach). The reason is that the Category 2 is not exhaustive (as mentioned above) and, even if it was, it would not be possible to tell what proportion of each intervention goes to decentralisation; this makes it impossible to aggregate the financial information of this category. This particular focus of “decentralisation support” is similar to the approach by the recent World Bank evaluation of support to decentralisation.⁸

⁶ The limits inherent to CRIS for the purpose of an inventory for thematic evaluations are described in depth in the Inventory Notes for several past thematic evaluations (e.g., *the Evaluation of EC's external co-operation with partner countries through the organisations of the UN family*, May 2008; *the evaluation of EC aid delivery through civil society organisations*, December 2008, available on the EuropeAid website).

⁷ For instance, the data was cross-checked with the information provided in the Annex 1 of the Reference Document “Supporting Decentralisation and Local Governance in Third Countries” (EuropeAid, 2007).

⁸ World Bank, Independent Evaluation Group: *Decentralization in Client Countries – An Evaluation of World Bank Support 1990-2007*

Figure 1 Evolution of EC financial contributions by category – commitments



Source: CRIS and Particip analysis (2010)

We can see **an overall increase** of the EC financial contributions to support to decentralisation over the period 2000-2009. It is important to note that the EC financial contributions to directly support decentralisation were representing less than 1% of all the EC financial contributions (all sectors and countries included) over the period 2000-2004. Over the period 2004-2008, the direct contributions to decentralisation increased in average representing around **2.5% of all contributions** and thus confirming the increase in absolute values observed above.

The decrease in the last years of the evaluation (2008-09) is partly explained by a general decrease in programming in this period (awaiting a new programme cycle) but could also be an indication of decreasing commitment for providing direct support to decentralisation (except in a few countries with larger decentralisation programmes). In fact it is striking how few new major interventions have been funded since 2008:

Box 1 Overview of the most recent (2007-2010) major programmes in direct support of decentralisation

In 2007, around 20mEUR were contracted in Tanzania (mainly for the "Support to the Local Government Grant Scheme"), around 20mEUR in Mali (mainly for the "Programme d'appui à la réforme administrative et à la décentralisation"- PARAD) and 15mEUR in Madagascar (mainly for the ACORDS programme). These 3 country contributions account for half the total amount committed to decentralisation that year (support at local level and direct support to a national policy).

In 2008, the situation is quite similar, the amounts going to Mali (32mEUR, mainly PARAD), Madagascar (21mEUR, mainly ACORDS), Liberia (12mEUR - County Programme) and Benin (12mEUR - PACTE) account for more than 60% of the total amount committed to decentralisation that year.

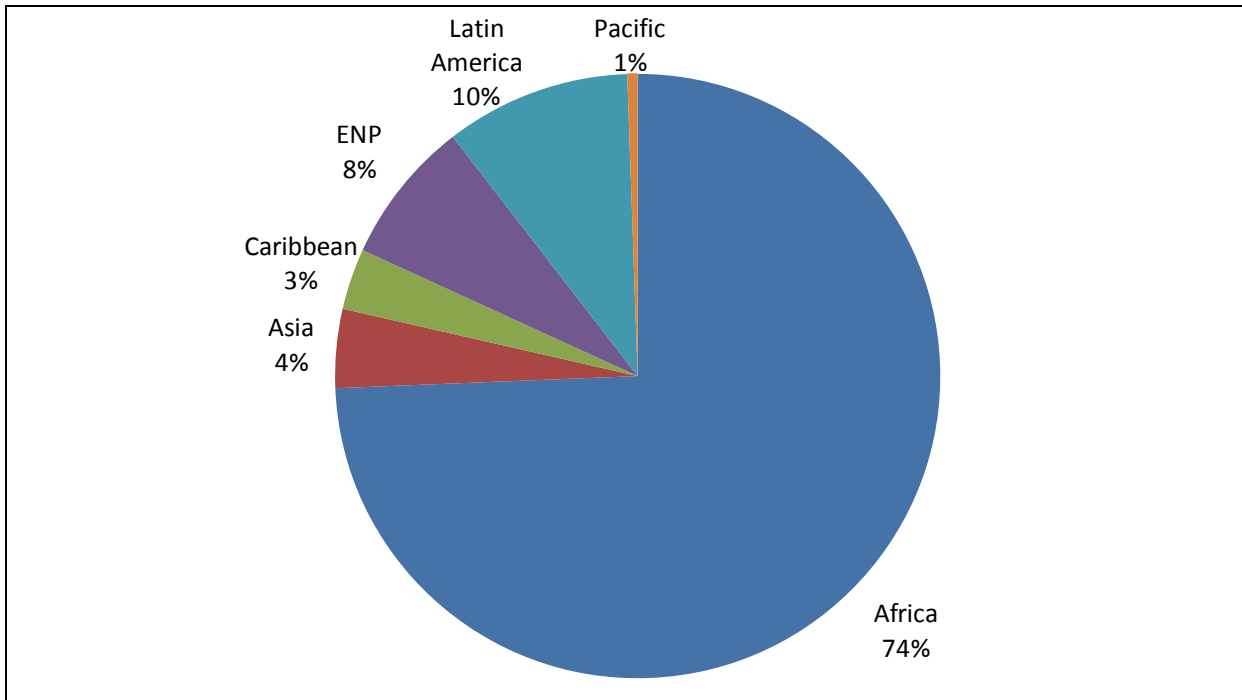
In 2009, there are still some funds going to Madagascar (11mEUR) but very little or nothing to the other big programmes of the EC (only 1mEUR to Benin).

In the year 2010 (outside the scope of this evaluation), the funds are increasing again driven by the launch of the new Mali programme supported by budget support (44mEUR going to the PARADDER programme in 2010) and the new Rwanda programme (10mEUR going to the "Sector Budget Support for decentralised Agriculture" which appears as the continuation of the "Decentralised programme for rural poverty reduction" that started in 2003).

In summary, it seems as if **only 3-5 big programmes determine the evolution of the EC commitments going to decentralisation** in recent years.

Geographical breakdown

Figure 2 Overview of EC funding by region – Direct support (commitments)



Source: CRIS and Particip analysis (2010)

The figure above shows the geographical breakdown of the EC funding to direct support to decentralisation (category 1 and 3).

- 74% (586mEUR) of the funds (commitments) supporting decentralisation goes to Africa.
- Latin America is the second most important recipient of EC funds aiming at supporting decentralisation (10% - 78mEUR).
- Only 4% (33mEUR) were committed to support decentralisation in partner countries in Asia.

The table below highlights the relative importance of the support to decentralisation compared to the whole EC support in the region (during the evaluation period). The information on the relative importance is in line with the absolute figures showed above.

However, the table below also suggests a relative emphasis of decentralisation support in Africa and Latin America compared to Asia and ENP. According to interviews in EC HQs this is a reflection of the relatively low demand for decentralisation support in Asia. However, alternative explanations could be: decentralisation reforms in Asia have taken place relatively earlier than in Africa (from the mid 1980s) and Asia is today overall in a more advanced stage where the demand for assistance is technically more complex and where other aid organisations (such as bilateral DPs, the WB, ADB or UNDP/UNCDF) are comparatively more interested and/or competent to provide assistance. The World Bank for instance has a relative significant portfolio of support to decentralisation reform in Asia that is by far more significant than EC support⁹. It is also noteworthy that the two largest direct contributions to decentralisation from the EC in Asia are found in two countries with rather poorly developed public sector structures and with no significant degree of fiscal decentralisation (*Cambodia* and *Afghanistan*).

⁹ For a discussion of World Bank support to decentralisation in South Asia, see: <http://go.worldbank.org/K37R9BFSE0>

A further geographical emphasis appears within Africa on the Francophone countries (both in terms of financial volume and in terms of the lead role of the EC in supporting decentralisation compared to other development partners). This particular focus appears to have been reinforced in recent years (see box 1). The reasons for this pattern are combinations of several factors and not explicitly articulated as part of an EC strategy. Discussions with EC staff involved in programme design as well as other DPs involved in decentralisation support at a global level suggest:

- The larger EC programmes for support to decentralisation (e.g. *Mali, Benin and Madagascar*) grew to a large extent out of past experiences with EC support to rural development programmes and coincided with the relative recent political support for decentralisation reform in these countries. This also explains the relative emphasis of EC support to rural local governments (whereas e.g. the World Bank's direct support to local governments primarily is targeting urban local governments). The support to decentralisation in these "newly decentralising" countries is closely related to the establishment of wider public sector presence in rural areas in particular. Such programmes obviously become quite resource demanding.
- Other countries and regions that have tended to start decentralisation earlier,¹⁰ received significant support from other donors in these periods – the EC came relatively late as a supporter of "local governments reforms" and has in these countries less of a comparative advantage in supporting decentralisation. This is evident in particular in Asia where ADB, World Bank and various bilateral donors (such as US, Australian, British etc all have significant decentralisation reform programmes), but also in several of the early decentralised countries in Anglophone Africa such as *Uganda, Tanzania and Ghana*.

Table 1 Comparison with the whole EC co-operation by region

Region	EC direct support to decentralisation in m€ (Commitment)	All EC support in the region in m€ (Commitment)	Ratio
Africa	586	25.203	2,3%
Latin America	78	3.196	2,4%
Asia	33	6.024	0,6%
ENP	61	9.587	0,6%
Caribbean	26	2.095	1,2%
Pacific	4	589	0,7%
Gulf	-	133	0,0%

Source: CRIS and Particip analysis (2010)

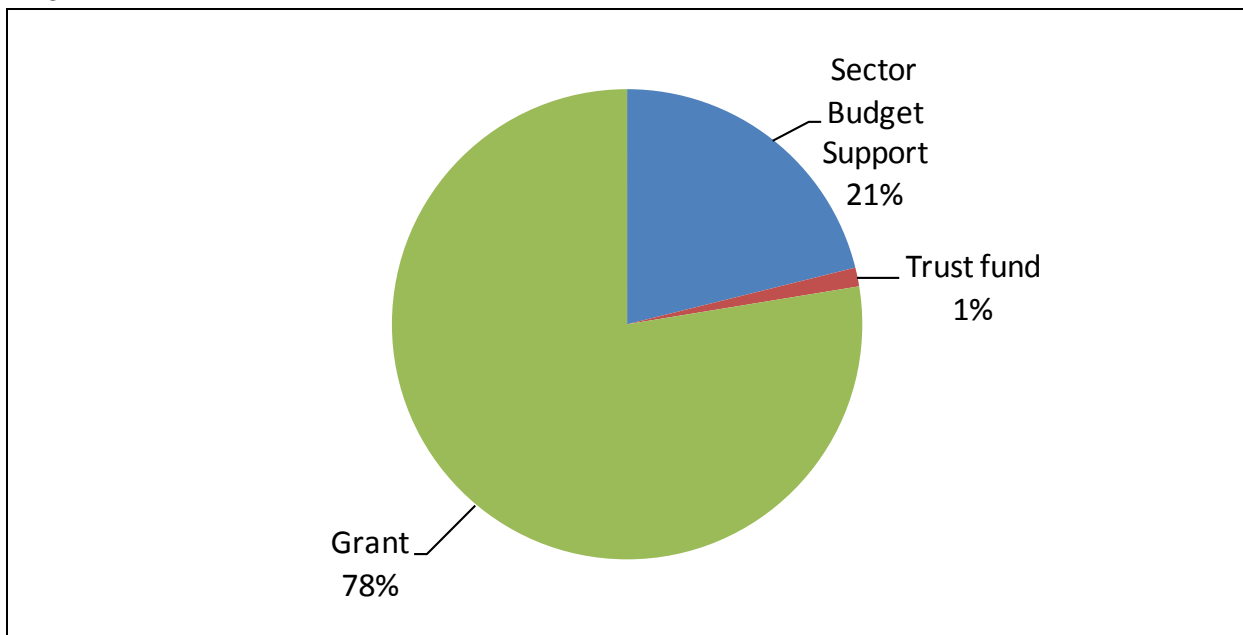
The analysis of the inventory data furthermore suggests the following:

- **Entry points evolve over time:** In several countries, EC approaches to supporting decentralisation and local governance have gradually become more sophisticated as decentralisation processes have advanced and the EC has learned from experience.
- **Strategic versus piecemeal approaches:** Desk analysis of existing support programmes reveals that some EC strategies are well conceived and properly coordinated. In other countries, assistance is less comprehensive and appears somehow more fragmented.

¹⁰ For overview of global trends in decentralisation see United Cities and Local Governments 2008: Decentralisation and local democracy in the world and United Cities and Local Governments 2010: Local Government Finance – the Challenges of the 21st Century (First and Second Global Report on Decentralisation and Local Democracy).

- Diversity of support modalities:** Although the project approach through Grant/EC procedures remains the most common support modality during the evaluation period, some countries display a mix of modalities to feed strategically into partner country's development processes. In other cases, this mix is not evident or clear. It is noteworthy that the EC is increasingly promoting, whenever possible, the use of sector budget support in governance related processes (e.g. interventions in *South Africa*). The main reason is the potential "trigger-effects" that budget support may bring along in terms of enhancing ownership; facilitating dialogue; improving public financial management (at both central and local level); and increasing transparency and accountability. Budget support is always accompanied by some criteria in terms of public finance management issues.¹¹

Figure 3 EC financial contributions - Breakdown



Source: CRIS and Particip analysis (2010)

Finally, the EC provides support to decentralisation through **different financial instruments**. As described in the Annexe 3 (Volume II), most financing is provided through geographical instruments. But a significant part is funded through a variety of thematic instruments including the following budget lines: Rehabilitation, Decentralised Co-operation, Non-State Actor and Local authorities, NGO-co-financing, EIDHR, etc.

The thematic budget line "Non-State Actor and Local authorities" is by some stakeholders seen as the most significant EU funding modality for support to local governments and was for instance most frequently referred to in the recent "2nd Assises of Decentralised Co-operation for development" meeting held in Brussels end March 2011¹². However, it is only around 13% of this programme that is targeting "local authorities" (rather than NSAs). In the evaluation period a total allocation of 56mEUR were allocated in support to local authorities (frequently in partnership with NSAs) and only around 18mEUR of these funds were in a meaningful way related to "decentralisation reforms"¹³.

¹¹ Under the 9th EDF budget support was increased to about 20% of total aid delivery and is expected to rise even more during the present 10th EDF.

¹² <http://portal.cor.europa.eu/atlas/en-US/Pages/Assisesondecentralisedcooperation.aspx>

¹³ CRIS data base.

1.1.2 Ind1.1.2 - Existence of elements related to decentralisation in the context analysis carried out during programming and prioritisation in RSP, CSP/NIP

Detailed evidence at indicator level

The inventory showed that, over the last decade, a growing number of Country and Regional Strategy Papers include programmes directly or indirectly related to decentralisation and local governance: increasing from 30 CSPs for the period 2000-2007 to 42 CSPs in 2008-2013.

The Guidelines for implementation of the Common Framework for Country Strategy Papers 2001 did not mention decentralisation as an issue, but subsequent revisions have increasingly underscored the need for analysis of decentralisation issues. The most detailed guide is given in the 2009 programming fiche on decentralisation.

A further analysis of CSPs in the countries selected for desk analysis¹⁴ indicated that the analyses detailed in the "national context" section of the CSPs generally include some elements related to Decentralisation. Yet, the analyses are often quite limited to general aspects related to decentralisation.

The overview covers the two strategic periods: CSP 1 (2002 – 2006 or 2007) and CSP 2 (2007 or 2008 – 2013).

As shown in the table below, almost all CSPs provide elements of analysis on the decentralisation context in the partner countries (all 22 countries analysed except 2 in the first period – increasing to all 22 CSPs in the second period).

However, these analyses often cover very general aspects. For instance, the *Honduras* CSP for the second strategic period only mentions:

"After decades of centralised military rule the current momentum towards decentralisation could instil a new democratic culture and usher in a new political class. At local level, the partnership between the civil society and the authorities should help the country bridge the traditional fault-line between the populace and those in power. Besides its primary purpose – which is development - the PRSP can also play a political role, as a powerful catalyst for consensus and confidence-building. (...)"

About half of the CSPs provide a detailed analysis of decentralisation issues in the national context section (11 in the first period and 12 in the second).

In several cases, even if there is a detailed analysis, the CSP does not provide an exhaustive overview of the various dimensions of decentralisation (political, administrative, fiscal) and of the various stakeholders involved in the process.

The information provided is often far from what is required in the EC Common Framework for Country Strategy Papers (adopted in 2006) which stipulates that *"Particular attention should be given to reforms in the fields of political, administrative and fiscal decentralisation"* and that the national context section of the CSPs should examine *"The organisation of government, including where appropriate the effectiveness of decentralisation and the interaction between central, regional and local authorities"*.

There are some notable exceptions such as *Benin* or *Mali*: for instance, the CSP 1 for *Mali* contains a comprehensive analysis of decentralisation issues in the annex section.¹⁵

Table 2 Analysis of decentralisation in the national context section of the CSPs

	CSP 1	CSP 1	CSP 2	CSP 2
Country	Exist	Is detailed	Exist	Is detailed
Benin	Yes	Yes	Yes	Yes
Cambodia	Yes	Yes	Yes	No

¹⁴ See Annex: CSP Analysis in Volume II of this report for details.

¹⁵ Actually, the case of *Mali* is very particular. The emphasis on decentralisation is so important in the CSP1 that the different aspects of the support to decentralisation are often described in detail while elements related to other sectors are often just listed without further explanation.

Colombia	Yes	No	Yes	No
Congo (Democratic Republic of)	Yes	No	Yes	Yes
Guatemala	Yes	No	Yes	Yes
Honduras	Yes	Yes	Yes	No
Jordan	No	No	Yes	No
Kenya	Yes	Yes	Yes	No
Lebanon	No	No	Yes	No
Madagascar	Yes	No	Yes	Yes
Mali	Yes	Yes	Yes	Yes
Nicaragua	Yes	No	Yes	No
Papua New Guinea	Yes	No	Yes	No
Philippines	Yes	No	Yes	Yes
Peru	No	No	Yes	Yes
Rwanda	Yes	Yes	Yes	Yes
Senegal	Yes	Yes	Yes	Yes
South Africa	Yes	Yes	Yes	Yes
Tanzania	Yes	Yes	Yes	Yes
Uganda	Yes	Yes	Yes	Yes
Total	Exist in 15	Is detailed in 11	Exist in 22	Is detailed in 12

Except in a few cases, decentralisation does not seem to figure prominently in the CSPs.

The CSP Analysis (see Volume II - Annex 6) gives an overview of the status given to decentralisation in the "EC response strategy" section of the CSPs analysed. The overview covers the two strategic periods: CSP 1 (2002 – 2006 or 2007) and CSP 2 (2007 or 2008 – 2013).

- Decentralisation was considered as an "important component of the focal areas¹⁶ of both country strategy papers (CSP 1 and CSP 2)" in only 3 countries out of the 20 analysed (*Guatemala, Madagascar and Mali*). In these cases, decentralisation is well mainstreamed in the whole co-operation strategy.
- Over the two strategic periods, decentralisation appears as a major component of a focal area of co-operation in less than half of the CSPs analysed (12 out of the 40 strategy papers analysed).
- In 3 cases (*Colombia, Jordan and Lebanon*), the response strategies detailed in the CSPs do not mention anything related to decentralisation (or almost anything) in neither the first nor the second strategic period.
- In a number of cases, the CSPs refer to decentralisation in the sections "cross-cutting issue" (sometimes under the heading "good governance") or "non-focal areas". But, decentralisation is usually not necessarily clearly integrated in the other sections of the CSPs.
- Some notable exceptions where decentralisation is strongly mainstreamed in the CSPs even if it is not explicitly considered as a major component of a focal area are: *Nicaragua, South Africa and Uganda*.

¹⁶ In the analysis made, decentralisation is considered as an important component of a focal area where the text describing the EC strategy under this focal area explicitly mentions the support to the decentralisation process in the partner country as an objective of the strategy.

Finally, it appears that the CSPs often provide very few information on the strategy to adopt to support to decentralisation. For instance, in the case of *Cambodia*, the most recent CSP only mentions a very general list of areas of co-operation:

"The EC will also fund activities to support to co-operation and dialogue in the field of governance and human rights in order to promote constructive dialogue and stimulate co-operation between the RGC and the EC in a wide range of areas of mutual interest, in particular in the areas of: governance, legal and judicial reform (...), institution building, administrative reform (including the fight against corruption), decentralisation and deconcentration, support for the election process, (...)"

1.1.3 Ind1.1.3 - Existence of elements that address or identify decentralisation related issues in CSEs, MTRs, JARs and Thematic Evaluations

Detailed evidence at indicator level

The team has undertaken a systematic analysis of all CSEs undertaken for the 22 countries identified for the desk phase and is in process of analysing MTRs and JARs. The detailed findings are included in separate annexes (see Volume IIb).

One main conclusion from the review is that decentralisation issues frequently are given some consideration in the analysis but it is rarely very significant. For instance less than 30% of the CSEs have a specific evaluation question directly related to decentralisation, although 70% have a JC related to the topic¹⁷. For the CSEs, most emphasis on decentralisation was given in the evaluations of *Benin*, *Mali* and the *Philippines*.

In some countries where the Governments undertake rather sophisticated decentralisation reforms (such as *Tanzania* and *Uganda* that have some of the highest sub-national expenditure shares in Africa) it is striking that decentralisation issues do not feature strongly in the CSEs.

The most recent relevant and major thematic evaluations have increasingly taken decentralisation issues into consideration.

The thematic Evaluation of the EC support to the water and sanitation sector¹⁸ did not have a particular EQ that focused on decentralisation aspects or the role of local governments in the sector. However, the evaluation did reflect on how institutional aspects of support were handled by the EC supported interventions. The evaluation was in this regard overall rather critical of how decentralisation issues had been addressed (been "neglected, or applied incorrectly" page 7) – however, the evaluation provided few details or further explicit recommendations for how to address decentralisation issues in the water and sanitation sector.

The thematic Evaluation of the EC support to Good Governance¹⁹ (2006) analysed four clusters of governance support: (1) rule of law and administration of justice, (2) civil society, (3) public administration reform, and (4) decentralisation. The evaluation noted that support to decentralisation was an emerging area of support where several promising experiences could be noted (*Mali* being highlighted as such a case). However, the evaluation also concluded that "The EC faces the challenge to further clarify its vision, intervention strategies and operational approaches in support of local governance and decentralisation, both as a self standing governance cluster and as a means to achieve broader development objectives (such as poverty reduction, conflict prevention, sustainable development).

The thematic Evaluation of the EC support to the education sector²⁰ (2010) included decentralisation specifically as a key issue to explore (two judgement criteria).

Key conclusions from the report related to decentralisation were:

¹⁷ Indeed, decentralisation issues are sometimes tackled as a dimension of a general EQ on Good Governance). Decentralisation also sometimes appears (but to a smaller extent) as cross-cutting issues in an independent question on CCI or in sectoral EQs. But in both cases, the consideration given to decentralisation issues turns out to be rarely very significant.

¹⁸ (Ref. 965) http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2006/965_docs_en.htm

¹⁹ (Ref. 884) http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2006/884_docs_en.htm

²⁰ (Ref. 1282) http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2010/1282_docs_en.htm

- JC63: Linkages between education sector reform and broader national reforms, decentralisation, civil service reform and public finance management reform are emerging, but complicated to manage (and)
- JC72: EC support increasingly manages to strengthen the role and active involvement of NSAs and civil society in education sector management processes, but progress regarding decentralisation of sector management seems to be stalling.

The report concludes:

“EC support for decentralisation of education sector management processes has had a mixture of successes and difficulties. In particular, the creation of School Management Committees at local level has been enhanced by EC support linked to local-level democracy, but has had mixed results”.

Box 2 Extract from the Thematic Global Evaluation on EC support to education (conclusions on decentralisation)

4.6.3 JC63: Linkages between education sector reform and broader national reforms, decentralisation, civil service reform and public finance management reform are emerging, but complicated to manage

Education sector reforms often happen parallel to decentralisation processes. However, the degree to which both arenas (educational policy and decentralisation) are linked varies significantly. In *Indonesia*, for example, the government, with EC support to Basic Education-Sector Capacity Support Programme (BE-SCSP) 2, created clear linkages between both, with the intention of ensuring that the local authorities can and will take on their new roles in planning or service delivery. For example, line ministries, including the Ministry of Education, are asked to provide sub-national entities with Minimum Service Standards (MSS) to make certain that service delivery at local level continues to adhere to nationally-sanctioned criteria. *Pakistan*, however, provides an example where deficiencies at sub-national level, with regard to available skills and other aspects of organisational capacity, have prevented decentralisation efforts from really becoming meaningful for the delivery of education services on the ground. However, this problem is being addressed by the SBS decentralised support to the provincial government of Sindh Province and the provincial government of the North Western Frontier Province.

In countries **where decentralisation is sufficiently advanced, budget support offered by the EC can, in fact, benefit the education system at local levels.** In *Uganda*, a combination of public sector reforms – including performance assessment, a sound sector policy, and an effective intergovernmental fiscal transfer system – are forming a reasonably effective system that is trusted by donors and the government. The example of *Tanzania* shows that public sector reform can result in the decentralisation of responsibility for the implementation of primary education, as the functions of the Tanzanian Ministry of Education and Culture are now confined to policy making. However, the complex procedures introduced seem to be taking time to be fully understood and implemented effectively and efficiently at local level. In the *Dominican Republic*, past reforms also have developed government structures that can form the basis for future EC support to a decentralised education system. Even in traditionally highly-centralised systems, such as in *Tunisia*, the sub-national structures have gained in stature over the last few years.

1.1.4 Ind1.1.4 - Evolution over time of EC concepts and approaches (in EC policy documents) towards a more comprehensive and elaborated approach to the support to decentralisation processes

Detailed evidence at indicator level

The development of EC concepts and approaches for support to decentralisation emerged slowly in response to a general paradigm shift that questioned the “**single actor approach**” to development (focused exclusively on central governments) and invited donor agencies to: rediscover the local level of development; define clear strategies towards the unfolding

decentralisation processes; involve and support local governments; and introduce more decentralised and multi-actor forms of development co-operation.

It took some time for multilateral and bilateral donor agencies to translate these changes into strategic and operational documents and mechanisms. The Lomé IV Convention (1990-95) was still focused on dealing with central government agencies and not so much on the development of policy dialogue with other actors. However, it opened a small window for the strengthening of local development initiatives through the use of the micro-project approach and the introduction of the concept of “decentralised co-operation”. Even if central governments remained in full control, as they had to agree with the project proposals, it was the first attempt to extend partnership to **a broad range of decentralised actors including local governments**. The purpose was to promote participatory approaches to development (particularly at the local level) by decentralising the design and implementation of development projects. Direct collaboration with Non State Actors could be supported by some budget lines (managed directly by the EC staff in Brussels) such as the **NGO-co-financing budget line** and the **decentralised co-operation budget line**.

The emergence of “**good governance** issues”²¹ in the development arena has also led to a change towards the integration of “new actors” in the development process²².

The Lomé IV bis Convention reinforced the political part of the co-operation and underlined the necessity to include other actors, especially the **civil society**.

Although it failed to create new opportunities for participation of decentralised actors, many experiences have been made to enlarge the use of the multi-annual micro projects instrument within the EDF.

Several factors contributed to this slow pace of change, including:²³

- the lack of conceptual and operational clarity of the whole approach;
- political and bureaucratic resistance;
- the limited demands from decentralised actors (as most of them were not aware of the existence of this scheme);
- a culture of centralised management;
- inadequate procedures;
- and limited “internalisation” of the approach by official parties (including EC staff in the EUDs).

Drawing the lessons from this experience, the **Cotonou Agreement** for the ACP countries (signed in June 2000) and its revision in 2005 clearly stipulated the importance of a **multi-actor approach** in development processes. Beside the government, it enlarged the partnership to Non State Actors, including **Local decentralised authorities**²⁴, for which a specific share of the co-operation budget has been planned²⁵. It created new opportunities for an active participation of NSA and local governments in the formulation and implementation of national, sectoral and increasingly also local development plans and related co-operation programmes. It also included a mutually agreed definition on governance, which is considered as a fundamental element underpinning the partnership. It has a fairly elaborated and balanced framework for dialogue between the EU and the ACP countries covering all development issues and especially local governance.

²¹ Within the EC it encompasses (1) the rule of law; (2) public administration; (3) civil society, (4) human rights, (5) democracy and (6) decentralisation/support to local governments)

²² This can be for instance seen in the various policy/ strategic framework established by the EC with partner countries at regional level (see Annex “Reference to decentralisation in regional policy/ programming documents” of this inception report).

²³ 2007 SDLG reference document.

²⁴ The expression “local decentralised authorities” has been introduced in the 2005 revision.

²⁵ Originally, 15% of the budget was foreseen for the NSAs budget line.

Although the participation of NSA and local governments in the formulation and implementation of development plans was also promoted in the other non-ACP regions²⁶, this evolution was not backed by a clear orientation at policy level.

The analysis of references to decentralisation or local governance in EC regional policy/programming documents in non-ACP regions carried out in this evaluation²⁷ lead to following main results:

- For the **Asian region**, several regional policy documents identify the need to contribute to the promotion of democracy, good governance and rule of law²⁸. Various documents also advocate for an increasing work with local authorities, especially with the aim to enhance local (economic) development. Though, in almost all cases no specific reference is made to decentralisation or local governance. In fact, the only reference to decentralisation is found in a recent programming document related to the Central Asia sub-region (Indicative Programme 2007-2010). It is stated that one objective of co-operation should be to “strengthen capacities of local public authorities and self-government bodies” in order to foster local development. Moreover, it is recognised in this document that the “decentralisation of political power and budget to local level is just beginning” and that bottom-up approaches promoting, among others, “public participation in the political, economic and social spheres” should complement top-down measures aiming at strengthening “national administrative capacities”.
- In **Latin America**, decentralisation has been an important component of a transition to democracy (J. Manor 1999). Most regional policy and programming documents related to the EC co-operation with this region recognise the promotion of “democratic governance and social cohesion” as key areas of co-operation. However, it is noteworthy that none of these documents (incl. regional policy documents and the EU-LAC declarations) mention decentralisation as an element of the co-operation between the EU and LAC countries. Yet, decentralisation seems to be a key issue in the discussions that take place between EU and Latin American actors involved in development programmes. Indeed, the conclusions of the 2007 EU-LAC forum on local authorities point out the fact that local authorities should “urge national governments to promote democracy, foster decentralisation processes and enhance local governance, for they are key elements to achieve social cohesion”.
- In the co-operation with **ENP countries**, reference to decentralisation seems to be even weaker although several documents highlight the importance of “democratic consolidation and public governance” and the involvement of the civil society and local authorities in the development process.²⁹
- Decentralisation is only explicitly mentioned in EC programming documents. This hints that the EC has adopted in these regions a pragmatic approach focusing on individual interventions without a strong mandate to engage in co-operation in the field of decentralisation.

Contrary to the policy frameworks for the co-operation with other regions, the Cotonou Agreement provided the EC with a broad and explicit legal mandate to engage in co-operation in the field of decentralisation in the **ACP regions**. Indeed, compared to the previous Lomé Convention, this new ACP partnership agreement placed much more

²⁶ For instance, the Regulation (EC) No 1638/2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument explicitly mentions that the EC assistance shall be established in partnership between the EC and beneficiaries that involves “as appropriate, national, regional and local authorities, economic and social partners, civil society and other relevant bodies”.

²⁷ See Table 11 in the Annex “Reference to decentralisation in regional policy/ programming documents” of this inception report

²⁸ For instance, see the EC Communication on “A strategic framework to strengthening Europe-Asia partnership” (Com(2001)469)

²⁹ For instance, in the 2008 Declaration of the Paris Summit for the Mediterranean, participants have underscored “the importance of the active participation of civil society, local and regional authorities and the private sector in the implementation of the Barcelona Process”

emphasis on the political dimension of development, as reflected in the principle of good governance (article 9). Moreover, it recognised local and regional governments as potential partners in co-operation (article 6), introduced a focus on institutional development and capacity building, and mentioned “support for political, administrative, economic and financial decentralisation” as one strategic area in this field (article 33).

Together with the first compendium of programming guidelines, the Cotonou Agreement became an important pillar of the **nascent policy framework for the EU support to decentralisation**. It also triggered more strategic reflections on the objectives, instruments and aid modalities for supporting decentralisation processes and (good) local governance in partner countries (Loquai 2001).

Although there is no specific EC communication (and Council resolution) on decentralisation and local governance yet, that presents a coherent policy framework, the EC commitment to supporting decentralisation and local governance is consequently backed by several **recent policy documents** and various guidance documents that incorporate elements and issues related to decentralisation processes and local authorities roles and responsibilities. These documents contain guidance and constitute elements of a nascent policy framework for this area of co-operation:

- The EC Communication on Governance and Development (COM(2003)615) recognises the importance to “decentralised power sharing” as well as the need to involve “municipal and other decentralised authorities in national dialogue processes on governance”.
- Although not a policy document, the EC Draft Handbook on Governance (2004) considers decentralisation and local governments as one of the six ‘governance clusters’ and provides guidance on how to provide support.
- The EC Communication on the EU Strategy for Africa: Towards a Euro-African pact to accelerate Africa’s development (COM 2005, 489 final) puts governance at the centre of the partnership relation. In this framework, it recognises the governance challenge at local level and calls for a “systematic dialogue with national governments and local authorities [...] on how best to support decentralisation processes”.
- The EC Communication on Governance in the European Consensus on Development. Towards a harmonised approach within the European Union (COM(2006)421) recognises the existence of “different levels of governance (local, national, international)” as well as “the key role that local authorities can play in achieving the MDGs”.
- The “Governance Profile” for ACP countries (which will be key to accessing the Incentive Reserve for governance) also includes some indicators related to decentralisation.
- **The EC Reference Document (no 2, 2007): “Supporting Decentralisation and Local Governance in Third Countries”** is the most comprehensive guidance document on decentralisation. It “seeks to provide strategic and operational guidance on: (1) how best to support processes of decentralisation and local governance in third countries, (2) how to ensure that EC sector strategies (e.g. in health and education) take into account and (indirectly) reinforce ongoing decentralisation processes. The document discusses the rationale for support to decentralisation, main concepts and definitions of terms, dimensions of decentralisation, guiding principles for design and implementation of support programmes, key issues in design of interventions, key issues for implementation of support, assessing outcomes and impact and finally a discussion of how to enable the EC to work more effectively with decentralisation and local governance issues.
- **The EC Communication “Local authorities: Actors for Development” (2008)** underlines that local authorities in the partner countries are also of paramount importance as they can be key actors for enhancing local governance and in delivering public services, in particular in the context of decentralisation. “*Areas where LA’s could have a comparative advantage range from implementing local democracy*”

(entailing the devolution of powers to elected local bodies enjoying relative autonomy) and local governance (involving a shift from an only vertical accountability dimension to a horizontal and downward accountability, connected with principles of participation, transparency and accountability, in which civil society plays a crucial role) to a new paradigm of local (economic) development (in which local governments play a catalytic role) and territorial (regional) planning which integrates local development into a broader spatial context and stimulates synergies between different actors from private and public sector.”

- The document emphasises the potential role of local authorities in EU countries and recommends further twinning as well as strengthening of local government associations in partner countries: *“The reinforcement of cultural and institutional twinning between LAs in the EU and partner countries has a long history of achieving successful partnerships. Many of the partnerships on which Decentralised Co-operation is based originated in the twinning process. The Commission proposes that the EC supports more extensive exploitation of these development partnerships (twinning), to enhance the exchange of experience and build closer and more long-term partnerships for development. The EU and EU LAs should support the role of national associations of LAs in partner countries, in order that they can participate in their national political dialogue (for instance during the elaboration, with the European Commission, of Country Strategy Papers) in line with the principles of ownership and mutual accountability. Support for national associations of LAs in the EU and partner countries is also important in order to advance internal mutual accountability between local and central governments.”* (paragraph 3.3.4)
- The **“European Charter on development co-operation in support of Local governance” (2008)** sets out principles and modalities for better effectiveness in co-operation in support of local governance and decentralisation in partner countries. It was launched during the European Development Days of Strasbourg on 16 November 2008. The Charter proposes a framework for more coherence and complementarity in the actions of the different actors supporting local governance. It also gives guidelines on applying the Paris Declaration at local level. The Charter has been promoted by the EC in various ways: it was attached to COM 2008 mentioned above and it was subsequently promoted by the EC in the “structured dialogue” with non-state actors and local authorities on their involvement in development.³⁰ The Charter includes the following main recommendations:
 - Support a democratic local governance
 - Look for the development of a coordinated, complementary and coherent system among the different actors.
 - Encourage dialogue at every level of governance.
 - Support synergies between local and regional authorities and civil society.
 - Look for a balance between economic development, social equity and environment.
 - Adapt funding to local specificities.
 - Help local and regional authorities to dialogue and to act.
 - Acknowledge the primacy of national and local governments.
 - Align local development actions on national policies.
 - Promote a territorial development approach in coherence with sustainable development.
 - Develop planning, follow up and evaluation system that improve transparency.
 - Maintain the principle of shared responsibility.

³⁰ http://ec.europa.eu/europeaid/who/partners/civil-society/structured-dialogue_en.htm

- PLATFORMA, the European platform of local and regional authorities for Development, has taken this Charter as a document of reference and argues for its principles to be promoted at EU level. To this end PLATFORMA has ensured the technical secretariat of the Charter since February 2010, with the financial support of the French Ministry for Foreign and European Affairs.
- Finally, the recent **EC programming guide for strategy papers** (programming fiche on decentralisation issued January 2009) gives guidance on how to address decentralisation in strategy papers. The guide presents a very clear definition of decentralisation that emphasises decentralisation to elected local governments. It refers to the three interlinked dimensions of decentralisation (political, administrative and fiscal) and suggests six “critical pillars” for a successful support to decentralisation processes:
 - political will;
 - the existence of a basic legal framework which clearly stipulates the division of roles, responsibilities and resources between actors of different tiers of government;
 - financial resources to undertake assigned functions;
 - human resources in local governments;
 - mechanisms for political accountability;
 - existence of central institutional arrangements to steer the decentralisation process.
- The programming guide includes guidance for how to assess partner countries’ degree of decentralisation by analysis of three themes (a) autonomy in decision making, (b) adequacy of resources and (c) subsidiarity, efficiency, accountability and service delivery aspects.

Table 3 Analysis of major regional policy/ programming documents

<i>Policy / programming documents</i>	<i>Reference to decentralisation or local governance</i>
Asia	
The EU and Central Asia: Strategy for a New Partnership (European Council, 2007)	No specific reference to decentralisation or local governance.
A new Partnership with South East Asia (COM(2003)399)	It is mentioned that “democratic principles and good governance should be promoted in all aspects of EC policy dialogue and development co-operation, through building constructive partnerships with ASEAN and national governments based on dialogue, encouragement and effective support.” But, except one reference to the involvement of local authorities in regional programmes, no specific reference to decentralisation or local governance.
A strategic framework to strengthening Europe-Asia partnership (Com(2001)469)	The Communication identifies the need to contribute to the promotion of democracy, good governance and rule of law. One reference is made to the importance of involving the civil society (“promote a strengthening and broadening of civil society partnerships between our two regions whether among our parliamentary representatives, <i>local authorities</i> , NGOs, youth associations, consumer groups, or professional associations”). But no specific reference is made to decentralisation or local governance.
Regional Strategy Paper for EU-Asia Co-operation (2007-2013)	The Strategy paper identifies the need to contribute to the promotion of democracy, good governance and rule of law but no reference is made to decentralisation.
Regional Strategy Paper for EU-Central Asia Co-operation (2007-2013)	The Paper highlights the importance of developing capacities at local level to enhance local development. E.g., in the section related to the objective: “Reduce poverty and increase living standards in the context of the MDGs”, the Paper mentions: “The Strategy proposes that the EC focus continue to be

Policy / programming documents	Reference to decentralisation or local governance
	on tackling poverty in the field and assisting rural populations by <i>local development schemes</i> . The objective is to assist local communities in their efforts to increase living standards and tackle poverty, particularly amongst the most vulnerable sections of the rural populations, through measures designed to improve <i>local governance</i> , food security, social protection..."
NIP for EU-Asia Co-operation (2007-2010)	The document mentions that one of the objectives of the Asia-Europe Foundation (ASEF) is to "foster links between governments and civil society groups in Asia including regional and <i>local authorities</i> ", one of the core priority of ASEF being: "good governance, democracy and human rights".
NIP for EU-Central Asia Co-operation (2007-2010)	As in the RSP, the NIP points out the importance of developing capacities at local level to enhance local development with an objective of increasing living standards and reducing poverty ("Capacity of local public authorities to develop, implement and monitor programmes aimed at improving living standards and ensuring access to social services by the poor in accordance with the MDGs will be supported"). The 1 st focal priority (esp. for Kyrgyzstan, Tajikistan and Uzbekistan) concerns "Regional and local community development" and an expected result is: "Strengthened capacities of local public authorities and self-government bodies and participation of civil society for effective governance". The 3 rd focal priority concerns "support for good governance and economic reform". In particular, it is mentioned that "top-down measures will be accompanied by a <i>bottom-up approach</i> promoting citizens' rights, effective implementation of core labour standards and <i>public participation in the political, economic and social spheres, leading in turn to a strengthening of citizen participation in public life</i> , in particular in the control of institutional bodies and law-implementing agencies and services, including at local level." "The process of <i>decentralising political power and budget</i> to local level is just beginning and building on current support for these reforms might be an important component of the approach."
Regional Strategy Paper and Indicative programme for EU-Asia Co-operation (2005-2006)	A reference is made to regional programme Asia Urbs which "aims to promote local government partnerships to undertake urban development projects" and an environmental management programme which focuses "on establishing and strengthening networks of institutions, including local authorities, working on environment." But no specific reference is made to local governance and decentralisation.
Regional Strategy Paper for EU-Central Asia Co-operation (2007-2013)	The Paper recognises "the weakness of local administration and technical capacity" and consider the possibility that EC-funded programmes could assist with "rationalisation and restructuring of public administrations"; in particular it is mentioned that: "priority will be given to FSP beneficiaries in order to improve governance, public expenditure management and public services efficiency, including <i>government transfers from the central to the regional/local level</i> ." and "A long-term EC approach will also allow for the development of relations with all relevant actors (national/local authorities and locally established NGOs) and for work to further increase the capacity of local groups and communities as they address their own problems and increase their participation in policy-making."
ASEAN - Nuremberg Declaration on an EU-ASEAN Enhanced Partnership (2007), and related Plan of Action	No reference to decentralisation or local governance.
ASEM - Helsinki Declaration on the future of ASEM (2006)	No reference to decentralisation or local governance.
ASEM - The Asia-Europe Co-operation Framework (AECF, 2000)	No reference to decentralisation or local governance.

Policy / programming documents	Reference to decentralisation or local governance
Latin America	
VI EU-LAC summit (Madrid Declaration and Action plan - 2010)	No reference to decentralisation or local governance.
The European Union and Latin America: Global Players in Partnership (COM(2009)495/3)	No reference to decentralisation or local governance.
V EU-LAC summit (Lima Declaration - 2008)	It is mentioned that: "A second phase of EUROsociAL that aims to improve social cohesion has already been planned, and the new URB-AL III programme, starting in 2008, will pursue territorial co-operation through the <i>promotion of social cohesion policies at local level</i> ". Moreover, issues related to "democratic governance" are mentioned but no reference is made to decentralisation or local governance.
IV EU-LAC summit (Vienna Declaration - 2006)	No reference to decentralisation or local governance.
A stronger partnership between the European Union and Latin America (COM(2005)0636)	Issues related to "democratic governance" are mentioned but no reference is made to decentralisation or local governance.
III EU-LAC summit (Guadalajara Declaration - 2004)	Issues related to "democratic governance" are mentioned but no reference is made to decentralisation or local governance.
Regional Strategy Papers 2007-2013	Programmes such as URB-AL which promotes "exchanges between local authorities" are mentioned in the paper. Moreover, the priority 1 of the regional strategy ("Support for social cohesion and reduction of poverty, inequalities and exclusion") refers to local authorities as relevant actors or potential beneficiaries of the EC-funded interventions. Yet, no specific reference is made to decentralisation or local governance
Regional Strategy Papers 2002-2006	But no specific reference is made to decentralisation or local governance.
EU-LAC Forum: Local authorities (Paris, 2007)	The participants stated that: "democracy, <i>decentralisation</i> and good governance are key elements for social cohesion" and that local authorities have a key role to promote democracy. Moreover, local authorities participating in the forum committed themselves to "urge national governments to promote democracy, foster <i>decentralisation</i> processes and enhance local governance, for they are key elements to achieve social cohesion."
ENP-all sub-regions	
Regulation (EC) No 1638/2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument	The regulation specifies that "decentralised bodies in the partner countries, such as regions, departments, provinces and municipalities" can be financed under this instrument. Moreover, it is stated that EC assistance "shall normally be established in partnership between the Commission and the beneficiaries. The partnership shall involve, as appropriate, national, regional and local authorities, economic and social partners, civil society and other relevant bodies".
COM(2004) 373 - European Neighbourhood Policy Strategy paper	The paper refers several times to co-operation between local authorities ("decentralised co-operation") but no specific reference is made to decentralisation or local governance.
ENP-MEDA	
Declaration of the Paris Summit for the Mediterranean (2008)	"Heads of State and Government underscore the importance of the active participation of civil society, local and regional authorities and the private sector in the implementation of the Barcelona Process"
Council Regulation 2698/2000 (27/11/2000)	It is recognised in the document that: "Good governance shall be promoted by supporting key institutions and key protagonists in civil society such as <i>local authorities</i> ".
Barcelona declaration (1995)	The participants agreed to encourage "co-operation between local authorities" and "contacts between parliamentarians, regional

Policy / programming documents	Reference to decentralisation or local governance
	authorities, local authorities and the social partners” but no mention was made to decentralisation or local governance.
Regional Strategy Papers 2007-2013	The paper underlines the importance of strengthening the civil society in partner countries but no reference is made to decentralisation or local governance.
Regional Strategy Papers 2002-2006	No reference to decentralisation or local governance.
ENP-Tacis	
Eastern Partnership (COM(2008)823final)	It is recognised that “EU expertise and networks can assist in building up administrative capacity at national and local level and support national development plans” but no reference is made to decentralisation or local governance.
TACIS Regulation 99/2000	Expect the fact that “the reform of public administration at national, regional and local level” is identified as a potential area of co-operation, no reference is made to decentralisation or local governance.
Eastern regional programme Strategy paper 2007 - 2013	The document recognised that: “the Region is characterised by varying degrees of democratic consolidation and public governance” but no reference is made to decentralisation or local governance.
ACP	
2 nd revision of the Cotonou Agreement (Brussels, 2010)	Several mentions are made to decentralisation processes and decentralised actors. In particular, a special emphasis is put on multi-actors approaches and the development of the capacities at the central and local levels.
1 st revision of the Cotonou Agreement (Luxembourg, 2005)	Several references to decentralisation. For instance, the document underlines the necessity of a deepening of participatory approaches including a more important role given to local authorities.
Cotonou Agreement (2000)	The agreement places an emphasis on the political dimension of development, as reflected in the principle of good governance (article 9). Moreover, it recognised local and regional governments as potential partners in co-operation (article 6), introduced a focus on institutional development and capacity building, and mentioned “support for political, administrative, economic and financial decentralisation” as one strategic area in this field (article 33).

1.2 JC1.2 EC policies, programming guides and reference documents are comprehensive and coherent

Main findings at JC level

The EC commitment to support decentralisation and local governance issues has gradually become more explicit over the years since 2003. The discussion of decentralisation in EC policies and guidelines is cognisant of the fact that the term is interpreted differently in different contexts. The official statements are at the same time clearly emphasising “local authorities” and the decentralisation of functions, mandates and resources to local governments/local authorities. The EC is in this regard clearer in its emphasis on a particular form or type of decentralisation than many other development organisations that frequently emphasise alternative interpretations such as “community participation”, “community driven development”, etc. The emphasis on “local authorities”/“local governments” is to a large extent the result of the significant involvement of European local authorities in the development dialogue – this includes regular consultation with The Committee of the Regions³¹ and was for instance reflected in the recent second edition of the Assises of

³¹ The Committee of the Regions (CoR) is the political assembly that provides the regional and local levels with a voice in EU policy development and EU legislation. The Treaties oblige the Commission, Parliament and Council to consult the Committee of the Regions whenever new proposals are made in areas that affect the regional or local level. The CoR has 344 members from the 27 EU countries, and its work is organised in 6 different

Decentralised Co-operation for development that brought together local and regional authorities' representatives from the EU and developing countries to exchange their views and hold a political dialogue with the European institutions on development co-operation³².

However, although the existing overall guidance is fairly coherent, clarity in definitions sometimes differs from one key document to another. The 2007 reference document is the most widely distributed EC document on support to decentralisation, but definitions and concepts are not as clear in that document as in later work. For example, the 2009 EC Decentralisation Programming Fiche and the 2008 European Charter on Development Co-operation in Support of Local Governance are much clearer and deserving wider dissemination among EC staff (both at HQ and EUD).

Furthermore, EC staff interviewed (both at HQ and EUD) note that the specific guidance on decentralisation is not yet fully internalised in programming guides or fully supported by other operational procedures and guides.

1.2.1 Ind1.2.1 - Coherence and comprehensiveness of documented policy statement, goals, and objectives

Detailed evidence at indicator level

EC Policy documents, programming guides and reference documents have gradually developed over the evaluation period into more comprehensive sets of documentation. The major regional policy/programming documents summarised in Table 3 above, are all fairly general in their statements but open up for various forms of EC support to local governments and decentralisation in the concerned regions. The references to decentralisation and local authorities are more pronounced in ACP than other regions. Even where decentralisation is not an area for support, following the revision of the Cotonou Agreement in 2005, local decentralised authorities should be involved as actors of the partnership (see Cotonou Agreement, article 4).

In summary, the EC commitment to support decentralisation and local governance issues has gradually become more explicit over the years since 2003. The guidance is fairly coherent but not yet fully internalised in programming guides or fully supported by other operational procedures and guides.

In terms of coherence: the discussion of decentralisation in EC policies and guidelines is cognisant of the fact that the term is interpreted differently in different contexts. However, the more official statements are at the same time clearly emphasising "local authorities" and the decentralisation of functions, mandates and resources to local governments/local authorities. The EC is in this regard clearer in its emphasis on a particular form or type of decentralisation than many other development organisations. The EC clearly focuses on decentralisation to elected local governments – rather than e.g. decentralisation to various forms of community groups (a form of decentralising that e.g. the World Bank has been advocating for long, in partial conflict to its simultaneous support for decentralisation to local governments).

The EC 2007 reference document underscores the fact that decentralisation can be interpreted in many different ways and to a certain degree that leads to a loss of coherence. In particular because the document after reviewing various interpretations never clearly suggest one specific definition of the core concept "decentralisation" to be utilised by the EC. The same document also confuses terminology slightly because it mixes the use of "dimensions" and "types" of decentralisation. This is most clear in its definition of administrative decentralisation (page 16):

commissions. They examine proposals, debate and discuss in order to write official opinions on key issues. See <http://www.cor.europa.eu/pages/HomeTemplate.aspx>

³² The meeting included more than 100 delegates and was held end March 2011. The ultimate aim was to contribute to reinforce development aid effectiveness towards the full integration of local and regional authorities into the development cooperation policies and to build a genuine EU partnership between the different actors active in the field of development. For details see <http://portal.cor.europa.eu/atlas/en-US/Pages/Assisesondecentralisedcooperation.aspx>

“Administrative decentralisation aims at transferring decision-making authority, resources and responsibilities for the delivery of a select number of public services, or functions, from the central government to other (non-elected) levels of government, agencies or field offices of central government line agencies. Administrative decentralisation is associated with three possible variants, each having different characteristics: (i) de-concentration, (ii) delegation and (iii) divestment, which relates to the privatisation of functions and services. Administrative decentralisation ... is generally perceived as the narrowest form of decentralisation because local institutions to which tasks are transferred are not based on political representation controlled from below.”

A much clearer definition is provided in the recent 2009 Decentralisation Programming Fiche that also more clearly is in line with the 2008 European Charter on development co-operation in support of local governance. For future work it is recommended to use the definitions adopted by the Charter (and also used in this evaluation):

Box 3 Key definitions adopted by the 2008 European Charter on Development Co-operation in support of local governance

Decentralisation: a process involving the delegation of a range of powers, competences and resources from the central government to elected local (sub-national) governments. Decentralisation entails three inextricably linked dimensions:

- Political: it involves a new distribution of powers according to the subsidiarity principle, with the objective of strengthening democratic legitimacy
- Administrative: it involves a reorganisation and clear assignment of tasks and functions between territorial levels to improve the effectiveness, efficiency and transparency of the administration over all national territory
- Fiscal: it involves a reallocation of public expenditure to local and territorial authorities and enables them to generate their own revenue according to their assigned tasks

Local democratic governance: decision-making and implementation process of public policy that, around local governments (elected in contexts of decentralisation), encourages an equal participation of all stakeholders of a territory (state, citizen, civil society, private sector), reinforces accountability towards citizens and responsiveness to social demands in seeking for the general interest.

In terms of comprehensiveness it can be concluded that guiding documents discuss support to decentralisation fairly comprehensively in the sense that a wide range of different entry points and support strategies are considered. However, the reference documents are without specialised guidance in key areas such as:

- Fiscal decentralisation (including guidance on functional assignments and how to work with core elements such as local government taxation, fiscal transfer systems, and
- Analyses of politics of decentralisation reforms,
- Decentralised human resource management,
- Sector specific decentralisation issues.

However, this type of more specialised reference material is not necessarily required to be developed as EC specific guiding documents, but is currently increasingly being developed as part of the joint Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD).³³

³³ See annex 1 section 2.3.2 for detailed discussion of this.

1.2.2 Ind1.2.2 - Coherence between documented EC policy statement, goals, objective and international efforts for coordination and harmonisation

Detailed evidence at indicator level

The 2008 European Charter on development co-operation in support of local governance (discussed above) is probably the most explicit “international” commitment of EC and its member states on how to support decentralisation and local governance in third countries.

The EC has, in addition, primarily worked through the Informal Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD) for harmonisation of aid to decentralisation and local governance. In both of these forums there is an emerging clear conceptualisation of what decentralisation entails, how its main dimensions should be understood and analysed and how to work with the theme. These are to a large extent also reflected in the most recent general EC document on decentralisation (the 2009 programming fiche).

Box 4 Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation

After the approval of “General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation” in 2008, the DPWG-LGD embarked upon the elaboration of drafting “specific guidelines for enhancing aid effectiveness” that will apply to specific country contexts that include 12 main principles, well developed in the document:

Regarding Ownership:

1. Act strategically to strengthen the national framework and key actors in fostering decentralisation and local governance
2. Taking the decentralisation and local governance context as a starting point
3. Strengthening the domestic capacity development for planning, implementing and adjusting decentralisation and local governance reforms at all levels

Regarding Alignment:

4. Designing aligned response strategies according to the degree of ownership, commitment and political will to decentralisation and local governance
5. Development partners committing to ensure synergies and consistency between support to the national decentralisation framework and sector support
6. Strengthening fiscal decentralisation and local authorities financing

Regarding Harmonisation:

7. Building on and strengthening nationally driven DLG policies with harmonised strategic responses from DP to different degrees of and commitment to decentralisation and local governance
8. Implementing division of labour amongst DP’s so that the mix of support programmes and aid modalities covers the key issues and actors in the country specific DLG process
9. Harmonising approaches to DLG capacity development in sector support programmes
10. Adopting incentive systems in donor agencies that work in favour of harmonisation efforts

Regarding Managing for Results:

11. Supporting the establishment and strengthening of domestic monitoring and evaluation systems of decentralisation and local governance reforms

Regarding Mutual Accountability:

12. Building on and supporting decentralisation and local governance reforms that strengthen accountability on both, the supply and demand sides.

1.3 JC1.3 EC policies provide clear orientation and guidance to its interventions in support of decentralisation processes

Main findings at JC level

The survey indicates that almost half of the EUDs find that the EC policy framework is unclear. Among the different guidelines on decentralisation support, there is only one document (the 2007 Reference Document) that is fairly well known. It is also evident that staff find themselves overwhelmed with the many different guidelines and instructions from HQ. Many staff members expressed need for improved guidance in several areas – but preferably through increased interaction with experienced colleagues rather than in the form of many added guidelines.

EC policy framework for support to decentralisation gives significant discretion to EUDs for interpretation on whether or how to support decentralisation processes in partner countries. In some countries (e.g. *Tanzania* and *Rwanda*), the delegations have had to make an explicit choice and “exit” from direct decentralisation support as part of aid harmonisation efforts. In a few countries, EC remains as significant lead donor in support of decentralisation/local governance (e.g. in *Mali*, *Lebanon* and *Benin*), but in most countries the EC is seen as an only relative minor player.

Although the overall policy framework and the general orientations of the EC in relation to decentralisation are not well known, it appears that national stakeholders and other development partners usually have a good knowledge of the specific objectives and orientations of EC-funded interventions in the partner country.

National stakeholders generally recognised the clear position of the EC in terms of its focus on local authorities. In this regard the EU is seen clearer than other development organisations that frequently support other competing approaches to decentralisation (such as World Bank and UN support to “community driven development” etc).

Other development partners, in particular countries, foremost understood and appreciated the position of the EC when it actively engaged in joint “local government sector working groups” or related fora for donor harmonisation in support of decentralisation.

1.3.1 Ind1.3.1 - Clarity of EC policy/strategies on decentralisation according to national stakeholders in partner countries

Detailed evidence at indicator level

In some cases, national stakeholders recognised the clear position of the EC in terms of its **focus on the role played by local authorities**. However, in this case the EC “decentralisation strategy” is often not as clear.

- In *Lebanon*, national stakeholders and other development partners recognised the clear position of the EC in terms of its focus on local authorities when supporting local development interventions. This is also well communicated by the EUD, e.g. in its recent newsletter (issue 3, 2010) where “*strengthening the role of local authorities*” was the major theme. However, it is well recognised by all stakeholders that the Government of Lebanon doesn't have a clear vision or strategy for decentralisation reforms – the EC approach has therefore hitherto been guided by a general recognition of the potential role of local authorities in development and inclusion of municipalities as local partners rather than specific decentralisation strategy.

In a few cases, the EC support is not seen as guided by a strong internal strategy but rather by the evolution of national priorities.

- In *Honduras*, officials from the Ministry of Interior and Population pointed out the fact that during the formulation of PROADES in 2004, no specific strategies of the EC for decentralisation were discussed. The concern was actually to formulate a programme that would support the national decentralisation programme (PRODDEL) without necessarily linking it to EC specific priorities and discussions were apparently focusing on the financing modality (budget support).

That said, generally, a **good knowledge** of the specific objectives and **orientations** of EC-funded interventions in the partner country can be observed.

- In *Benin*, the various national stakeholders interviewed find that the EC policy interventions on decentralisation and local governance have been pertinent and very clear but that the actual policy documents are less well known.
- In *Rwanda*, all national stakeholders met during the field visit had a clear understanding of the EC approaches to decentralisation/local governance (as pronounced under the DPRPR). However, there was not a wider knowledge of any specific strategies or documentation that the EC has developed.

In some countries, the EC has been a significant **lead donor** in support of decentralisation/local governance. This situation has significantly contributed to increasing the clarity of the orientations of the EC strategy in the partner country.

- For instance, in *Benin*, it appeared during the field visit that the mere fact that the EC has consistently been playing a lead role in the decentralisation and local governance field over the past 5 years, has also meant an increased visibility and also a shared vision for work with other key development partners (DPs).
- Similarly, in *Mali*, the leading role played by the EC in decentralisation, with clear choices from the start, gave good visibility to its action. The field visit showed that the EC orientations on decentralisation appear to be clear for both, national authorities and other partners.

As seen in EQ4, national stakeholders have generally appreciated the position of the EC when it actively engaged in “local government sector working groups”.

1.3.2 Ind1.3.2 - Clarity of EC policy/strategies on decentralisation according to other international donors

Other donors have rarely a “global picture” of EC support to decentralisation but make assessments based on country specific interventions. There is great diversity in the extent to which they perceive EC as a strong and committed supporter of decentralisation.

In *Honduras*, the development partners met were not aware of specific EC strategies for decentralisation. Some (BID, WB) have however recognised the active role taken by the EC as recently illustrated in the participation in the formulation of the new Government's policy, but also in 2003 and 2004 during the formulation of the national programme for decentralisation PRODEL.

In *Mali*, *Lebanon* and *Benin*, the EC is generally perceived as being among the leading development partners supporting decentralisation reforms and the EC is to a varying degree taking the lead also in donor coordination of decentralisation support.

In some countries, as a result of deliberate “division of labour” among donors, it has been decided that the EC should focus on other areas of development assistance. This is for instance the case in *Tanzania* and *Rwanda*. However, even in these countries it is found by some development partners, that since the EC is a very significant partner in decentralised sectors (e.g. health and education), it should take a stronger interest in decentralisation issues and continue its engagement in “local government sector working groups”. The EU has demonstrated that this can be done. Thus, even though the EC only marginally works directly with decentralisation reforms in the *Philippines* (but focus on health sector in a decentralised context), then other DPs are well informed about EC efforts for supporting decentralised service delivery and are appreciative of its efforts because the EC engages actively in the local government sector working group.

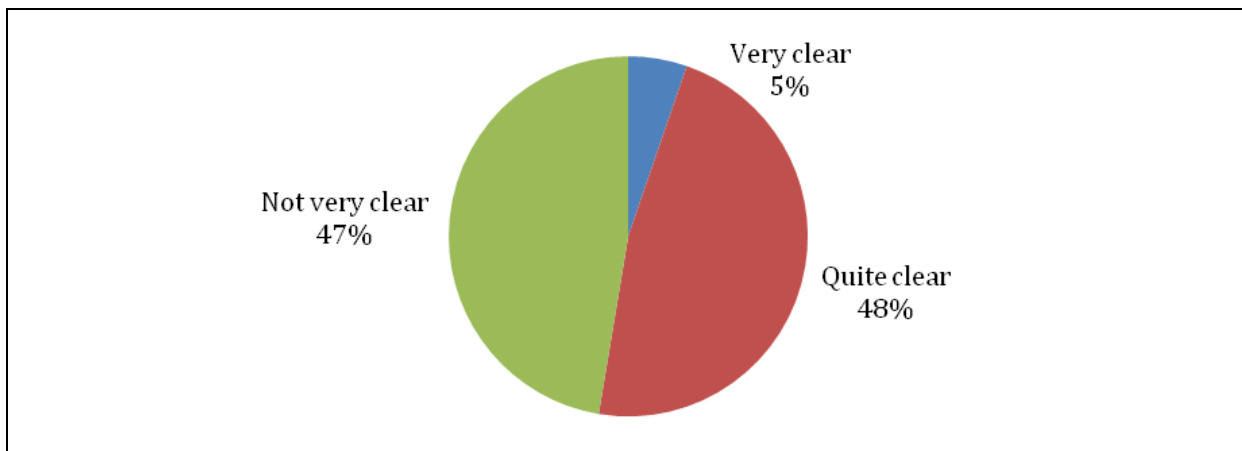
International DPs working with decentralisation and local governance have in recent years sought to share experiences and coordinate efforts through the informal Development Partners Working Group on Local Governance and Decentralisation (www.dpwg-lgd.org). From 18/05 to 20/05/2011 the Working Group held its 6th annual meeting in Brussels, hosted by EuropeAid and co-hosted by the Swiss Development Agency (SDC). A total of 47 participants from 24 organisations clearly indicated the continued interest in the working group: that it continues to play an important role as a knowledge sharing platform for enhanced donor harmonisation and aid effectiveness in the field of decentralisation and local governance. The group has not progressed on significant clarification on possible further

division of roles and responsibilities and the role of the EC is among its member states broadly seen as complimentary.

1.3.3 Ind1.3.3 - EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs

In the survey, almost half of the respondents perceive the EC policy framework on decentralisation as not very clear (47%). Although the EUDs are broadly aware of general guidelines, they would appreciate more specific and detailed explanations for specific cases (e.g. regarding the use of SBS or “basket programming” in relation to decentralisation support or guidance on how to act when decentralisation ceases to be a government priority, guidance for different modalities of implementation or guidance tailored to specific country contexts, guidelines and resources for more extensive country specific analysis etc).

Figure 4 Clarity of the EC policy framework, as perceived by the EUDs



Survey to the EUDs, Particip analysis

Table 4 Perceived constraints of the EC policy framework (EUD survey)

Answer	Number of respondents	
Yes	3	15 %
No	17	85 %

Only few of the delegations (15%) found in the survey that EC policy framework as such is directly constraining their work – the main challenge for EUDs appears to be the extent to which they can access detailed context specific guidance, just as some in the survey expressed concerns over the (e.g. EDF) financial procedures that prevented them from certain types of programming (e.g. *Rwanda* EUD wanted to establish sub delegation of Financial Agreement to Local authorities).

During the field phase, these broad assessments were confirmed especially regarding issues related to aid modalities (use of basket funds and SBS etc) in relation to decentralisation.

For instance:

- In *the Philippines*, four EUD staff members were interviewed: in general they were not aware of most of the specific official EC communications/strategy documents on decentralisation. However, several staff members were aware of the 2007 reference document, but didn't find any specific guidance on how to approach decentralisation reforms in the *Philippines* generally or within the health sector in particular. Staff felt that orientations towards aid modalities, like sector budget support (and SBS) and PFM issues, had been given attention within the EC and facilitated the programming in the health sector – however, they didn't find that existing EC guidance was

particularly clear on supporting decentralisation reforms or health sector reforms in a complex and relatively decentralised context as in *the Philippines*.

- In *Honduras*, the reference document on decentralisation from 2007 has been consulted in many occasions by the EUD, especially in 2009 and 2010 during the discussion around the extension of the PROADES programme up to 2013. However, the staff see the document as very general without specific guidelines for interventions in decentralisation and in particular in a SBS modality. In particular, the EUD would need more precise guidance on the way to define indicators for decentralisation as conditions for releases of tranches.
- In *Mali*, EUD staff interviewed considered the strategic framework as satisfactory and useful (including the reference document on "supporting decentralisation and local governance in Third Countries"). However, a Programme Officer at the EUD highlighted the fact that the "*recent evolutions decided at HQ level regarding the continuous assessment of the three general eligibility conditions for budget support prove to be inconsistent with the existing guidelines and with the contents of the signed financing agreements. It would thus be useful to indicate the new position of the HQ and amend the current financing agreements in order to avoid different understandings which would induce delays in the implementation of sector policies.*" It thus appears necessary to continue discussing and refining the EC approach on sector budget support and certain practical issues related to the implementation of the strategy to support decentralisation.

Finally, several EUDs felt overwhelmed with the amount of instructions and guidelines from HQs and therefore mainly appreciate guidance in the form of opportunities of dialogue with experienced staff from HQ or other delegations. However, such experiences were also considered relatively rare.

2 EQ2: Institutional capacity

Evaluation Question 2: To what extent has the EC developed its overall **institutional capacity** to support decentralisation processes?

2.1 JC2.1 The overall institutional environment at the level of the EC is suitable for appropriate support to decentralisation

Main findings at JC level

The survey indicates that more than half of the EUDs find that **EC Policy Framework was “not very clear”** in providing guidance on programming in support of decentralisation. Qualitative interviews point to the following key constraining factors:

- The relative **limited in-house technical expertise** available in the delegations which limits the professional engagement in programming in relation to support of decentralisation reforms.
- **Limited opportunities** for drawing on HQ expertise.
- **Limitations in flexible use of consultancy services** – this refers to a relative rigidity of procurement rules that makes it more difficult to ask for the right experts or the right service.
- Occasionally, EUDs experience **very long delays in clarification** on types of funding agreement and whether it is allowed to use these types of funding agreements. For example, the EUD in *Tanzania* waited two years for the permission to enter into a basket funding arrangement.

This **lack of flexibility** of EC operational procedures has been underlined during the field phase for instance in *South Africa* and *Tanzania*. EC procedures have been considered as **very cumbersome and bureaucratic** particularly in *Benin, Peru, Haiti and Rwanda*. In *Honduras, Lebanon, Mali, Sierra Leone* and in the *Philippines*, EC procedures were perceived as being **more flexible**.

The survey indicates that 43% of the EUDs perceived “*the level of communication and coordination between staff directly dealing with decentralisation and sector staff in your Delegation*” as “**low**” or “**quite low**”. However, the same survey also indicates that in 45% of the EUDs surveyed there has been an **improvement** over the evaluation period (while it has worsened in 5% of cases only). The fieldwork confirmed that the dialogue between staff in charge of decentralisation and those dealing with other sectors has generally improved. The dialogue is described as **very active** in *Lebanon, the Philippines, Rwanda and South Africa*. But this dialogue seems to remain **quite informal** in most of the cases, as for example in *Benin, Honduras, Peru and Sierra Leone*. In a few cases only, such as in *Mali and Tanzania*, this internal dialogue still appears to be **rather limited**.

During most of the evaluation period there has been a **gradual increase** in the number of specialised staff working with decentralisation issues. Thus, by the end of the period (2009) 2-3 professionals were full-time dedicated to decentralisation issues at HQ level within the Governance Unit (E4). However, from mid 2011 (not included in the evaluation period) after the reorganisation of EC External DGs, responsibility at HQ level for the topic “Decentralisation and Local Governance” is now placed within “D2: Civil Society, Local Authorities”. The organisational structures are still in transition, but the evaluation team found that by September 2011 only one permanent staff member was designated to work full time on “decentralisation”. The organisational restructuring has thus led to a decrease of staff resources dedicated to “decentralisation”. The new structure also seems to place particular emphasis on the thematic funding instrument “Civil Society and Local Authorities” rather than anchoring decentralisation clearly within the topic of “state reform or public sector reform”.

The evaluation team found, that there have been only **few incentives for innovation** in the field of decentralisation. The following factor might hinder the inclusion of innovative approaches in the support decentralisation reforms:

- EUDs recognise the significant political sensitiveness that is attached to decentralisation and prefer to let the choice for a any decentralisation reform to the partner government in order to respect the national sovereignty.
- Examples of decentralisation are diverse and contrarily to other governance reforms there is a low consensus on what can be defined as model or as “good practices”, exceptions being the desirability of national elected parliaments, on systems based on multi party democracy, the universality of Human rights).
- Decentralisation reforms are also considered to be very technical (in particular related to fiscal aspects of the reform) and EUDs frequently feel that other DPs are better suited to take the lead in the process. Consequently, EUDs of the sample of countries under evaluation, rarely take the risk to spearhead DPs in the area of decentralisation reforms.
- In addition it can be noted that many EUD staff feel that they work under significant pressure with limited time and resources to “think strategically”.

2.1.1 Ind2.1.1 - Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies

Detailed evidence at indicator level

The "Thematic evaluation of the EC support to Good Governance in third countries" (2006) emphasised in its recommendation the need for "*a change of culture as well as new toolboxes*" in order for EC support to be effective and adequate to the great variety of country contexts. The same evaluation also highlighted the critical **importance of flexible management approaches** (attuned to the often unpredictable nature of governance processes) as well as **quick response capacities** (allowing the EC to seize windows of opportunity).

The D-group discussions³⁴ on EC Support to decentralisation in third countries conducted by ECDPM³⁵ in 2006 concluded that the European Commission increasingly sought to **adapt its managerial approaches, processes and procedures** to deliver effective support accordingly. There was in particular general support within the EC to move "*beyond traditional project approaches to supporting decentralisation and to embrace, if conditions allow, a sector-wide approach supported with budget aid*"³⁶. However the D-group discussions at that time also confirmed the existence of a number of institutional constraints to an effective delivery of decentralisation support:

- Compartmentalisation remains a relatively important constraint for many EUDs. Most EUDs consider dialogue between staff in charge of decentralisation and those dealing with sectors to be "*ad hoc*" and "*limited*";
- Operational guidance on innovative funding mechanisms to support local governments is not yet readily available. This holds particularly true for the instrument of Municipal Investment Funds;
- Strategies and procedures do not always match. Effective support to hugely complex political reforms like decentralisation and local governance requires ‘process approaches’ for designing and implementing suitable donor intervention strategies. This, in turn, puts a premium on having flexible procedures (adapted to process approaches) and financing tools, as well as the possibility for joint funding mechanisms or "*delegation*";

³⁴ In April 2006, the EuropeAid launched a decentralisation discussion group (D-group) aiming at reviewing EC decentralisation and local governance experiences, challenges and realities in its support to 20 countries.

³⁵ European Centre for Development Policy Management.

³⁶ EC 2007, page 78.

- The administrative workload for staff in EUDs is heavy, reducing the time available for content work and direct engagement in decentralisation and local governance processes.

Interviews in EUDs and the documentary review clearly indicate that many EUDs **have increasingly moved away from “traditional projects” towards various forms of “sector wide approaches”**. This has led to overcome several of the above-mentioned constraints. EUDs have also shown a great deal of variations in approaches with regards to the selection of partners, funding modalities, etc. Examples that demonstrate the use of different and context-specific approaches, include:

- Support to decentralisation in *Mali* in the form of sector budget support – with the involvement of many DPs and led by the EC,
- Support to decentralisation through a capacity building programme in *Sierra Leone* using World Bank trust modality,
- Support to decentralisation in *Cambodia* with joint UN management.

The variation of approaches is documented in detail in the project inventory (Volume II – Annex 3).

These new approaches, have further contributed to overcome some of the above mentioned challenges.

However, the survey conducted among the selected 22 EUDs indicates that a significant percentage (56% of respondents) find that **EC Policy Framework is “not very clear”** in providing guidance on programming in support of decentralisation. Qualitative interviews³⁷ point to the following key constraining factors:

- The relative **limited in-house technical expertise** available in the delegations which limits the professional engagement in programming in relation to support of decentralisation reforms.
- **Limited opportunities** for drawing on HQ expertise.
- **Limitations in flexible use of consultancy services** – this refers in part to relative rigidity of procurement of experts; the EUDs cannot procure consultants as flexible as many other DPs. It also refers to the nature of work that can be procured – many EUDs felt that other organisation were much better resources to undertake in-depth analytical work for their internal use – e.g. World Bank and DfID funding “political economy analyses” or “drivers of change studies”.

Occasionally, EUDs experience **very long delays in clarification** on types of funding agreement and whether it is allowed to use these types of funding agreements. For example, the EUD in *Tanzania* waited two years for the permission to enter into a basket funding arrangement. This lack of flexibility of EC operational procedures have also been highlighted during the field phase. IEC procedures have been considered as very cumbersome and bureaucratic, particularly in the following countries:

- In *Benin* for instance, the procedures were often found to be both bureaucratic and excessive in the early process of the project implementation. Many of the implementing partners found EC procedures were **very cumbersome and bureaucratic** with many externally set and driven audits and reporting formats. However, over time, a number of programmatic and sector budget support initiatives have been developed and interviewed donor found them to qualified to be more flexible and useful to DLG issues further. For example, one of the components of the PACTE programme implemented with the help of a specific programme unit was delegated to GTZ (GIZ) as they were found to be technical sound in the capacity building area and the focus of the component was the capacity building of the deconcentrated services in the regions.

³⁷ To date only from HQ interviews and from one delegation (Ghana)

- According to the EUD of *Peru*, it seems that governmental institutions find EC guidelines and procedures during the evaluation period **rather bureaucratic**, resulting in the fact that some funding opportunities were not used. An example is the Programme for Modernisation of the State (PMdE), for which the implementation has been very slow as the state institutions needed to present their budgets and operational plans before funds could be released. Although approved in 2007, activities only started in 2010 in the Decentralisation Secretariat (Secretaria de Descentralizacion, SdD) linked to the Presidency of the Council of Ministers (Presidencia del Consejo de Ministros, PCM)³⁸.

Staff changes within regional and local governments, ministries and implementation agencies involved in the EUD programmes³⁹ makes it difficult for the EUD to establish stable strategic partnerships for decentralisation. In recent years, the main national partner seems to have been the MEF. Among the development partners no specific partnership exists.

- In *Rwanda*, looking at the implementation of the DPRPR programme, it is clear that the EC tried to respond to the needs of the national partners and redesigned the programme in 2005/6 in order to channel the funds through the CDF. What is clear is the fact that EC procedures in terms of auditing, accounting and use of funds **proved to be very cumbersome** for the national partner and almost jeopardised the intervention. A solution was found, as the national partner developed sufficient capacities to better cope with procedural demands of the EC. However, in the process of moving towards the 10th EDF, it seems that DLG is NOT any more a strategic issue for the EC as a result of the division of labour exercise. Thus, the EC is not necessarily actively seeking out strategic partners in the DLG field any more.
- In the context of conventional projects in *South Africa*, the **very limited flexibility** of some procedures and rules for contracting continues to have seriously hampered the quality of the overall implementation of the reform, detracting from a results-oriented approach. To avoid micro-management, an appropriate balance needs to be found between procedures that safeguard the EC's financial interests and fair competition and the need to facilitate a smooth implementation of projects with the necessary flexibility. In particular, the rigidity of Financing Agreements (often drafted some years before the actual implementation starting date) prevents EUD staff from adapting implementation modalities to field realities and focusing on results. This was a constant topic in the discussions with partner organisations.
- In *Tanzania*, it is made clear from the fieldwork, that some parts of the institutional environment have to a large degree **constrained** EC support to decentralisation in Tanzania. This is made evident when looking at the way how direct EC support was formulated and developed: the EC decided as early as 2004 that the most appropriate entry point for support to the reforms would be to contribute to the LGDG. But signing of the programme document could only take place in 2007 because of HQ concerns regarding the use of basket funding arrangements. *"Support to Local Government: The FP for the support to the decentralization process in Tanzania was submitted in May 2005. It has been pending the approval of the Director of EuropeAid to include Tanzania on the list of pilot countries to allow basket funding for 9th EDF funds. This was confirmed in June and the FP was presented at the September EDF committee. The signing ceremony will take place early February 2007"*⁴⁰. Within the EUD decentralisation was given rather limited priority from around 2006-7 on, as it became likely that other DPs would be designated to lead the sector. However, it was still

³⁸ The PMdE was also delayed due to changes in staff in the PCM administration and some political obstacles from the government as the programme was agreed upon with the former government (2001 to 2006).

³⁹ "Programa de Apoyo a la Seguridad Alimentaria" (PASA), "Apoyo a la Modernización del Sector Salud y su Aplicación en una Región del Perú" (AMARES), "Programa de Apoyo al Desarrollo Socioeconómico y a la Descentralización de las Regiones de Ayacucho y Huancavelica" (AGORAH), "Programa Articulado Nutricional" (Euro-PAN).

⁴⁰ Source: External Assistance Management Report 2006

recognised that decentralisation reforms in Tanzania were important for the successful implementation of sectoral programmes at local levels in sectors such as education, health, roads, agriculture and infrastructure..

In other countries, EC procedures appeared to be more flexible:

- In *Honduras*, **some flexibility** exists in EC procedures with the possibility for quick responses to national need and also to select relevant partner, but in terms of aid modality it is clear, that the HQ prefers the SBS modality. This preference for SBS resulted in less flexibility in 2004 when the EC supported by a consultancy formulated the Decentralisation Support Programme (PROADES) which supported the national decentralisation programme (PRODEL). The EUD and the consultants suggested (in coherence with the national partner government) a modified SBS modality linked up to certain sub-sectors, but this was changed by EC Headquarters to a normal budget support modality for decentralisation. In 2010 when an opportunity to prolong PROADES was seen by the EUD and an addendum to the financial agreement from 2005 was signed with the GoH, again a sector budget support (SBS) modality to decentralisation was chosen.
- In *Lebanon*, the overall institutional EC environment is broadly considered by the EUD **as suitable** for appropriate support to decentralisation. It has enabled the EUD to design and implement a number of responses in support to “local development” that ultimately may lead to “decentralising” through a bottom up approach. However, the EUD realises the relative lack of strategic direction in the past interventions such as e.g. the relative ad-hoc approach to the selection of partners.
- In *Mali*, EC procedures have allowed to adjust aid modalities and **to be flexible**. The project and budget support approaches could have been combined.
- In the *Philippines*, the EC operational procedures are generally considered **adequate** by EUD staff for programming relevant interventions in support of “sector support in decentralised context”.
- In *Sierra Leone*, the EUD analysed various options how the support should be allocated in the preparation for the EC “DCBP”. During that process it was realised that the WB already had implemented a large reform programme with the GoSL and funding was needed to prolong the programme. The operative EC procedures did not hinder the EC to join this new arrangement within a trust fund with the WB, DfID and GoSL as partners. EC procedures have **also permitted** the establishment of a partnership with the DfID which resulted in a joint EU/DfID CPS 2008 to 2013.

2.1.2 Ind2.1.2 - Dialogue between staff in charge of decentralisation and those dealing with sectors

Detailed evidence at indicator level

In the framework of D-group consultations, conducted by ECDPM in 2006⁴¹, most EUDs considered dialogue between staff in charge of decentralisation and those dealing with sectors to be “**ad-hoc and limited**”⁴².

Interviews from EC HQ indicate that the situation **has improved** since then. Specific evidence of improved interactions includes:

- The participation of various sector staff in EC training courses on decentralisation,
- The engagement by sector staff in development of sector specific concept papers on decentralisation issues (health, education and environment).

The survey conducted among the selected 22 EUDs indicates that 43% find that “*the level of communication and coordination between staff directly dealing with decentralisation and sector staff in your Delegation*” is “low” or “quite low”.

⁴¹ Supposedly covering “more than 100 delegation staff in all regions as well as key experts from DG Relex”, EuropeAid, and DEG DEV (EC 2007, page 2).

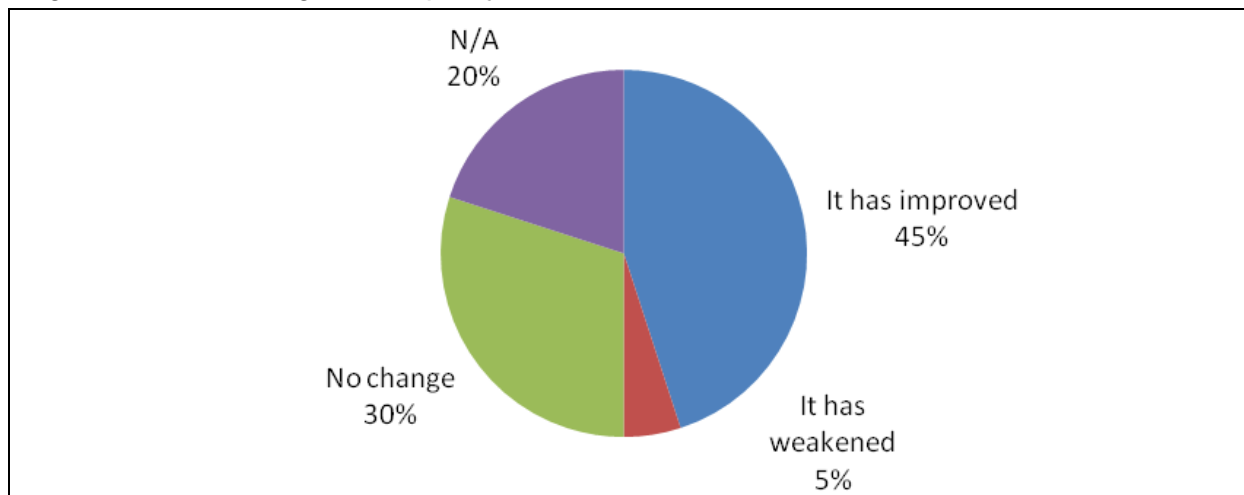
⁴² EC 2007, page 78.

Table 5 Perceived quality of communication and coordination in the EUDs

Level of communication and coordination	Number of answers	%
High	5	23.8 %
Quite high	6	28.6 %
Quite low	5	23.8 %
Low	4	19.0 %
N/A	1	4.8 %

However, the same survey also indicates that for 45% of the EUDs there has been an **improvement** over the evaluation period, while it has worsened in 5% of cases only.

Figure 5 Change in the quality of communication and coordination from 2000 to 2009



Survey to the EUDs, Particip analysis

Those EUDs that pointed out specific problems related to internal communication with respect to decentralisation usually ascribed it to heavy workload that prevents decentralisation issues to be discussed horizontally among sections.

These general patterns found in the desk survey were generally confirmed during the ten field visits.

The dialogue between staff in charge of decentralisation and those dealing with other sectors has generally improved and is often described as very active in the countries visited:

- In *Lebanon*, staff within the EUD has had a fairly active dialogue on decentralisation related issues – this has also been facilitated by the fact that staff has been organised in a section “Infrastructure and Local Development” where “decentralisation” is defined beyond a “governance issue”.
- In the *Philippines*, decentralisation and Local Government issues are recognised by the EUD as of obvious importance in the Philippines. Staff working on various aspects of the health sector programme as well as staff working on PFM and the local governance programme interact significantly and e.g. share participation in the sector working group on decentralisation and local governance.
- In *Rwanda*, the dialogue internally at the EUD is very clear and active. It seems that the EUD often shares information of relevance to the various sectors and decentralisation issues.
- In *South Africa*, the Evaluation Team was informed that frequent meetings internally in the EUDn were used to coordinate and exchange information from various sectors.

However this dialogue seems to mostly remain quite informal:

- In *Benin*, the issues of decentralisation and local governance are actively discussed within the EUD and with the government partners. The on-going dialogue within the EUD and with external partners is intensive in terms of DLG issues.

The Evaluation Team did not have specific meetings with the sector staff, nor did the sector staff attend the debriefing during the mission. However, the EUD has internal weekly management meetings where heads of sections discuss all relevant developments in the various key support areas and therefore a lively exchange of information is ensured through these meetings. Often sector staff invites the DLG focal points to various sector specific meetings of a wider relevance.

- In *Honduras*, no formal procedures exist within the EUD for coordination of sector programmes with decentralisation. It is done informally between the staff members at occasional meetings or staff meetings.
- In *Peru*, communication between staff for decentralisation and staff with responsibilities for sectors take place at staff meetings and informal meetings. No formal mechanism is established to coordinate actions related to decentralisation. The coordination is however still well articulated according to the survey to the EUD.
- In *Sierra Leone*, the coordination is mainly done by the relevant staff, who arrange meetings or have informal sessions, when necessary. Within the EUD no formal mechanism is established to secure coherence between different EC interventions in sectors and decentralisation.

However, in *Mali and Tanzania*, this internal dialogue is still rather limited:

- In *Mali*, there is a dialogue between the teams of the EUD, but, specifically on decentralisation issues, the dialogue is more linked with the team working on "economic" issues. Operating methods actually differs at the EUD unit in charge of infrastructures in terms of the respect of the code of local governments (esp. for the management of services or "*maitrise d'ouvrage*" by the regions).

The transfer of knowledge related to other sectors supported by the EC in Mali is difficult as the exchange within EUD staff is not institutionalised. Exchanges are thus rather ad-hoc and conflict of objectives or synergy potential are only discovered by chance. To illustrate this situation, the WatSan programme (PACTEA) does not respect the principles of decentralisation as it goes against the idea of a management ("*maitrise d'ouvrage*") by the LGs themselves. After some parallel developments, some links could be established with ARIANE, a support programme to CSO on the strengthening of the capacity of users' associations. Interviews with EUD staff has revealed that the lack of communication between the EUD staff can be explained by time constraints and the absence of institutional exchange platform such as regular meeting and presentation of the work carried out in the different sectors.

- In *Tanzania* after an agreement on the LGDG modality was reached, the responsibility for dealing with decentralisation issues was within the EUD and given to a young and relative inexperienced staff member. She was also given responsibility for other governance projects. In addition it was soon afterwards agreed (around 2007-08) that other DPs than the EUD should be lead donors in the "local government sector". The EUD gave subsequently relative limited attention internally to decentralising issues. However, within the specific sectors, such as infrastructure, education and agriculture, the EUD engaged in dialogue on decentralising issues. In The EUD was not leading any of the decentralising specific discussions – this was left to DPs more engaged in the core local government reforms (among EU member states: the Dutch, the German, The Finnish, - as well as the World Bank and JICA).

2.1.3 Ind2.1.3 - Existence of specialised thematic units/ staff dealing with decentralisation.

Detailed evidence at indicator level

During the evaluation period, EC staff specialised on decentralisation issues has been **concentrated within E4 Unit** (Governance, Security, Human rights and Gender) in the sub-section "Public administration reform and decentralisation". This section included (end 2010) four permanent staff of whom two have decentralisation as their main thematic focus. In addition one staff member assigned to "public Administration Reform" has worked in practice

also on decentralisation issues. Thus in total 2.5 staff members were dedicated to the support of “decentralisation”. The unit was at the time of interviews (in 2010) considered to be relative new as it was created in 2005. It is only since 2008 that it had its present level of staffing established. The mandate of the unit/section is to provide thematic support to the entire EC including the all delegations.

The **section is relatively small** compared to what is established within other international organisations such as UNDP or World Bank that have a range of sub-sections each with several more professionals specialised in various decentralisation issues (e.g. the World Bank's Urban Sector, the WB PREM, the WB CDD⁴³ section etc and the various regional UNDP local governance offices/hubs and specialised organs such as the UNCDF). However, while some of the above offices in e.g. World Bank are well known to interpret decentralisation very differently (e.g. the CCD/Social Action Fund approaches compared to the local government approaches supported by the urban sector etc), the smaller office of the EC gives more coordinated guidance to EC operations. The 2007 Reference document⁴⁴ is considered as an overall guiding document.

Staff in the EU Delegations (see Volume annex 4 for the survey results) generally finds that they receive **"very limited" direct support from HQ within this thematic area**. E4 staff also expressed in interviews that the task of providing "global advice" was enormous and that they generally considered themselves “understaffed” compared to the broad mandate and number of support-requests from EU Delegations. Staff expressed in particular need for expanding expert capabilities in the area of fiscal decentralisation (if resources would allow it).

However, from mid 2011 (after the evaluation period) the two Development Generals (DG AIDCO and DG Development) were merged into one. The final overall organisation of the Directorate General was decided on 1st June 2011. Within the new structure, the responsibility at HQ level for the topic “Decentralisation and Local Governance” is now placed with “D2: Civil Society, Local Authorities”. The organisational structures are still in transition, but by September 2011 only one permanent staff member was designated full time to work on “decentralisation”. The mandate is still very wide and includes policy, management and quality support. This includes missions to countries where the delegations are in critical stages of programme formulation and general guidance to work on the topic in all delegations. Further, participation in global donor networks for information sharing and donor harmonisation are also in the scope of tasks. The organisational restructuring has thus led to a decrease of staff resources dedicated to “decentralisation”. The new structure also seems to place particular emphasis on the thematic funding instrument “Civil Society and Local Authorities” rather than anchoring decentralisation clearly within a theme of “state reform or public sector reform”.

2.1.4 Ind2.1.4 - Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures).

Detailed evidence at indicator level

ECDPM's consultations in 2006 indicated that staff in EUDs clearly requested incentives “to take risks and adopt a learning-by-doing approach”⁴⁵. In the web survey, only 14% of the respondents consider that “the institutional environment within the EC allow **space for risk-taking and innovative actions** in the field of decentralisation in your country”. The underlying reasons for this assessment are further discussed below.

Incentives to innovate are few. Specifically with regards to support for decentralisation reforms it can be observed that EUDs generally takes the position that any choices of reforms must remain an issue of national sovereignty and recognise the significant political

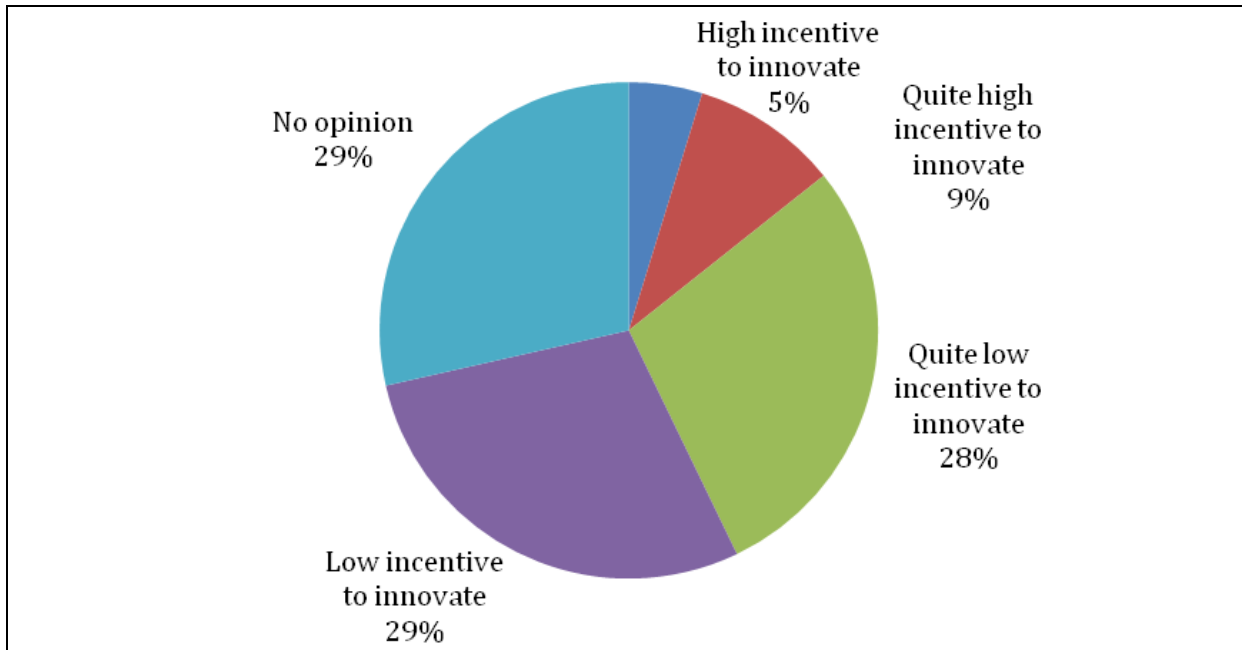
⁴³ Community-Driven Development

⁴⁴ EC 2007: Supporting Decentralisation and Local Governance in Third Countries

⁴⁵ EC Reference Document 2007, page 78

sensitivities involved. Models of decentralisation are diverse and contrarily to other governance reforms there is less consensus on “good practices” (e.g. wide consensus on desirability of national elected parliaments, on systems of multi party democracy, the universality of Human rights etc). Decentralisation reforms is also on various levels , in particular in relation to fiscal aspects of reforms, considered to be very technical and EUDs frequently feels that other DPs are better suited to take lead. Consequently risks regarding spearheading DP work in support of decentralisation reforms are rarely taken in sample countries of the survey. In addition it can be noted that many EUD staff feel that they work under **significant pressure with limited time and resources** to “think strategically”.

Figure 6 Extent to what EC allows for space for risk-taking and innovative actions in the field of decentralisation in your country



Survey to the EUDs, Particip analysis

Staff of the EUDs indicates that in general there is **limited room of manoeuvre**, although reasons differ substantially, e.g.:

- Some countries find that decentralisation reforms are fairly well established and that the EUD’s sole option is to join existing (basket or similar funded) national programs: this is the case in e.g. *Tanzania*, and to a certain extent *Peru, Madagascar and Benin*.
- Other countries are facing almost the opposite situation as decentralisation reforms in their countries are at such an early stage and government direction to reforms is almost non-existent. Therefore only more traditional project support for local capacity building is perceived as a possible way of support (e.g. *Lebanon*).
- Some countries find the exploration of “innovative strategies” “too (politically) sensitive” (*DRC*) or too demanding in terms of internal capacities within the EUDs.
- Several EUDs point out that the internal assessment procedures of EUD performance and staff performance place emphasis on issues like disbursement, “EU visibility”, general program delivery and progress on aid harmonisation. Only so far as work on decentralisation reforms “scores” on those mentioned criteria, work on the sector carry incentives for both the EUDs as well as individual staff.
- A high number of EUDs also finds the EC procedures to be a constraining factor (*Guatemala*: In general, the EC does not promote risk-taking because of, amongst others, strict procedures and disbursement pressures) – see also box from *PNG* below.

The perception of a **rigidity of contractual and financial procedures** is illustrated by the *Papua New Guinea* Survey response: “For instance, an important component of the

*programme consists in grants to district administrations. The Call for Proposals modality is extremely complex in a poor-capacity environment such as PNG. In addition, it is impossible to use local audit/accounting/reporting/procurement systems, even in provinces, which are rather well performing, as it is very badly perceived, particularly since another main donor, AusAid, resort to local systems when they are performing*⁴⁶.

The only EUD in the survey that really stands out as being **comfortable with taken a clear innovative and risk taking** role is *Mali*: “Decentralisation is essentially a process of long-term reform that allows for experimentation, to implement the powers transferred in connection with the devolution of the state, to contribute to the fight against poverty and promote the regional and local economic development. The use of sector budget support for sectoral policies in support of decentralisation, the challenge of regional economic development and local support for centres of regional development and urban development of cities are important innovations in this area”⁴⁷.

In the *Philippines*, concerns over **lack of opportunities for “strategic thinking”** have been highlighted: “The EUD has been encouraged by HQ to focus on fewer areas – the prioritisation of Health was encouraged from HQ. Significant support to decentralisation “outside” the sector is not encouraged beyond what can be managed by smaller interventions like the SPF. Several staff members felt that time wasn't sufficient for “strategic thinking” – but that “innovation” certainly was welcomed – disbursement pressure was e.g. not considered an impediment.”

2.2 JC2.2 The EC has adequately adapted the staffing levels required to deal with governance and decentralisation issues

Main findings at JC level

Overall, the findings from the desk and the field phases indicate that human resources in EUDs and HQ dedicated specifically to decentralisation and local governance are scarce. Staff in **EC Headquarters** dealing specifically with decentralisation increased during the evaluation period to three to four persons within E4. However, with the recent reorganisation (2011) it has been dramatically reduced to only one person. In addition a number of persons were during the latter part of the evaluation period assigned as “focal points” within offices working on geographic coordination such as AIDCO B1, C1 and D1.

The results of the survey indicate that staff resources **in EUDs** assigned to work on decentralisation issues have increased over the evaluation period. Overall levels of staffing were however still modest. Furthermore the assigned staff has rarely been more than one person in the EUD, with limited time dedicated to these issues (e.g. in *Honduras, Mali, Peru, the Philippines, Rwanda, Sierra Leone* and *Tanzania*). Fieldwork highlighted that staff resources dealing with decentralisation issues were higher in *Benin* and in *Lebanon*.

Staff within EC has a variety of backgrounds and many have worked with various forms of public sector reforms where decentralisation has featured as an element. However, the field visit to *Philippines* confirmed the fact that knowledge of decentralisation issues did not feature as significant elements in staff recruitment.

The EUD survey indicated that the vast majority of responsible staff was acquainted with the 2007 reference document, but only few were aware of other relevant EU documentation. Staff had generally not been exposed to in-depth technical knowledge of specialised areas of decentralising reforms. Staff in EUDs have frequently made significant efforts to acquaint themselves with the specific local government systems and decentralisation reforms in their countries off work. Overall, a good knowledge on decentralisation issues has been found in a number of countries visited (e.g. in *Benin, Mali, Peru, Rwanda* and *South Africa*). However, the consequence of EUD staff turnover on institutional knowledge has been underlined in *South Africa, Honduras* and *Sierra Leone*. Systems for “handing over” knowledge on decentralisation reforms to new staff in EUDs appeared rather informal.

⁴⁶ Papua New Guinea Survey response

⁴⁷ Mali Survey response

Since 2006, Aidco E4 has arranged, together with the European Centre for Development Policy Management (ECDPM) approximately one major training event per year on decentralisation reforms. The content of the training has been participatory and participants are encouraged to use their own experiences. The reference document (EC 2007) has been a key resource used in all of these training events. Interviews with staff that have attended the courses, the results of internal training evaluations as well as field visits in *Mali, Lebanon, the Philippines and Rwanda*, indicate a positive assessment by participants. According to the survey to EUDs, around 30% of the staff dealing with decentralisation attended such training., meaning that still 70% of staff directly involved in management of decentralisation programmes did not attend such training, as confirmed in *Honduras, Peru, Sierra Leone, South Africa and Tanzania*.

In addition to the training courses conducted by Aidco-E4, decentralisation also figures as minor elements of training courses conducted by other units. The training conducted to date has given participants a broad introduction to the topic. E4's own assessment of the training conducted to date is positive, but they also see the need to focus in future trainings more on operational aspects of EC work by using diagnostic tools and linking them to aid modalities, project/programme cycle management and instruments.

2.2.1 Ind2.2.1 - Availability of adequate human resources in EUDs and HQs to deal specifically with decentralisation and local governance

Detailed evidence at indicator level

The web survey to 22 EUDs indicates that increasing staff resources are allocated to work on support of decentralisation: the number of EUDs having assigned at least one person to work on decentralisation increased from 47% to 83% over the evaluation period. However, the responsibility for decentralisation is typically managed by one person who also is responsible for a number of other issues (governance and sector issues). Assigned staff will rarely spend more than 25% of their time on decentralisation issues. Only in two EUDs it was indicated that one person would spend more than 75% of his/her time on decentralisation issues. The allocation of staff resources at EUD level for decentralisation issues is thus modest – but nevertheless the survey also indicates an increase in staff allocation over time.

Table 6 Internal resources for decentralisation at Delegations

Period	Yes		No	
In the period 2000-2006	11	55 %	9	45 %
In the period 2007-2009	18	86 %	3	14 %

Staff in EC Headquarters dealing specifically with decentralisation increased during the evaluation period to three-four persons within E4. However, with the recent reorganisation it has been dramatically reduced to only one person (see indicator 2.1.3).

In addition, a number of persons were during the latter part of the evaluation period assigned as “focal points” within units working on geographic coordination such as AIDCO B1, C1 and D1. However, responsibilities of “focal points” have been vaguely defined and their activities mainly based on personal interest rather than clear organisational guidance.

It has been confirmed by the fieldwork that human resources in EUDs and HQ dedicated specifically to decentralisation and local governance are scarce. Most of the time, there is only one person assigned to decentralisation in the EUD, with limited time dedicated to these issues:

- In *Honduras*, **one person** in the delegation is in charge of decentralisation and only **limited time (10%-20%)** is dedicated to this area. Staff member in the EUD express that it is difficult to get adequate support from the EC HQ. The EUD has recently communicated with the EU HQ on decentralisation approaches via personal contacts about the prolongation of PROADES – but the HQ has not been able to guide the

EUD on new and better indicators for the development in decentralisation in Honduras⁴⁸.

- In *Mali*, only **one person** is in charge of decentralisation (covering the monitoring of the policy of decentralisation and the state reform, the management of related projects, the coordination with donors and the dialogue in this sector). Tasks are carried out in a context of heavy workload and only possible through a strong personal commitment.
- In *Peru*, **one person** in the EUD is responsible for decentralisation – **less than 25%** of her time is spent on decentralisation. Before 2007, more time was spent i.e. up to 50% as the EUD at that time was dealing with a specific programme (AGORAH). Another two/three persons deal with the programme for non state actors and local authorities (NSA-LA); they mainly spend time on the evaluation of project applications and monitoring (about six projects with local or regional governments are implemented currently but these persons are in charge of many other projects involving Non State Actors in a variety of sectors).
- In the *Philippines*, within the EUD in the Philippines there is not one person designated to 100% to work on “decentralisation”, but several staff members work with the health sector programme. Three persons are significantly involved in work on institutional and finance issues of the health sector programme just as **one staff** member working on **governance** spent significant time in projects working in support of local governance/ decentralisation (the SPF).
- In *Rwanda*, the EUD has had throughout the last 5-6 years a number of staff dealing with rural development, PFM and Governance issues. In the last 1½ year **one person** has been dedicated to decentralisation issues.
- In *Sierra Leone*, the EUD has no specific unit dealing with decentralisation – this is done by **an individual**. The present staff member with responsibilities for decentralisation started in 2011 and since the former decentralisation staff member left in early 2010, **no staff member** has been fully responsible for decentralisation during that time. The EUD’s human resources are too scarce to follow the IRCBP closely and once funding is provided to the WB managed trust funds, the EUD has decided not to follow-up the day-to-day implementation of the fund.
- In *Tanzania*, the EUD decided around 2005 to assign the responsibility for “decentralisation” to **a junior programme officer**.

In a few cases, staff resources specifically dealing with decentralisation issues are higher:

- In *Benin*, the Governance portfolio is important to the EUD and support to DLG issues have increased over the evaluation period. Accordingly, the EUD has dedicated more staff resources to DLG over the period with 1 full time workforce from 2006 onwards and now 1.5 full-time-employee. The EUD-DLG focal point has been lead donor for several years over the evaluation period and appreciated by stakeholders. Some of the staff in the EUD have attended trainings/workshops for DLG issues offered by the EC in 2007/8.
- In *Lebanon*, support to decentralisation is managed by the section “Infrastructure and Local Development” with one head of section and two programme officers and is in this manner relatively well staffed.

2.2.2 Ind2.2.2 - Overall knowledge and capacity of staff about different dimensions of decentralisation

Detailed evidence at indicator level

Staff members within EC have a variety of backgrounds and many have worked with various forms of public sector reforms where decentralisation has featured as an element. However,

⁴⁸ After the consultant’s field visit in June 2011 negotiation has continued between the EUD and the GoH on new and better indicators for the SBS with some support from the HQ.

knowledge of decentralisation issues does not feature as significant elements in **staff recruitment and systematic training of staff** on decentralisation issues is also only undertaken at modest levels (see section 2.2.4).

The field visit to *Philippines* confirms the fact that knowledge of decentralisation issues does not feature as a significant elements in **staff recruitment**:

- Staff within the EUD Philippines, have been recruited according to their knowledge of the *Philippines* local government system and related local governance issues, institutional and finance issues as these issues were widely recognised to be of key importance to e.g. the health sector reform programme. However, staff had not explicitly been recruited on the basis of knowledge or expertise in local government reforms or decentralisation issues. In contrast, staff has recently been recruited with PFM expertise.

Staff felt that internal EC resources and knowledge on decentralisation issues are very weak: *“We would don’t know who to ask in HQ on decentralisation – now the health specialist for Asia has also left... Asian Development Bank (ADB) and World Bank (WB) are much better equipped with knowledge and can more easily engage various studies – they have therefore accumulated significant insight into decentralisation reforms over they years – we draw on their knowledge in the sector working group”*.

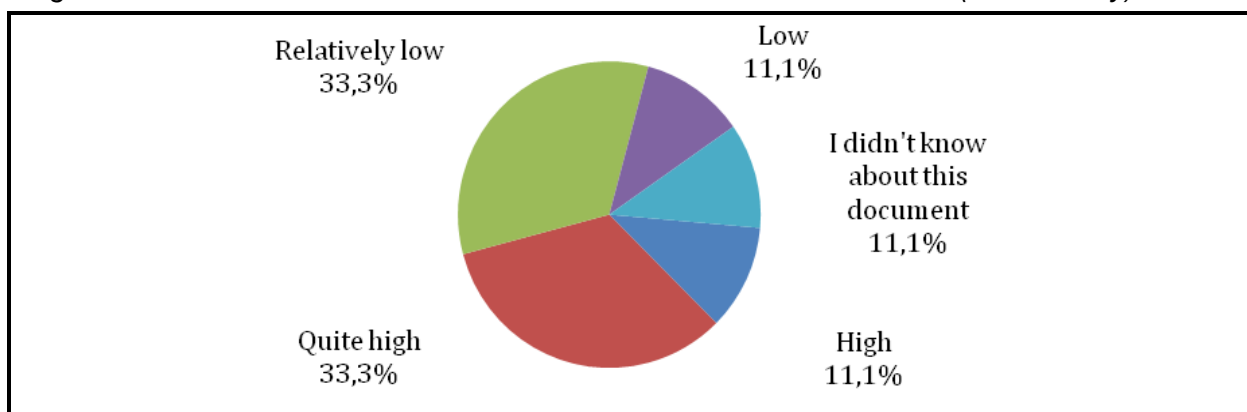
The various focal points in headquarters and at EUDs are not required to have specific prior knowledge about decentralisation issues, just as some interviewed focal points had not yet **undergone basic training** (in programmes discussed in section 2.2.4) or even having acquainted themselves with the EC Reference Document on Decentralisation and Local Governance.

The staff at HQ level expected to provide expert **guidance on decentralisation issues** have not directly been recruited on the basis on such expertise.

The survey among the 22 EUDs indicate that the vast majority of responsible staff are acquainted with the 2007 reference document, but only few are aware of e.g. the decentralisation programming fiche (see figures below). Only 50% of the staff acquainted with the 2007 Reference document find it really useful (50% consider its usefulness as low or relatively low). The few who have been acquainted with the 2009 programming fiche consider it relatively more useful.

Staff member in delegations frequently make significant efforts to acquaint themselves with the knowledge on the specific local government systems and decentralisation reforms in the countries where they work. However, **systems for “handing over” knowledge on decentralisation reforms** to new staff in delegations appear rather informal.

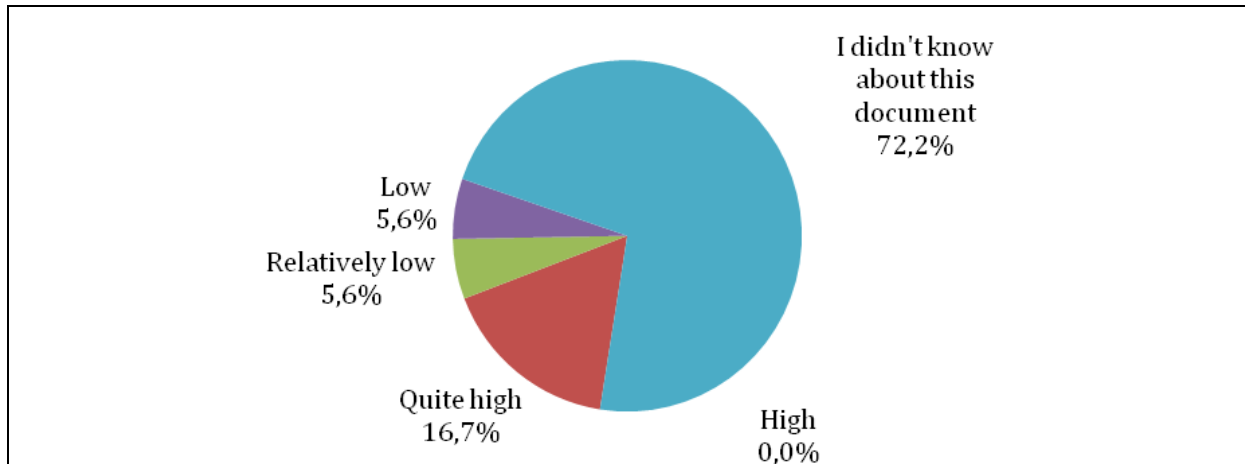
Figure 7 Perceived usefulness of the 2007 reference document⁴⁹ (EUD survey)



Survey to the EUDs, Particip analysis

⁴⁹ Reference Document: “Supporting Decentralisation and Local Governance in Third Countries”, 2007

Figure 8 Perceived usefulness of the 2009 programming fiche (EUD survey)



Survey to the EUDs, Particip analysis

Overall, a good knowledge on decentralisation and local development issues has been found in a number of countries visited:

- In *Benin*, the overall knowledge and capacity of the staff in terms of DLG issues is **excellent** and staff members have played a major role in the last 3-4 years in coordination and harmonisation of activities. Recent additional staff resources have bolstered the DLG section under the Governance umbrella.
- In *Mali*, the person in charge has the necessary skills and has developed **real expertise/ know-how** through the implementation of various programmes and the leadership role among Development Partners (DPs).
- In *Peru*, the staff member responsible for decentralisation has **good knowledge** of the issue by a long experience in decentralisation in Peru including in the EUD since 2006. She participates in the “*Mesa de Descentralización*” (the decentralisation group of the donors).
- In *Rwanda*, various meetings with the delegation staff dealing with decentralisation, rural development and PFM issues showed that they have an **active team with many staff with knowledge** of the issues relating to DLG. The issue of local PFM problems and relating to the decentralisation reform process were discussed actively in the group.
- In *South Africa*, there seems to be **good knowledge and understanding** of local development issues of the staff met. During the evaluation period a number of staff in the EUD have been occupied with rural development projects, area based municipal projects, LED projects and capacity building projects all focusing on the local levels. However, the Government has never had an overall support programme for decentralisation, as it is a sensitive area and one jealously guarded from too much donor influence. This means that the EUD has first and foremost concentrated on LED as a vehicle for local development.

However, the **consequence of EUD staff turnover on institutional knowledge** has been underlined several times:

- In the case of *South Africa*, the EUD has had a number of staff dealing with LED and local development over the period – maybe 2-3 at any given time. The turnover of EUD staffs every two or three years means that institutional knowledge is not always retained.
- In *Honduras*, the responsible person has achieved knowledge about decentralisation during the 4-5 years he has been in charge of decentralisation in the EUD. Other development partners expressed the risk of the EUD losing the capacity for decentralisation, once the person in charge with decentralisation leaves the EUD.

- In *Sierra Leone*, the staff members in the EUD have only limited knowledge about decentralisation support programmes, their design and functioning. When the former staff member with responsibilities for decentralisation, who had gained capacity on decentralisation by working with the WB missions and the IRCBP, left in 2010, knowledge was lost and the EU Delegation needs now to build up the knowledge about decentralisation again.

2.2.3 Ind2.2.3 - Availability and use of training opportunities related to decentralisation issues

Detailed evidence at indicator level

Several training opportunities related to decentralisation issues exist for EC staff members. The development of a reference document⁵⁰ marked the start of EC's efforts to strengthen EC staff capabilities on this topic. The reference document was in itself developed in a highly participatory manner involving EUDs, headquarters' units, other donor agencies and (to a lesser extent) various local actors. The European Centre for Development Policy Management (ECDPM) was in charge of the development of this reference document and has since then been the sole provider of training to the EC on decentralisation issues (as conducted by Aidco E4).

The completion of the reference document included a workshop for EUD staff held in Brussels 4-6th October 2006 (representatives from 18 countries and HQ staff were present). Since then, another six major training/workshop events have been conducted for similar audiences by ECDPM – the details are summarised in Table 7: approximately two events per year each over 3-5 days and with approximately 35 participants. The contents of the training are participatory meaning that participants are encouraged to use their own experiences. Furthermore, the reference document (EC 2007) is a key resource used in all of these training events. Additional EC notes on sector specific decentralisation issues are under development by Aidco E3 and E6 for selected sectors, such as education (concept note), health (concept note) and environmental sectors (reference document on Environmental SWAPs). These notes may in future be used for training interventions.

In addition to these training courses conducted by Aidco E4, decentralisation also feature as minor elements of training courses conducted by other units, e.g. a PFM training course and training conducted by Aidco E3 Social Protection.

From 2010 on, the EC has sought to undertake such training as a collaborative effort with other Development Partners. From January 24th to 28th 2011 the first pilot training course on Harmonisation, Decentralisation and local governance took place in Brussels hosted by the EC (DG DEVCO). This initiative of the Development Partner Working Group on Local Governance and Decentralisation (DPWG-LGD) was born in 2008 in order to use a joint training tool as an instrument to move towards a more harmonised approach on decentralisation and local governance amongst DPs. The course is based on the DPWG-LGD general and specific guiding principles and builds on literature and case studies as well as on the experiences of the participants themselves.⁵¹

The training conducted to date has given participants a broad introduction to the topic and orientation to issues are presented in the EC 2007 reference document. The background knowledge of participants has varied (as indicated in the table).

The Unit E4's own assessment of the trainings conducted to date is positive, but they also see the need to focus future interventions more on operational aspects of EC work by using diagnostic tools and linking them to aid modalities, project/programme cycle management and instruments, as well as increased integration of in-depth technical issues related to fiscal decentralisation.

⁵⁰ EC 2007: Supporting Decentralisation and Local Governance in Third Countries

⁵¹ Training materials and overview of the training courses are available here: <http://www.train4dev.net/?id=109>

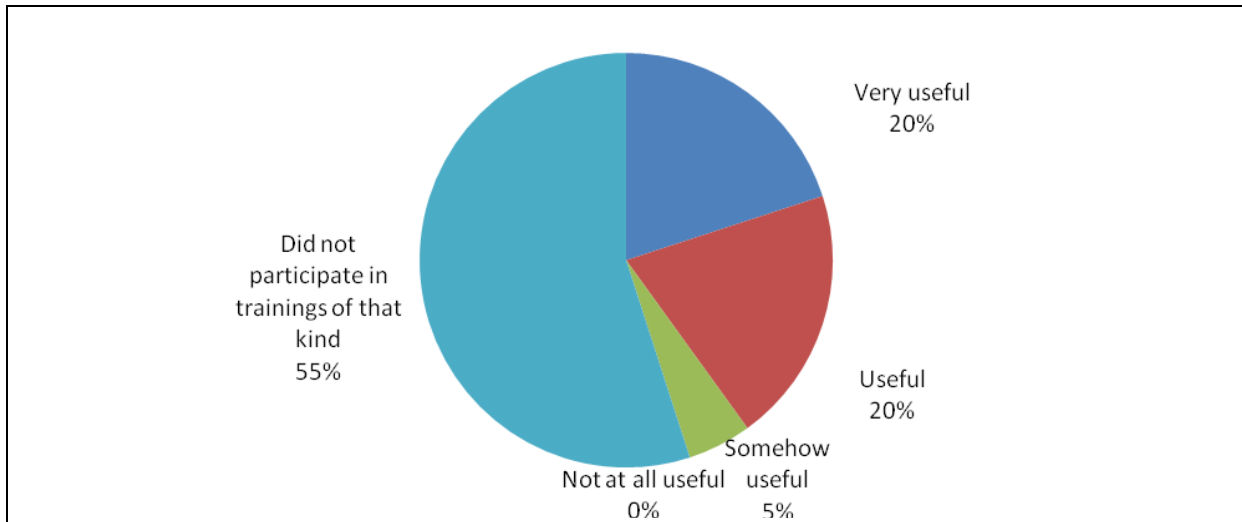
Table 7 AidCo E4 Commissioned Staff Training on Decentralisation Issues⁵²

N.	Name of training	Length	Place and date	N. of participants	Target group / participants	Language
1	Atelier régional d'échange d'informations, d'expériences et de réflexions sur la thématique de la décentralisation et du développement local en Afrique de l'Ouest	3 days	Bamako (Mali) November 2007	27 participants, all of them from EuropeAid or Delegations	Permanent and contractual staff of EUDs in Africa, some representatives of MS implementation agencies working on decentralisation in Mali, selected technical assistants involved in the implementation of programmes, all participants were experts in decentralisation (sound knowledge)	FR
2	Descentralización, gobernanza local y desarrollo local en América Latina	3 days	Managua (Nicaragua) October 2007	34 participants: 12 nationals 19 from EuropeAid or Delegations, 2 from UNDP	Permanent and contractual staff of EUDs in Latin America, some representatives of MS implementation agencies working on decentralisation in Nicaragua, selected technical assistants (government and private sector) involved in the implementation of programmes	SP
3	Séminaire sur la décentralisation et la gouvernance locale	5 days	Brussels (Belgium) July 2009	38 participants, all of them EuropeAid or EUDs	Mainly permanent staff of EUDs (heads of units, advisors dealing with governance), some contractual staff from EUDs, 1 representative of InWEnt, no representatives from MS, beginners and experts in decentralisation.	Most sessions in FR, some material in EN
4	Developing and implementing social sector programmes in Asia and Central Asia in a decentralized context	5 days	Kathmandu (Nepal) September 2009	23 participants, all of them EuropeAid or EUDs	Mainly sector experts from EUDs in Africa and some from HQ	EN
5	Workshop on budget support	5 days	Burkina Faso) March 2010	Around 35	Permanent and contractual staff of EUDs dealing with macro-economic issues and budget support	FR
6	Workshop on themes of relevance to the aid modality of budget support	5 days	Indonesia September 2010	n.a.	Permanent and contractual staff of EUDs dealing with macro-economic issues and budget support	EN

⁵² Based on information from ECPDM December 2010, interviews and email communication.

Interviews with staff members having attended the courses and the results of the internal training evaluations indicate a positive assessment by participants and confirming that the training was relevant and of high quality.

Figure 9 Perceived usefulness of training on decentralisation (EUD survey)



Survey to the EUDs, Particip analysis

The field visits also confirm a rather positive assessment of staff who attended training on decentralisation issues:

- In *Mali*, EUD Mali staff has participated in two workshops out of three organised by the EC headquarters on decentralisation. These workshops are considered **very useful** in terms of exchanges of experiences between programme managers from different EUDs.
- In *Lebanon*, staff had sought on their own initiative to orient themselves in understanding of the “local governance sector”. Some staff members have made use of the “decentralisation training course” and found it “**useful**” **although not of immediate operational use**.
- In the *Philippines*, one staff member had participated in training (January 2011) on decentralisation issues and found it “**interesting**” **but also “a bit too general**”. In contrast, staff found it more useful to gain insight into various models for performance based grant systems – it was felt that in particular Australian Aid and WB have been useful to disseminate relevant experiences. “*The support from Brussels on decentralisation issues has in general not been so useful – this can be contrasted with Brussels support to Budget Support modalities where lots of useful inputs have been received. It was noted that within budget support seminars brief mentioning on local government/ decentralisation issues were made – but not in manner that was of direct operational relevance in the Philippines*”.
- In *Rwanda*, it was not clear how many of the staff had attended training in decentralisation related issues but some had been involved in the earlier forum on the Internet (2006) and found it an **interesting** exercise with good overall discussions.

The online survey indicates that training in decentralisation has been well appreciated by the respondents, and a reasonable number (30%) have participated in such events. For instance, in *Benin*, the field visit shows that training opportunities have been used in the past as well as wider participation in dialogues and regional workshops with headquarters.

Table 8 Training opportunities related to decentralisation at the EUDs (EUD survey)

Answer	Number of answers	%
Was available but wasn't used	4	20 %
Was available and used	6	30 %
Was not available	8	40 %
Do not know	2	10 %

It should however be noted that the number of staff that have **NOT attended training is very high (70%)** in the view of the fact that all the respondents supposedly are the EUD's main focal point for support to decentralisation and local governance issues in their respective countries. This has been confirmed by the field visits:

- In *Honduras*, an event was arranged in Brussels in June 2009 for EUD staff with responsibilities for decentralisation. The EUD in Honduras could however **not participate** at the event due to the Coup in Honduras during the same month and the necessity to redefine activities.
- In *Peru*, the EUD staff has **not participated** in any particular training on decentralisation. They plan to participate in a regional EC training on budget support or a similar training, which might also relate to decentralisation.
- In *Sierra Leone*, the present and former staff members with responsibilities for decentralisation in the EUD **have not received specific training** on decentralisation⁵³ – it is a learning-by-doing process. Nor have other staff members in the EUD.
- In *South Africa*, **none of the staff** met had had any training in DLG issues and they had no information on this issue of the staff pre-2008/9 when they joined the EUD in South Africa.
- In *Tanzania*, staff had **not participated** in the EC courses on decentralisation issues – but reform issues in Tanzania were probably also of a more advanced nature than what EC courses could offer (with need for staff for more in-depth exposure to details of e.g. LG fiscal decentralisation issues).

2.3 JC2.3 Improved framework for monitoring and internalisation of experience related to EC support to decentralisation

Main findings at JC level

EC support to decentralisation is generally monitored at **project/programme level** using the ROM system. ROM reports focus on the degree of achievement of specific project objectives and are generally considered by EUD staff as “*not bringing significant new insights*”, but are “*useful in dialogue with HQ in particular when discussion of programme adjustments*”; the level of details in ROM reports on qualitative aspects of wider decentralisation reforms is very limited. The M&E systems applied internally in programmes were criticised by some national stakeholders for being overly concerned with “*implementation and disbursements according to time schedules rather than the substance of the work*”.

In *Honduras*, *Tanzania* and *South Africa*, the M&E of decentralisation and local governance is also present in the framework of **general budget support or basket funding**. **At sector level**, the M&E has been organised via sectoral working groups and annual sector reviews in *Benin*, *Rwanda*, *South Africa* and the *Philippines*. Country specific analyses of wider political processes and development of the decentralisation reforms are typically reviewed as part of various joint Government-Donor assessments. The quality of these assessments varies and is, not surprisingly, most comprehensive and regular in those countries, in which an extensive reform programme has been put in place by the national government.

⁵³ The EUD staff had not participated in capacity building for sectors either. All EUD staff members agreed that it is a learning-by-doing experience within the sectors and decentralisation.

Staff in EUDs make a rather self-critical assessment in the survey regarding the extent to which EUDs find that systems are in place for “*building up the institutional memory on work with decentralisation and local governance*”. 65% find that such systems are not in place. Staffs in the EUDs are in particular critical about the capacities at HQ level to adequately monitor. However, HQ has initiated a number of initiatives aiming at learning from decentralisation support initiatives, including:

- Local government participation in ACP-EC cooperation (ACP-LG, 2005).
- Thematic Evaluation of EC Support to Good Governance⁵⁴.
- A decentralisation discussion group (D-group) launched in April 2006 by the EuropeAid with the aim of reviewing experiences, challenges and realities of EC support to 20 countries in decentralisation and local governance.
- The 2007 SDLG reference document that gave a qualitative (self-) assessment of key lessons from experiences with decentralisation for the period 2000-2006.

The EC has since 2006 increasingly sought to work through the “*Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD)*” that was established as a joint DP initiative in recognition of the prominent role these issues play in overall Public Sector Reforms and Poverty Reduction Strategy processes in many developing countries. A first planning Workshop took place in 2006 at KfW Headquarters, as a joint initiative with the European Commission. The objective of the group was to promote strategy coherence and harmonisation among development partners in order to improve the effectiveness of local governance and decentralisation operations. Meetings are attended by an increasing number of DPs (both EU member states as well as non-EU member states). The group has undertaken various joint assessments of experiences and seems to provide a constructive way forward for both joint learning/monitoring as well as harmonisation.

However, active participation of the EC is increasingly constrained by lack of “expert cadres” in the field of decentralisation. At present it is difficult to identify one particular office within the EC structures that can act as “driver of change”.

2.3.1 Ind2.3.1 - Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes

Detailed evidence at indicator level

The EC has since 2005 undertaken several activities to generate lessons from its support to decentralisation.

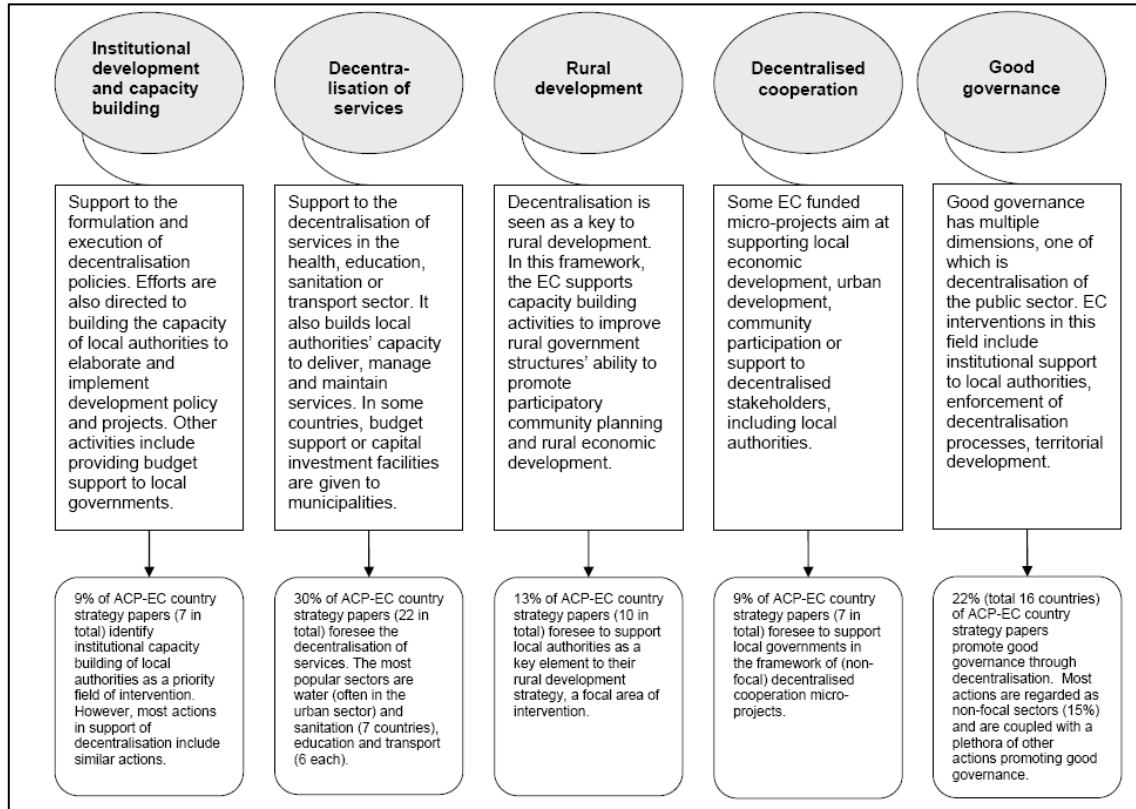
In 2005 ACP-LG study⁵⁵ was completed presenting a range of initiatives carried out during this period and clustered in 5 main categories:

- Support to local development;
- Support to the decentralisation process;
- Decentralised cooperation under the Lomé Convention;
- EC budget line on decentralised cooperation;
- Strategic dialogue between the official parties and local government associations.

⁵⁴ EuropeAid, June 2006

⁵⁵ “Local government participation in ACP-EC cooperation - An initial assessment and prospective” (ACP-LG, 2005).

Figure 10 The 5 clusters of EC support presented in the 2005 ACP-LG study



Source: "Local government participation in ACP-EC cooperation" (ACP-LG, 2005)

It is interesting to see that this first categorisation focusing on local authorities is very similar to the current one on decentralisation and local development.

In 2006, EC/EuropeAid carried out a thematic evaluation of support to good governance⁵⁶. The EC support to decentralisation was considered as one of the clusters of the support to good governance. The main findings of this evaluation on the issue of decentralisation and local governance are:

- The need for "a change of culture as well as new toolboxes" for EC support to be effective in the great variety of country contexts.
- The critical importance of flexible management approaches (attuned to the often unpredictable nature of governance processes) as well as quick response capacities (allowing the EC to seize windows of opportunity).
- The recognition of the efforts made in a significant number of countries to invest in decentralisation processes, either as an objective in itself or as a means to achieving wider objectives.
- The role of local governments in these programmes, as service delivery agents and a catalyst for local development.
- The identification of several push factors for decentralisation processes: (1) the engagement of partner countries in a form of decentralisation; (2) the recognition of the role of local governments; (3) the identification of effective approaches to sustainable local development; (4) the need for addressing different development dimensions with coherence and complementarity and with attention to the principle of subsidiarity.

In April 2006, EuropeAid launched a decentralisation discussion group (**D-group**) with the aim to review EC decentralisation and local governance experiences, challenges and realities in its support to 20 countries. The underlying aim with the exercise was to come up

⁵⁶ "Thematic Evaluation of EC Support to Good Governance" (EuropeAid, June 2006)

with a concept paper or operational guideline and to conduct a workshop on EC support to decentralisation and local governance in developing countries. The reason for this initiative was a growing need for guidelines on how best to engage in support of decentralisation and local governance at the country level. In 2007, a “Reference Document on Supporting Decentralisation and Local Governance in Third Countries” was produced with the practical purpose to:⁵⁷

- Present the rationale for investing in decentralisation and local governance.
- Address the conceptual confusion that often characterises the field of decentralisation and local governance.
- Give a guide to the decentralisation arena, which is to see decentralisation as part of a wider “system” of reforms, to address country specific context, to identify different actors for decentralisation.
- Highlight challenges to identifying and formulating a proper EC response strategy.
- Give the nuts and bolts necessary for proper implementation.
- Deal with the issues of effective monitoring and evaluation of progress.
- Identify the role of EuropeAid as an effective “change agent” in decentralisation and local governance.

The 2007 SDLG reference document presents a **first overview on the characteristics of the financed programmes and their evolution over time**:

- A variety of policy objectives. Most EC support programmes seek to achieve a multiplicity of (interlinked) objectives. However, in essence two major motivations stand central: (i) poverty reduction through improved social service delivery and (ii) governance reforms.
- A relatively high variety of possible “entry points”. EC support is provided under different umbrellas or “entry points”. Sometimes the support is provided under the label “policy support to decentralisation” or under the broader concept of “good governance”. In other cases, it is focused on “decentralisation of services”, integrated into “rural development” or specified as “urban management”. In several countries, one finds a combination of entry points to the subject (e.g. “local governance” and “support to decentralisation in specific sectors”), targeting a diversity of actors (central government agencies and local governments, as well as their associations and civil society).
- Entry points evolve over time. In several countries, EC approaches to supporting decentralisation and local governance have gradually become more sophisticated as decentralisation processes have advanced and the EC has learned from experience. In some countries support has evolved from pilot projects and micro-project programmes in local development (7th and 8th EDF) to programme support to decentralisation (8th and 9th EDF), while the ongoing programming process (10th EDF) considers the use of budget support modalities for decentralisation and local governance.
- Alignment of EC support to national agendas can be tricky. The European Commission quite consistently seeks to align its support to national (PRSP) agendas, including when it uses project/programme approaches. This works rather well in countries displaying a genuine commitment to decentralise. In most countries, however, alignment is not evident, either because a national decentralisation strategy is missing, emerging, blocked or not truly supported by the political and administrative elites.

⁵⁷ This document provides a lot of valuable information and analyses on processes supporting decentralisation and local governance. This document has been thoroughly used in our report and referred to as the “2007 SDLG reference document”.

- Strategic versus piecemeal approaches. Desk analysis of existing support programmes reveals that some EC strategies are well conceived and properly coordinated. In other countries, assistance is less comprehensive and appears somehow more fragmented.
- Diversity of support modalities. Some countries display a well-considered mix of modalities to feed strategically into partner country's development processes. In other cases, this mix is not evident or clear."

The 2007 SDLG reference document provided inter alia the following key lessons from experiences with decentralisation for the period 2000-2006:

- **Lesson 1:** Politics is central to the process. Decentralisation and local governance are profoundly political processes. They touch upon the core foundations of a polity and a society, relate to the distribution of power and control of (scarce) development resources and are at the heart of the accountability system for delivering essential services to populations. Engaging with decentralisation then requires a fairly sophisticated capacity to deal with the politics of such a transformation process.
- **Lesson 2:** Commitment for reform is a key question. In some countries, a major gap is observed between stated policies on decentralisation reforms and commitment to their effective implementation. In some cases one can even speak of 'virtual' decentralisation processes. This limits the role and influence of donors in advancing reforms. Experience shows how difficult it is to influence the deep structures and norms in society, which are instrumental in perpetuating inequitable power relations.
- **Lesson 3:** There are no ready-made blueprints. A wide range of variables determines the extent, pace and consequences of decentralisation, as well as the effectiveness of external support to these processes. The same degree of decentralisation is not uniformly desirable across, or even necessarily within, countries or sectors. This puts a premium on the elaboration of customised and well-sequenced intervention strategies.
- **Lesson 4:** The knowledge base is relatively thin. There is a great deal that we do not know about decentralisation. Evidence of impact and benefits (in terms of improved efficiency, governance, equity, development and poverty reduction) is still fragmentary. The growing body of multidisciplinary research on various aspects of decentralisation (e.g. the link with poverty-reduction strategies) shows a mixed picture of the potentials and possible positive impacts of decentralisation processes.
- **Lesson 5:** There are several universal requirements for effective decentralisation. Despite cross-country differences, there are several universal requirements for progress towards decentralisation: (i) some broad vision of what the decentralised system should be and what it is expected to accomplish over time, (ii) an initial framework that defines – in an adequate and enforceable way – key components of the system and the linkages among them and (iii) a pragmatic strategy for bringing the system into existence and for adjusting and supporting its evolution over time. That last requirement is often neglected, even though it is probably the most vital element of successful reform.

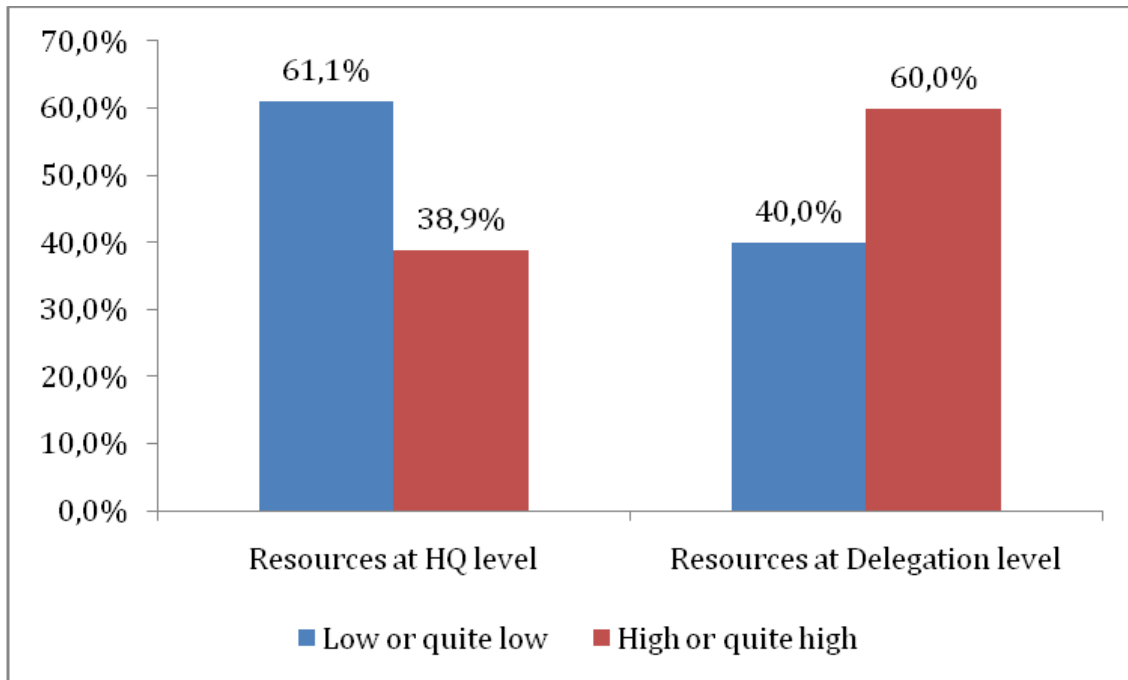
According to the findings of the survey to EUDs, the majority (63%) of respondents felt that "*resources allocated at HQ level for monitoring the effects of the EC support to decentralisation in the partner country*" were **inadequate**, whereas around 41% argued for the same problems at EUD levels.

With respect to resources for monitoring the effects of the EC support to decentralisation in the partner country, the EUDs assess their own resources as more adequate than those of the HQ, with 60% of high or quite high assessment, as opposed to only 40% of the same assessment for HQ monitoring resources.

Even though most EUD view the HQ resources as low or quite low for the task, some respondents at the EUDs note that they are not aware of the resources at the HQ level, or are not in a position to assess their adequacy.

While the adequacy of resources at the EUDs themselves is viewed more favourably in general, various insufficiencies, such as limited number and high turnover of staff or fragmentation of information between staff, are mentioned at the EUD level as well.

Figure 11 Adequacy of Resources for monitoring of support to decentralisation, as perceived by the EUDs



Survey to the EUDs, Particip analysis

The same critical self-assessment emerges from survey questions regarding the extent to which EUDs find that systems are in place for “building up the institutional memory on work with decentralisation and local governance”. 65% find that such systems are not in place.

The survey indicates overall that the EUDs are unclear about the expected HQ support but also request stronger HQ support in these areas.

Table 9 Systems for building up of the institutional memory

Answer	Number of answers	%
Yes	7	35 %
No	13	65 %

The fieldwork mostly confirmed that the ROM reporting has constituted the main monitoring tool **at project/programme level**, completed by evaluations and mid-term reviews:

- In *Honduras*, the ROM reporting constitutes one M&E tool. According to the EUD, the ROM system is not able to cover programmes implemented in a SBS modality and from 2010, the ROM system will not be applied for SBS and GBS.
- In *Lebanon*, the main emphasis on results oriented monitoring (ROM) and monitoring and evaluation (M&E) systems for ongoing EC support to local development has been on the achievements of planned outputs/disbursement strictly related to the specific projects rather than wider monitoring / assessment of decentralisation/sector development. Many basic issues in the sector have during most of the evaluation period been poorly analysed in the sector generally: e.g. overall staffing capacities and the local government fiscal framework (the latter is recently well studied by MOIM 2011 op.cit). More specifically, the EUD were criticized by some external observers familiar with the projects for being overly concerned with “implementation and disbursements according to time schedules rather than the substance of the work”.

- In *Peru*, no specific monitoring instrument exists in the EU delegation. Almost all projects and programmes are monitored by the results oriented monitoring (ROM) system.
- In the *Philippines*, programmes are generally monitored through ROM system. In the Philippines, various recent evaluations and mid-term reviews have been undertaken very recently, including a general Country Strategy Evaluation (2011). “Decentralisation issues” have in various ways and to a varying extent been analysed as part of these systems. In general it can be observed that ROM reports focus on the degree of achievement of specific project objectives and is generally considered by EUD staff as “not bringing significant new insights”, but “useful in dialogue with HQ in particular when discussion of programme adjustments”; the level of details in ROM reports is very limited.
- In *Mali*, EC HQ organise a monitoring mission to Mali annually (or sometimes bi-annually). A 2-page summary note is produced and is used as a framework of discussion between the EUD and HQ for the management of the programmes.
- In *Sierra Leone*, there is no specific monitoring system for decentralisation within the EUD. Monitoring of the EU DCBP (which provides all its funds to the IRCBP) is done via the EC Result Oriented Monitoring (ROM) system. While the IRCBP is monitored with the aide memoires from the IRCBP implementation support missions and the progress reports from the IRCBP secretariat. These documents are read and archived in the EUD. The four projects financed by the budget line for Non government Organisations (NGOs) and local authorities are not monitored by the delegation.

At sector level, the M&E has been organised via sectoral **working groups** and **annual sector reviews** in the following countries:

- In *Benin*, the M&E of decentralisation and local governance is both present in the general budget support framework as well as in the sector. The annual sector review for DLG functions as the main M&E framework for monitoring progress within the national policy (PONADEC) and relates to issues of administrative, human resources and fiscal decentralisation at national, regional and local levels. Sectoral coordination is ensured within the **Working Group**. This Working Group is the natural forum for donor coordination and alignment of external support on national sectoral priorities. The dialogue culminates in the **annual sectoral review** of decentralisation and the joint review of the PRSP between the Government and donors (in June). In 2009 and 2010, the EUD is leading development partners in the overall sector and therefore assumes responsibility for the secretariat. The presentations at the annual review by the Ministry (MDGLAAT) are fairly comprehensive in terms of giving the latest overall information on capacity building issues at LG level as well as fiscal decentralisation indicators and implementation over the past year.
- In *Rwanda*, the decentralisation donors have through the **working group** developed an M&E system where key aspects of the DIP are monitored every year.
- In *South Africa*, engagements with other donors have been frequent and at times more in-depth than at the moment; however, not in the Decentralisation Working Group but rather under the **Governance Working Group**. Therefore very little, if any, joint Monitoring and Evaluation (M&E) systems have been implemented, and mainly M&E linked to individual donor supported projects/programmes.
- In the *Philippines*, the **sector-working group** on decentralisation and local government has a general working plan and undertakes some general M&E of activities within the field. A Mid Term Policy Review of the health Sector has been conducted. The most detailed assessment of “decentralisation issues” that brings significant new insights are found in the general health sector policy review and more specific decentralisation studies (primarily funded through ADB TA).

In some countries visited, the M&E of decentralisation and local governance is also present in the framework of **general budget support or basket funding**:

- In *Honduras*, the EC and GoH agreed on 5 indicators for the fixed tranches for PROADES and 9 indicators to calculate the release of the flexible tranches. The indicators are presented below:

Table 10 Indicators for PROADES

Indicator number	Indicators for fixed tranches (14 mEUR)	Indicators for flexible tranches (18mEUR)
1	Positive Evaluation by the EU of the macro-economic, tax and budgetary environment in Honduras	GOH expenditures on salaries relative to GNP
2	Establishment of indicators and base line for monitoring the improvement in PFM	The development partners view on the execution of the national PRSP
3	Positive appreciation by the "Foro Tripartito de Descentralizacion" of the implementation of PRODEL	Share of municipalities with a development plans with focus on territorial organization
4	The Foro Tripartito de Descentralizacion (Decentralisation Forum) is functioning permanently in order to establish a dialogue between GoH, civil society and development partners	Share of municipalities with a social audit carried out
5	Establishment of a base line with the budget lines corresponding to the principal activities of PRODEL with a 3 years projection considering two scenarios, with and without PRODEL. The differences between the two would demonstrate a value added	Positive view of CE for advances in public financial management
6		Timely presentation of PRODEL annual work plan
7		The increase in local governments' revenue collection
8		Share of municipalities audited by TSC
9		GoH presentation of M&E for development in decentralisation

Source: EUD

As can be seen in the table above, indicators do not focus on the results (outputs or outcomes) of decentralisation. For the fixed tranches they deal with macro-economic and tax performance, the functioning of the Decentralisation Forum and are centred around setting up a rather advanced system for measuring PROADES' value added. The indicators for the flexible tranche are too many, not focused on decentralisation and oriented toward processes e.g. existence of municipal development plans and social municipal audits and subjective views on PRODEL's annual work plans and the execution of the national PRSP⁵⁸.

For the fixed tranches the first and second were released, while the third and fourth were cancelled due to the macro-economic situation (indicator 1), while the variable tranches were released partly:

⁵⁸Indicators for the SBS with more focus on results could be the municipalities' share of the total public expenditures and the size of the national transfers to municipalities.

The GoH has promised a gradual increase in the transfers to municipalities to 11% of the central government's own revenues in 2014, which could be incorporated in new indicators.

Table 11 *Releases from PROADES*

<i>Tranches</i>	<i>Budget mEUR</i>	<i>Real mEUR</i>
Fixed tranche 1	4,0	4,0
Fixed tranche 2	4,0	4,0
Fixed tranche 3	3,0	0
Variable tranche 1	7,0	4,55
Variable tranche 2	7,0	3,85
Variable tranche 3	4,0	0
Total	32,0	16,4

Source: SGJ and EU (2010); *Evaluacion Global de PROADES*.

- In *Tanzania*, due to the nature of the direct support to decentralisation – a **basket funding** of a LG fiscal transfer system - the EUD relied on the commonly agreed (among all participating DPs and GoT) M&E system that was quite elaborated. This included the following feature, related to the LGDG support:
 - An **elaborated system for annual benchmarking of all 114 LGs** in areas such as PFM, planning, procurement, local accountability, and other “good governance indicators”⁵⁹ – the results from these assessments were used to reward (and penalise) LGs with adjustments of their LGDG allocations – this provided a major incentive for LGs to improve their performance and gave a thorough overview of progress and challenges in building the capacities of the LGs,
 - **Quarterly progress meetings held in the field** (in one of the 21 regional HQs on a rotating basis) with the joint participation of key ministries (PMO-RALG, Finance, Education, Health, Roads etc), LG officials and DPs,
 - **Quarterly and annual progress reporting** – reporting on progress compared to planned activities, expenditures compared to budgets etc,
 - **External reviews of overall programme** every three years,
 - **External reviews of selected areas of concerns** e.g. the annual assessment procedures, value for money audits, procurement audits.

In addition, wider assessments of decentralisation reform issues took place annually (or bi-annually) in relation to review of the overall MKUKUTA (the national poverty reduction strategy) and in relation to the annual GBS reviews where decentralisation was one among several key areas to be assessed.

EUD staff highlighted in particular the positive experiences with the quarterly LGDG progress meetings held in field; they provided a rare opportunity for staff to gain field experience with implementation of local government service delivery in a broad sense (and not only narrowly implementation of LGDG) and therefore relevant for e.g. GBS staff. There was no ROM reporting found of LGDG support in CRIS.

- In *South Africa*, there is a common results framework and indicators under the **General Budget Support (GBS)**.

⁵⁹ The manuals and annual results of the assessments is available at <http://www.logintanzania.net/documents.htm>

2.3.2 Ind2.3.2 - Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)

Detailed evidence at indicator level

The Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD) was established as a joint DP initiative in recognition of the prominent role that these issues play in overall Public Sector Reforms and Poverty Reduction Strategy processes in many developing countries. A first planning Workshop took place on the 26th of April, 2006 in Frankfurt at KfW Headquarters, as a joint initiative with the European Commission. The objective of the group was to promote strategy coherence and harmonisation in order to improve the effectiveness of local governance and decentralisation operations. To date, five meetings have taken place – the latest was held in Washington, DC in June 2010, the first hosted outside of Europe. Its aim was strengthening the dialogue with American based partners, in particular.

Since its inception, membership of the DPWG has grown significantly.⁶⁰ At its start in 2006, the group commissioned a desk study to generate a basic overview of DPs' support to decentralisation and local governance. The survey covered seven organisations,⁶¹ surveying each organisations' mandate in the area, the organisational structure, the approaches to decentralisation (including individual strategy papers), and specific country support. The findings of this initial study were presented and discussed during the second DP Workshop, which took place on in November 2006 in the premises of EuropeAid in Brussels. As a result of the Brussels meeting, the DP group decided to initiate a field study in four selected countries (*Benin, Nepal, Nicaragua and Tanzania*) in order to analyse DPs' practices of aid harmonisation and effectiveness in the context of national decentralisation programmes more thoroughly. The overall findings of this field study were presented to the DP Working Group and representatives of the case study countries in Berlin in September 2007.

Since February 2008, the group has been supported by a Secretariat hosted by InWent/Germany, supported by the German Federal Ministry for Cooperation and Development (BMZ). At the meeting in Paris in 2008, the working group adopted a mode of operation emphasising the informal character of the group. During this meeting, the members also adopted the "General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation." In 2009, the group focussed on the topics 'Fiscal Decentralisation and Capacity Development' and presented desk studies with regards to these topics during the meeting in Bratislava (hosted by UNDP).

The most recent topics discussed have been "the political economy of decentralisation" where World Bank funded analyses have been shared among participants.

The group has established a well organised website⁶² where key documents – both jointly prepared and papers prepared by individual members are shared. Since 2011, this forum also provides joint training for development partners on decentralisation issues.

⁶⁰ Members of the Group are: African Development Bank; Austrian Development Agency; Belgian Technical Cooperation; Canadian International Development Agency; Dutch Ministry of Foreign Affairs; EuropeAid, European Commission; French Ministry of Foreign Affairs; French Development Agency; German Development Bank (KfW); German Development Service (DED); German Federal Ministry for Economic Cooperation and Development (BMZ); Gesellschaft für Technische Zusammenarbeit (GTZ); InWEnt GmbH Germany, Capacity Building International; Inter American Development Bank; Irish Aid; Joint Africa Institute; Ministry for Foreign Affairs of Finland; Norwegian Agency for Development Cooperation; Royal Danish Ministry of Foreign Affairs; Spanish Ministry of Foreign Affairs and Cooperation; Swedish International Development and Cooperation Agency; Swiss Agency for Development and Cooperation; UN Capital Development Fund; United Nations Development Programme; UN-Habitat; United Kingdom Department for International Development; U.S. Agency for International Development (USAid); World Bank

⁶¹ Belgium Technical Cooperation (BTC), Danish International Development Assistance (Danida), European Commission/EuropeAid Co-operation Office, France / Direction Générale de la Coopération Internationale et du Développement (DGCID)/AFD, Germany/BMZ/GTZ/KfW/InWENT, The Netherlands/DGIS and Switzerland/SDC

⁶² <http://www.dpwg-lgd.org>

2.3.3 Ind2.3.3 - Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes

Detailed evidence at indicator level

The assessment from the desk review, interviews in HQ and EUDs is that EC support for decentralisation features as significant area of support in several EUDs, however core expertise has been limited to the assigned staff within AidCo E4.

The mandate of AidCo E4 and its capacities to act as “driver of change” was discussed earlier (indicator 2.1.3). It has gradually developed during the evaluation period, but the recent reorganisation has dispersed this emerging hub of knowledge.

EUDs have in few countries only worked very proactively with larger programmes for support to decentralising (mainly Mali and Benin), but, as discussed earlier, the staff members that have build up certain expertise in support of decentralisation reforms will typically be assigned work in other parts of the organisation where such expertise may not be required. Thus no “expert cadres” are established. At present it is difficult to identify one particular office within the EC structures that can act as “driver of change”.

3 EQ3: National context

Evaluation Question 3: To what extent has EC support to decentralisation processes been conceived in the way that it is **responsive to national contexts** and aligned with national regulations and policies?

3.1 JC3.1 The EC response strategies in the area of decentralisation have been aligned with national regulations and the partner Governments' priorities / activities

Main findings at JC level

The analysis carried out for the 22 countries selected for the desk analysis shows that virtually all CSPs (especially the ones from the second period) mention that the EC response strategy is aligned with the national Poverty Reduction Strategy Paper (PRSP) or equivalent institutionalised documents. In some cases, the CSPs also explicitly make reference to the section on decentralisation of the relevant PRSP. The elements related to policy dialogue with the partner Government in the CSPs analysed remain however very general. Standard formats for analysis of decentralisation issues (as, for instance, presented in the 2009 Country Programming Fiche referred to earlier) have not (yet) been consistently applied.

Project financing agreements and other project documentation generally make relatively deeper **analysis of partner Governments policies** with respect to decentralisation. From the review it is made clear that all programmes have undertaken some analysis of government policies, strategies and operational procedures related to decentralisation reforms – although the quality and depth of analysis differs.

The **analysis** is most straightforward in countries where an explicit decentralisation reform policy and strategy is in place (e.g. *Tanzania, Mali, Benin* etc), but naturally more challenging when the policy is either not in place (e.g. *Kenya*) or when the policy is unclear (e.g. *Cambodia*). While it can be noted that some political analysis has been undertaken, it must also be noted that the depth of the political analysis is limited. None of the EUDs has, for instance, undertaken an explicit “political economy and governance analyses” of decentralisation reforms. This has earlier been undertaken by other donors (in particular World Bank, DfID, and selected other bilateral) and is now increasingly recognised as good practice – also by the EC⁶³. Partly as a consequence of lack of such analyses, shifts in Government’s orientations sometimes come as a surprise to the EC.

An increasing number of EC interventions in support of decentralisation are in the form of Sector Budget Support (SBS) that by definition are using country financial management systems and national transfer systems to local governments.

The EC supported interventions are also in several cases explicitly aiming at developing or improving the **national transfer mechanism**, this is for instance the case in *Sierra Leone, Mali, Senegal, Tanzania* and *Cambodia*. This is done partly through SBS (e.g. *Mali*) but also as contributions to basket funds (e.g. *Tanzania*), UN funded projects (e.g. *Cambodia*) or World Bank Trust Funds (e.g. *Sierra Leone*). Therefore one cannot conclude that use of national systems and funding through local government grant systems is something exclusive of SBS support.

In some cases it has been decided NOT to use national transfer systems but allocate funds in a project managed system, e.g. in the North of *Uganda* targeting selected local governments, in *Kenya* to transfer directly to “communities”, in *Lebanon* this applies to funding of local projects within individual or clusters of municipalities through project specific set-ups. In some specific projects, it has been tried to transfer funds to local governments to be used for innovative modalities of Local Economic Development, such as for instance in *South Africa*. The effectiveness of the various arrangements to improve service delivery is

⁶³ See http://www.dpwg-igd.org/cms/upload/pdf/Igd/Political_Economy_of_Decentralisation.pdf

further discussed in EQ8, but generally it can be concluded that such project specific interventions have had various local benefits (e.g. in terms of local service delivery) but has not led to wider reforms of the relationship between central government and LGs. Moreover, some interventions are project interventions with clearly no major transfer mechanisms to local governments (supporting capacity building at central level, capacities of NGOs, etc) – this is for instance typically the case for all projects funded through the thematic budget line “Non State Actors and Local Authorities”.

The **dialogue** with government and other stakeholders has increased over the evaluation period. Essentially, two distinct **phases of dialogue** with government can be identified (*Indicator 3.1.2*):

- The first phase relates to situations in which decentralisation is not a clear policy that has been adopted by the national government. In those cases, EUDs typically embark on various projects in support of “bottom-up” development of local government that ultimately may inspire the Government to take a more explicit stand on decentralisation and local government reforms.
- The second phase relates to countries with a declared decentralisation policy, where the dialogue takes a more structured approach. In most of these countries, EC support will be explicitly based on such declared government decentralisation strategies (with some exceptions, such as *Uganda* and *Rwanda*). Upon such formalisation, the quality of dialogue may improve in terms of intensity and clarity, but not necessarily in terms of “cordiality”.

Although the conditions of dialogue on specific issues related to decentralisation have improved, it appears that the **results of the dialogue** are often mixed. In particular, there are a number of cases in which the EUDs express concerns about government commitment to implementing its declared decentralisation policies (which underpin larger sector programmes or even General Budget Support). Some of the concerns in the dialogue occur on repetitive basis without resolution and lack of appropriate agreed strategic actions.

In addition to allocating adequate resources to engage in policy dialogue, it appears that two **elements are critical for successful dialogue**:

1. the existence of active “decentralisation sector working groups” and similar institutional arrangements for co-ordination of support among donors and government (see also EQ4);
2. the quality and realism of a government’s decentralisation reform programmes.

3.1.1 Ind3.1.1 - Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints.

Detailed evidence at indicator level

EC project financing agreements and other project documentation generally make some analysis of partner governments' policies with respect to decentralisation. From the desk review, it is made clear that all programmes have undertaken some analysis of government policies, strategies and operational procedures related to decentralisation reforms – although the quality and depth of analysis differ. Standard formats for analysis of decentralisation issues (as, for instance, presented in the 2009 Country Programming Fiche referred to earlier) have not (yet) been consistently applied.

The analysis is most straightforward in countries where an explicit decentralisation reform policy and strategy is in place (e.g. *Tanzania, Mali, Benin, etc*).

The analysis is naturally more challenging where the national policy is either not in place (see Kenya case, Box 5 below) or unclear (see Cambodia case, Box 6 below).

Box 5 Assessments of policy opportunities and risks: Kenya

"This 21 million GBP Rural Poverty Reduction and Local Government Support Programme (RPRLGSP) represents the main intervention in the focal area of rural development under the Kenya 9th EDF NIP. The project seeks to support the Government of Kenya's efforts to reduce poverty through support to the demand side of decentralised governance (empowerment of communities) in addition to the supply side (institution building support to local government).

The Local Government sector in Kenya, 'comprising 175 elected Local Authorities (LA), has been largely neglected for over twenty years with most service delivery responsibility and capacity progressively transferred to central government bodies. This centralised system has proved to be ineffective in delivering pro-poor services and suffers from lack of accountability. The Rural Poverty Reduction and Local Government Support Programme seeks to enhance the downward accountability of LAs by enriching the interaction between rural LAs (as service providers) and their communities (as clients). At the same time, an important result to be achieved through the implementation of this programme will be the lessons learned and support that can help further develop' the Government's evolving decentralisation policy."

Source: Kenya RPRLGSP Financing Agreement.

Box 6 Assessment of policy opportunities and risks: Cambodia

"At the policy level, the lack of a clear strategic vision (by Government of Cambodia) has had a negative impact on the implementation of the decentralisation and deconcentration process. The result has been a multiplicity and duplication of donor-driven actions that suggest that the donor coordination has not been optimal to-date.

While the decentralisation process has achieved some results, the implementation of the deconcentration process has been adversely affected by the absence of appropriate legislation. An organic law, clarifying the roles and functions of the provincial and district administration, still remains to be adopted. In this context, projects are often undertaken in a moving environment, which makes it difficult to assure the long-term sustainability of the activities.

In recent months, a number of initiatives have been taken to remedy some of these problems. In March 2004, the Royal Government of Cambodia (RGC) established a Working Group tasked to draft a single strategic framework on decentralisation and deconcentration. In the same context, the donor community also set up a technical donor sub-working group to discuss common approaches and coordination modalities. The proposed EC measure, which will be implemented through a Contribution Agreement with UNDP, also contributes to this new spirit of coordination. The proposed measure will address the decentralisation process by focussing on the commune needs. Since the legislation is already in place at this level, the project will not suffer from further evolution of DD policy at the district and province level".

Source: Proposal Strengthening democratic and decentralised local governance in Cambodia: building local capacity through networking and local-local cooperation (Asie/2004/16856)

In several cases, it is practical experiences from recent years rather than general studies that inform EC on appropriate entry points for support to decentralisation. The case of *Lebanon* is informative: several years of project specific funding at local level had led to useful local projects but no broader reforms of service delivery mechanisms – this informed the design of a new programme that both delivers local projects and seeks to reform the overall government system of municipal finance.

Box 7 *EC new project in support of municipal finance reform in Lebanon*

The EC is currently planning a new project in support of municipal finance reform – the formulation of the project was based on stocktaking of the past ten years experiences in support for local development and is summarised below.

"The EC has been active in the last 10 years in the local governance sector and targeted unions or clusters of municipalities, giving them an active role in the management of their own grants. Major actions in the sector include, among others:

- The Local Governance Project (LOGO), supports 12 Unions of Municipalities (UoMs) throughout Lebanon in the field of local development planning, capacity building and funds the implementation of priority local development projects.
- The Local Development Programme in North Lebanon adopts a regional approach and focuses on poverty alleviation in the most vulnerable region of Lebanon. The programme will help local actors to diversify their economy and will initiate a land use planning approach at regional level.
- The Economic and Social Fund for Development, has been supporting clusters of municipalities to address unemployment and poverty through grants for the implementation of projects (income generating activities, social infrastructure).

The Project complements and builds on the lessons learned from these projects in that it continues to support UoMs (given the small average size of municipalities and the need to realise economies of scale) but it moves towards a more competitive approach, promoting performance-based municipal grants to UoMs and recognises that capacity building activities on project management should continue as most of UoMs are not yet fully able to formulate, design and implement local development projects.

Another lesson is that the lack of involvement of central government stakeholders prevented the past projects from addressing the structural problem of chronic, insufficient funding of the municipalities. Thus great importance will be given to (i) MoM's ownership of the Project to ensure long term sustainability ; (ii) municipal finance reform to strengthen the relation between the central and local levels, by reforming the Independent Municipal Fund (IMF), enhancing local revenues and ensuring performance-based fiscal transfers from central government and donors to municipalities."

Source: EC Action Fiche for Lebanon (ENPI) - Support to Municipal Finance Reforms.

While it can be noted that some political analysis have been undertaken in most cases, it must also be observed that the depth of political analysis is often limited.

For instance, none of the EUDs has undertaken an explicit "**political economy and governance analyses**" of decentralisation reforms over the evaluation period. This has earlier been undertaken by other donors (in particular World Bank, DfID, and selected other bilateral donors) and is now increasingly recognised as good practice⁶⁴.

Partly as a consequence of the lack of such analyses, significant changes in governmental policies, come sometimes as a surprise to the EC. An illustrative example is *Mali* where the EC has supported a rather ambitious governmental decentralisation programme for years but has experienced recent backlashes. (See box below and further discussion, in EQ5, on the progress of the decentralisation process in *Mali*).

⁶⁴ See http://www.dpwg-lgd.org/cms/upload/pdf/lgd/Political_Economy_of_Decentralisation.pdf

Box 8 *The EC and the evolution of national policy orientations in Mali*

The EC support in Mali had well integrated the policy orientations of the national government in the late 1990s. These orientations were defined in the national conference held after the fall of General Moussa Traore's regime. This conference laid the bases of a new society and decentralisation was meant to be at the heart of the reform. That is why the principle of decentralisation was actually placed in the forefront of the Constitution adopted in 1992. The new regime considered it as a central topic and made special efforts to create conditions for establishing local governments. This work culminated in 1999 with the first local elections. These elections established the deliberative and executive bodies of 761 local governments which covered the entire national territory (703 "Communes", 49 "Cercles", 8 "Régions" and the District of Bamako). A corpus of texts was developed for this purpose and the development of LG was integrated in the various policy and strategy documents defined during this period.

The strategy documents of the EC (the framework documents of the EC-Mali partnership, the Country Strategy Papers 2003-2007 and 2008-2013) clearly reflect the analysis of the government's policy directions by the EUD and the choice to contribute to their implementation. The idea was clearly to consider the EC support as an accompanying measure to the decentralisation process and thus the choice was made for a long-term support.

That said, a shift at central governmental level occurred in recent years and decentralisation disappeared from the political agenda. This has not been foreseen as a risk in earlier analyses and actually came as a surprise to the EUD.

Several elements illustrate the decline in interest of the national government for decentralisation issues. Decentralisation does no longer appear in the programme document of the current President of the Republic since the last elections. Moreover, the level of transfer of resources to local authorities stagnates and even declines in some sectors. In addition, the transfer of powers has never really been implemented despite the fact that LG have assumed the new powers and functions from the start of the process. Central government departments have in their vast majority tried to slow or block these transfers.

Overall, from 2007 onwards, dialogue between the EC and national authorities has been less fruitful and more "confrontational", focusing on commitments which have not been realised.

In the *Philippines*, the EC action includes significant background analyses on decentralisation reforms on all its health sector interventions as well as in the SPF support. The level of details in the analysis tends to be more sophisticated over time and there is a clear "learning from experiences" in working within a highly decentralised context. This is well exemplified by the recent formulation of the "Support to Local Government Units for more effective and accountable Public Finance Management"⁶⁵ where e.g. past relative narrow institutional focus is rectified. The quality of analysis is guaranteed by the fact that it relies on TA provided within the health sector programme as well as the use of decentralisation sector analyses from other DPs such as ADB and WB, but less on a own EC decentralisation analyses.

The case of *Tanzania* illustrates a situation in which the EC has actively sought to understand the national priorities in a context of enhanced dialogue and coordination with other DPs (see box below).

⁶⁵ CRIS reference: DCI-ASIE/2011/022-691.

Box 9 Alignment with national strategies - the case of Tanzania

The EC support to decentralisation has generally been well aligned with GoT policies and procedures, and had been made on the basis of a sound understanding of national priorities. The decision made by the EC to support the merging national system for LG development funding through the LGDG was made at a critical time when most funding for “local level development” issues towards LGs were undertaken with by using multiple individual project interventions by various DPs. The support to the LGDG consisted at the beginning (2005) in a largely DP funded, discretionary non-sector specific development grant to LGs. However, the system rapidly gained popularity and became the backbone of a general fiscal transfer system for all local development funding. In addition the annual performance systems incentivised LGs’ adherence to GoT regulations (in particular in areas of PFM).

The analyses of GoT procedures and strategies that lead to the LGDG were primarily driven by the World Bank and various EU member states active in the LGRP basket 2003-04. EC independent analysis initially suggested an alternative strategy (supporting a funding mechanism that would focus only on lower level LGs) – but this was rejected internally by EC in an effort to harmonise with other DPs.

The later decision by the EC to exit from direct decentralisation support and focus largely on GBS (and Infrastructure and Trade) is fully in line with GoT strategy for aid harmonisation (see also next indicators under this EQ).

In the context of Trust Funds managed by other donors, the use of other DPs’ analyses is obviously made.

In *Sierra Leone*, EC support to decentralisation has followed the approach suggested by the WB in the IRCBP including the analysis of national strategies and policies when the programme was prepared. The EC did not carry out its own in-depth analysis of decentralisation in the country.

In some cases, it appears that EUD has found it necessary to design decentralisation projects that operate outside national main modalities (even when relatively explicit national decentralisation policies and local government grant systems are in place).

This is for instance a case in *Uganda*, where a project was designed to support some of the Northern (poorer) Local Governments (see box below for a description). The project targets a sub-set of local governments and provides them with additional earmarked funding that are channelled in parallel to the central government fiscal transfers. The project also supports additional “project management units”. The project agreement still claims that it “*is fully in line with the National Indicative Programme and with the Government of Uganda’s poverty eradication strategy, including their policy for political, administrative and fiscal decentralisation.*” The extent of “alignment” can of course be discussed. In *Uganda*, other alternative approached could have been applied, for instance, co-financing the LG fiscal transfer system through a SBS arrangement and, if necessary, provide help to reform the overall system in order to increasingly target poverty⁶⁶.

Box 10 The case of the Acholi Programme in Uganda

The Acholi Programme covers the districts of Gulu and Kitgum in Northern Uganda.

The programme is fully in line with the National Indicative Programme and with the Government of Uganda’s poverty eradication strategy, including their policy for political, administrative and fiscal decentralisation.

The EC intervention is well in line with the national policies of the Government of Uganda, both in the area of decentralisation and in the specific field of support to the North. This is ensured by the fact that the Minister of State for Northern Uganda Rehabilitation and a representative from the MoLG participate to the National Coordinating Committee (NCC). Furthermore, specific investments under the programme will be implemented under the overall guidance of the Government’s sector policies and guidelines issued by line ministries.

The overall responsibility for the implementation of the programme lies with the local governments of Gulu and Kitgum districts. Support will be provided through the Programme Advisory and Community

⁶⁶ Uganda is a country with a very strong local government sector. Donors have assisted the decentralizing process since 1993. From around 1997 the reforms culminated in very explicit LG act and strong institutional frameworks. The LGs rely significantly on fiscal transfers – the systems for this have been overseen by a constitutionally mandated LG Fiscal Commission since mid 1990s.

Mobilisation Unit. The implementation modalities of the programme allow for effective co-ordination with sector policies and other Government and donor interventions. This is achieved at national level through the National Co-ordination Committee, chaired by the Minister of State for Northern Uganda Rehabilitation and at district level through the Inter-district Co-ordination Committee.

More than 50% of the 4 million Euros will be used as direct support to district budgets as prioritised by local communities. 32% will be shared between capacity building and community mobilisation. The remaining budget will cover long and short term Technical Assistance, administration costs, equipment, reviews/evaluation and contingencies.”

3.1.2 Ind3.1.2 - Alignment of EC interventions to national transfer mechanisms in channelling funds to LA

Detailed evidence at indicator level

A significant number of EC interventions in support of decentralisation are in the form of Sector Budget Support (SBS). , By definition, SBS is using country financial management systems and national transfer systems to local governments.

The EC supported interventions are also in several cases explicitly **aiming at developing or improving the national transfer mechanism**, as it is for instance the case in *Sierra Leone, Mali, Senegal, Tanzania and Cambodia*.

This objective is supported, partly through SBS (e.g. *Mali*), as well as through contributions to basket funds (e.g. *Tanzania*), UN funded projects (e.g. *Cambodia*) or World Bank Trust Funds (e.g. *Sierra Leone*). Therefore one cannot conclude that use of national systems and funding through local government grant systems is something exclusive of SBS support.

Box 11 The EC support and national mechanisms of transfer in Mali

From the start of the EC support programme to local governments, the choice of the EUD was to use national transfer mechanisms of funds:

- funding planned for the local governments went through the National Agency ANICT ("*Agence Nationale d'Investissements des Collectivités Territoriales*"), a perennial national mechanism for collecting all funding for local governments' investments (Investment Fund of Local governments - FICT⁶⁷); the ANICT has seen its mission widened in 2007 and is now also in charge of the attribution of the funds to local governments for technical support and operating expenses;
- funding intended for the technical support were directed towards the national system of support to local governments the "*council centres*" (CCC – "*centres de conseil communaux*") and a national coordination unit (CCN – "*cellule nationale de coordination*").

It is also important to point out the fact that the mechanism of investments funding corresponded to a direct support to LG's budget with a special system of drawing rights. These rights were initially multi-annual (3 years) but became annual due to a lack of visibility of the ANICT on the volume of available funding.

It is also interesting to note that, in *Peru*, a number of sector interventions (e.g. AMARES or EURO-PAN), although not designed to support explicitly and directly decentralisation, aimed at using national transfer systems and at strengthening/further developing national structures.

The SBS modality is by nature strengthening national transfer mechanisms but it is not a guarantee to have a sound national transfer formula applied. In *Honduras*, field visit interviews at the Ministry of Interior and with selected Development Partners showed that, once new funds are available, specific municipalities are often selected by the SEIP ("*Secretaria de Interior y Poblacion*") without using the official transfer formula and projects are even regularly implemented at municipal level by the SEIP itself.

The EC support consists also of a number of "**project**" **type interventions** with no major transfers to local governments (supporting capacity building at central level, capacities of NGOs, etc). This is for instance typically the case for all projects funded through the thematic budget line "Non State Actors and Local Authorities". The main issues related to possible alignment are therefore found within project interventions financing investments for service

⁶⁷ *Fonds d'Investissement des Collectivités Territoriales*.

delivery through in local governments. A notable exception concerns the ACORDS project in *Madagascar*. In this intervention of important size (more than 65mEUR were committed to the intervention under the 9th EDF), the EC experimented with a performance based system to finance local governments (through call for proposals) which inspired the development of a national intergovernmental fiscal transfer mechanism in 2008 (Fonds de développement local), today supported by both the EC and the World Bank. Moreover, the project allowed the development of a number of guidelines on mechanisms and procedures to finance local investment programmes in the targeted regions which were then used at national level. For instance, the guidelines developed for the health sector related investment projects were eventually adjusted and adopted at national level. A similar experience could be found in the field of procurement: the systems developed for the project intervention was widely disseminated to all stakeholders and, in 2010, after a 9-month joint effort with the ACORDS project, the national institution in charge of procurement even started to test the system on a national scale.

In several cases, it has been decided **not to use national transfer systems** but allocate funds in a "project managed system", such as e.g. in the North of *Uganda* targeting selected local governments, in *Kenya* in order to transfer directly to "communities", in *Lebanon* to apply project funding through project specific set-ups within individual or clusters of municipalities. In some specific projects, it has been tried to transfer funds to local governments to be used for innovative modalities of Local Economic Development, such as for instance in *South Africa*. The effectiveness of various arrangements to improve service delivery is further discussed in EQ8, but generally it can be concluded that such interventions have had various local benefits (e.g. on local service delivery) but have not led to wider reforms of the relationship between central government and LGs.

During the evaluation period, the existing national transfer systems were rather limited in some cases, and the EC, has often tried to support further developments of the national system.

For instance, in *Benin*, municipalities only disburse about 5% of the national budget and this is in most of the cases used to cover salaries and administrative costs. Very little is used for infrastructure development. A more systematic and encompassing sectoral transfer system from central to local government does not exist at the moment. The situation is currently evolving and this evolution has been first and foremost pushed by donors present in the DLG area, including the EC.

The EC support to decentralisation includes other situations such as:

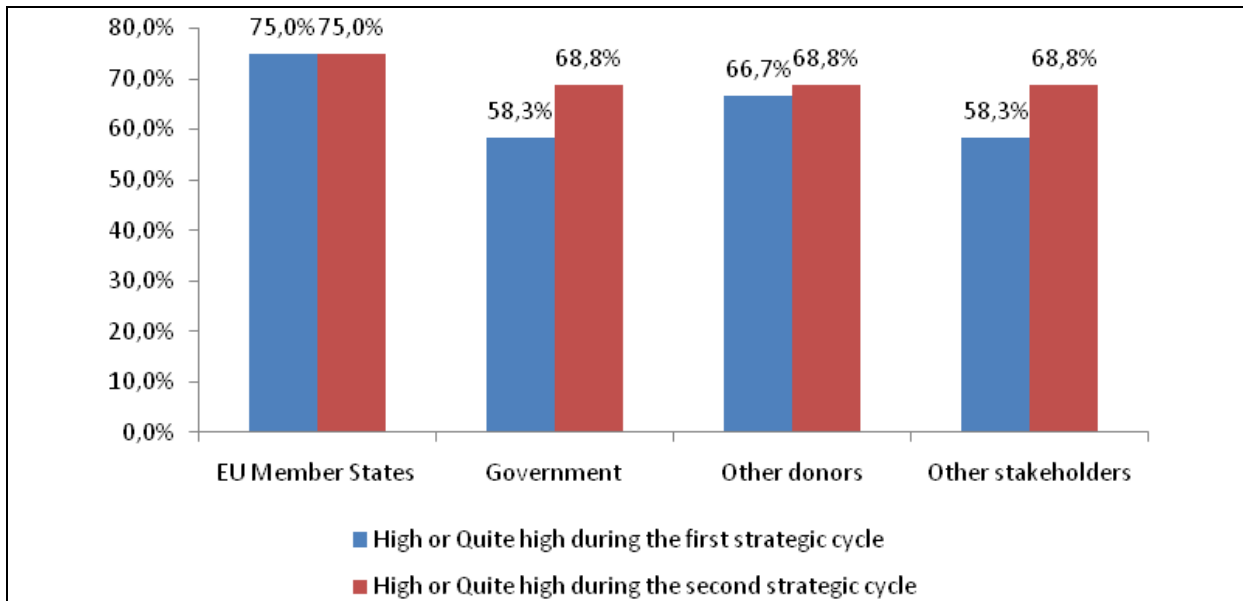
- The experience with SBS in Durban Municipal Council, *South Africa*: SBS gave the Council the necessary funds to implement local development action in strategic areas and this in a flexible way while being highly aligned to Integrated Development Planning of the municipality. However, the fund transfers to the municipalities have never been part of a general "central government – LG" transfer system. Furthermore, the programme never intended to reform the broader Intergovernmental Fiscal Transfer (IGFT) system.
- In the *Philippines*, the EC modalities for the transfer of funds in the health sector have evolved from a project approach to a SBS modality with funds channelled directly through the national treasury. The project approach included transfers to selected provinces – however, the transfers from central government to the provinces were not really part of a permanent government system for financing health services in the provinces, as they were tied to the project period.

3.1.3 Ind3.1.3 - Quality of dialogue with partner country and beneficiaries

Detailed evidence at indicator level

The survey to the EUD indicates significant improvements in the quality of dialogue with government and other stakeholders over the evaluation period. Most EUDs still find that the dialogue with other EU members is of highest quality.

Figure 12 Change in the quality of dialogue and coordination on decentralisation between the two strategic cycles – ‘high’ or ‘quite high’ responses



Survey to the EUDs, Particip analysis

Essentially, two distinct environments for dialogue with government can be identified:

- Countries in which decentralisation is not a clear policy and adopted by the national government;
- Countries with a declared decentralisation policy.

In situations where decentralisation is not a clear policy which has been adopted by the national government, the EC typically embarks on various projects supporting “bottom-up” development of local governments. This support might ultimately inspire the Government to take a more explicit stand on decentralisation and local government reforms.

A typical example among the countries analysed in the desk phase is *Lebanon* where the EC identified a clear need to strengthen decentralisation processes and local governments and to reform the sector, but opportunities for wider national reforms were considered too limited as the Government faced other critical challenges. Hence, the EC response was to support selected municipalities with capacity building and investment grants to improve their capacities to deliver local services and demonstrate potential for wider reforms and EC support to this reform in the future. At the stage of writing this report, a municipal fiscal reform programme is under consideration and is discussed with Government).

A similar situation was found in *Jordan*, but here the EC decided to take a very different approach - as well as some risk - by moving straight into a sector budget support modality to assist the implementation of the decentralisation reform⁶⁸. *Jordan* does not have an explicit decentralisation reform policy, but the overall assessment of the EUD pointed out a genuine interest of the government to engage in a reform process, which was reflected, for instance, in a recent consolidation of the number of municipalities and in a general commitment to a wider public sector reform⁶⁹.

In countries with a declared decentralisation policy, the dialogue takes a more structured approach (see also sections on donor/ government coordination modalities in EQ4-JC4.1).

For instance:

- In *Benin*, the dialogue between the national government and the DPs is strong and has become even stronger over the evaluation period. While one might argue that the

⁶⁸ Support to poverty reduction through local development in Jordan (MED/2004/006-221) that essentially is composed of a large sector budget component (29 million EUR) and 0,8 million EUR for M&E.

⁶⁹ See Financing Agreement for Support to Poverty Reduction Through Local Development in Jordan (MED/2004/006-221)

decentralisation/local governance agenda is mainly pushed and supported by donors (and to a lesser degree by the government itself, evidenced by a very weak sectoral responses at local level), the dialogue is strong and evolving. This is has been already the case in the past, but has emphasised since 2009 with the launching of the PONADEC programme, which enables a more targeted and strategic discussion of decentralisation issues and the use of joint annual review of decentralisation taking place between the donors and national government.

- In the *Philippines*, the dialogue between the EC and national stakeholders generally appears well developed (an example is the significant engagement of the Philippines' stakeholders in the dialogue on the CSP preparation⁷⁰) and is generally well documented (see the recent country level evaluation).
- In *Rwanda*, the quality of the dialogue is high and very intense. This can be seen from the very active sector-working group on decentralisation and local governance and other relevant sector working groups especially for PFM issues and general governance.

In general, it is noteworthy that active “**decentralisation sector working groups**” and similar institutional arrangements for coordination of support among donors and government are critical for a successful dialogue. This has been well illustrated in the various field visit carried out (see field visit country notes in Volume II - Annex 11). This aspect is further analysed in EQ4.

Upon formalisation, the quality of dialogue may improve in terms of intensity and clarity but not necessarily in terms of “cordiality”. There are a number of cases where the EUDs express **concerns on government's commitments** to implementing its declared decentralisation policies, which often underpin larger sector programmes or even General Budget Support. For instance in *Tanzania*, part of the GBS has been withheld because of perceived lack of progress on decentralisation reform. Serious concerns on the progress and Government commitment have also been noted in *Uganda* and *Senegal*.

In *Mali*, the EC had y a continuous close dialogue with the government during the evaluation period. This is in particular illustrated by the relevance of a number of strategic choices made by the EC in Mali (see field visit country note for more details). However, as described in Indicator 3.1.1, *Mali* experienced a shift in policy priorities regarding decentralisation in recent years. Moreover, from 2007 onwards, it turned out that the dialogue between the EC and national authorities has been less fruitful and more "confrontational", often focusing on "commitments which are not implemented".

In *Tanzania*, the added value of the policy GBS dialogue is difficult to asses: no progress has been made on the supposed introduction of formula based recurrent grant system or the devolution of HRM to LGs, however it must be noted, that issues related to donor harmonisation in the sector (through LGDG modality) as well as overall levels of fiscal resources allocated to LGs have improved.

The case of *Peru* presents a quite particular situation. There, the dialogue between the EC and the government has overall been positive, but the extent to which this dialogue has actually focused on decentralisation seems to have been quite limited. This is actually to be put in parallel with the low level of direct support to decentralisation on the one hand, and a high priority put on PFM and health issues on the other hand. Some exchanges related to decentralisation may have taken place in the framework of the recent sector budget support programmes in the health sector (e.g. *EURO-PAN "Programa Articulado Nutricional"*) and the Group on Public Finance (*Mesa de Finanzas Públicas*) in which the dialogue has been of high quality. Moreover, the EUD has established interesting platforms of dialogue with Non-State Actors (and to a certain extent Local Authorities) by establishing regular meetings with the aim to inform NSAs about EC funding opportunities and to draw lessons learnt from past experiences. This dialogue certainly makes the EC more responsive to the national context

⁷⁰ Mid-Term Review Consultation of the Philippines Country Strategy Paper 2007-2013 with civil society and local development partners on 23/02/2009 (Cebu), 27/02/2009 (Davao) and 9/03/2009.

in general and should be further encouraged. However, there is no strong evidence that this dialogue has led to tangible results in terms of EC responsiveness regarding decentralisation reform. Moreover, the participation of the EC in the working group on decentralisation (*Mesa de Descentralización*) is considered to be limited also because the setting-up of this working group gives only few opportunities to dialogue with the government. In general, it appears that the EC has had a more limited role than several other EU Member States (e.g. Spain, Germany) or non-EU Development Partners (e.g. the WB) in terms of dialogue with the Government and Non-State Actors on issues related to decentralisation.

Overall, it appears from the evidence gathered in the desk phase and the field visits that, although the dialogue with partner countries' governments and other national stakeholders has intensified and has become increasingly structured, the results of the dialogue on specific issues related to decentralisation have often remained contrasted. This is partly due to the complex nature of decentralisation reform, the difficult and changing national contexts or, in some cases, is a result of the competing priorities in the EC strategy in the partner country, leading to fewer resources allocated for policy dialogue on decentralisation issues.

The **quality and realism of decentralisation reform programmes** are also critical for good quality of dialogue. In *Tanzania* for instance, a very detailed reform programme was put in place as early as 2000. However it was based on a reform policy that in part was not truly "owned" by the Government – in particular with regards to the policy intentions of completely devolving the right to hire and fire to LGs. The implications of this policy might initially not have been clear to the government. As a result, a few years into the implementation stage, the government started to manage public servants in an increasingly centralised manner. In retrospect, the particular elements of the decentralisation reform policy dealing with HRM were never truly owned by Government and especially expectations in that regard were unrealistic. This policy incoherence led to a number of conflicts between DPs and Government and is reflected in e.g. downgrading of Government performance in the GBS PAF. Overall the EUD has attempted to progress on these issues in a more moderate manner than some of the lead donors, arguing for a strict adherence to the LGR policy principles would have liked to see.

3.1.4 Ind3.1.4 - References in relevant CSP sections on decentralisation and local governance

Detailed evidence at indicator level

A systematic assessment has been undertaken for the Country Strategy Papers (CSPs) of the 22 countries included in desk phase (see Volume II – Annex 6). Two key issues were explored:

- The extent to which the CSPs makes explicit reference to alignment with particular government strategy papers and policies,
- The type of policy dialogue emphasized in the CSPs.

Alignment

Most CSPs (especially the ones from the second period) mention that the EC response strategy is aligned with the **national Poverty Reduction Strategy Paper (PRSP)** or equivalent institutionalised documents.

Benin (CSP2): "Development partners and the government annually meet to discuss the implementation reports related to the PRSP and the various budget supports, and assess the progress in the ongoing reforms, including measures to strengthen governance."

Cambodia (CSP2): "All interventions within the bilateral programme will fall within the framework of the National Strategic Development Plan for Poverty Reduction (NSDP) for the period 2006-2010, prepared by the RGC in co-operation with development partners."

Honduras (CSP2): "EU assistance is in line with the country's poverty reduction strategy and closely coordinated with the other donors. (...) In selecting the recommended focal areas, the principle of concentrating aid in sectors where the EC

offers an added-value and a series of considerations pertaining to the EU Development Policy, the EU priorities in the region, donor harmonisation and alignment with the domestic agenda have prevailed."

Lebanon (CSP2) "The EU will seek to adapt its strategy to the needs presented by the government during the International Conference (scheduled for the second half of January 2007). Close cooperation between the Lebanese government and all donors will be needed to establish an effective structure of coordination and to prioritise the needs of the country."

In some cases, the CSP explicitly highlights the fact that the PRSP (to which the response strategy is aligned) has indeed a **section on decentralisation**.

Benin "Decentralisation, the consolidation of democracy and social dialogue in the country, the strengthening of the judiciary system, the actions promoting community development, are some of the most important reforms of the PRSP".

The use of **General Budget Support** (GBS) seems to contribute to enhance alignment of the EC response strategy to the national regulations and partner Governments priorities.

Cambodia (CSP2): "EC assistance is seen as taking the form of budget support in the framework of the World Bank-led Poverty Reduction Support Operation (PRSO), together with technical assistance in key fields focused on by the PRSO, in particular Public Financial Management. The provision of aid through budget support is in keeping with the EC's keenness to use modern means of aid delivery that ensure strong government ownership, effective, policy dialogue and strong donor co-ordination, wherever possible. The provision of budget support through the PRSO will allow the EC to give much-needed policy advice to the government through continuous involvement in dialogue on key reform agenda issues, while at the same time making available funds to enable the reform agenda to be implemented".

Overall, there are **very few explicit elements on alignment to national regulations in the specific framework of decentralisation** (e.g. alignment to national procedures or legislations specifically related to decentralisation).

The elements identified, rather refer to the alignment to general elements of the Government agenda.

Guatemala (CSP1): "Local development and decentralisation of government will need to rely on the progress in decentralising and strengthening the National Development Council system."

Yet, it is important to notice that decentralisation interventions are often by nature aiming at **strengthening national regulations and priorities**. This appears quite clearly in some of the CSPs analysed.

For instance, the CSP1 for *Uganda* describes that the capacity building activities supported at local level through Budget Support will foster the implementation of national policies:

Uganda (CSP1): "The support identified in the framework of the 9th EDF will mainly consist of capacity building at district and lower-level local government by providing local governments primarily through budget support with tools to enable them to handle decentralised services and ensure good governance by increased accountability and democratic participation. Such support will increase the resources available to existing GoU programmes such as the Local Government Development Programme (LGDP) and the Economic and Financial Management Programme (EFMP II)".

A similar situation is found in *South Africa* where the EC provides a package of capacity building activities to local governments which clearly aims at strengthening the national procedures, regulations and policies related to decentralisation.

South Africa (CSP2): "EU partners will work with the government on policy issues by helping the government to develop policies and see their implications, rather than by trying to influence the content of the policies directly. (...) Coordination between donors and with government (central and sectoral) needs to be reinforced. This requires a

strong emphasis on working with the government to improve alignment with policies and procedures."

Moreover, some exceptions could be found in *Madagascar, Mali, Peru* and *Tanzania* where the CSPs do explicitly mention some forms of alignment with the Government priorities, specifically in the field of decentralisation.

Madagascar (CSP2): "Consistent with the Challenge 6 'decentralise public administration' of the commitment 1 (Responsible Governance) of the Madagascar Action Plan, the EC support to territorial administration will support the decentralisation process and the implementation of the National Plan for Decentralisation and Deconcentration (PN2D)" .

Mali (CSP1): "Decentralisation is one of the major public administration reforms set up by the Malian government. This process leads to changes at all levels of the administration in Mali. The aim is to support this process, first by allowing its effective implementation and, secondly, by helping the adequate development of the institutional structures that are being created".

Peru (CSP2): "European cooperation strategy should: fit in with the framework policies of the State, in particular the National Agreement and its developments contributing to the processes of State modernisation and decentralisation by means of support for administrative capacity building".

Tanzania (CSP1): "The donor community has made considerable efforts to support the decentralisation process and to ensure that resources are devolved to the school and community level. However, as a substantive part of these aid inflows do not pass through the Government budget, government's capacity to carry out policy formulation, planning and implementation of its development programs is reduced. Further, given the complexities and delays involved in decentralisation, donor-supported efforts are not yet fully harmonised with the government's decentralisation policy and programs. Some projects are too donor-driven, costly and unsustainable and appear to favour districts with better-established capacities. Additionally, each donor has unique processes and modalities, making donor coordination a taxing task for government agencies. Establishment of clear procedures for managing the delivery of education at the decentralised level with respect to funds allocation, utilisation and auditing would also facilitate better use of donor resources and bring these within the regular government and administration structure."

Policy dialogue

There are often **general** elements related to policy dialogue with the partner Government in the CSPs analysed.

Cambodia (CSP2): "The EC is very likely to propose to the Cambodian authorities the creation, within the framework of the EC-Cambodia Co-operation Agreement, of a sub-group on "co-operation in institution building, administrative reform, governance and human rights". This sub-group could provide suggestions for co-operation activities in this area".

Guatemala (CSP2): "An ad hoc consultative forum has in the past served as a forum for dialogue between the EU (Commission and Member States) and Guatemala (Government and non civil society) on EC cooperation ("mesodiálogo"). It ceased its activities in 2005."

Guatemala (CSP1): "To have greater impact and to ensure that its operations are more sustainable and more in line with its objectives, the European Commission should take the following steps: (...) • Develop relations with the different stakeholders of organised civil society in Guatemala and Europe, with the government and with the Member States through the dialogue mechanism (mesodiálogo) implemented by the EC and aimed at coordinating EU aid strategies in Guatemala."

Rwanda (CSP1) "Dialogue with the Government throughout the development process of the response strategy has helped to enrich the process of designing the monitoring

and performance indicators in areas that are central to the political dialogue between the EU and Rwanda".

South Africa (CSP1) "A structured political dialogue between SA and the EU will be established within the framework of Article 8 of the Cotonou Agreement and after its entry into force also in accordance with Article 4 of the TDCA . Annual meetings within the TDCA framework will take place and the agenda will include issues of common interest such as SA and EU developments, regional peace and security issues, social and economic developments, AU and Nepal."

In a very few cases, the CSPs describe the mechanisms / spaces for policy dialogue to discussing specifically issues related to **decentralisation**.

Madagascar (CSP2) "Seven meetings of political dialogue have been held so far on issues such as decentralisation, elections, anti-corruption, judicial reform, regional integration, etc."

Uganda (CSP2): "In the framework of the political dialogue under Article 8 of the Cotonou Agreement, regular meetings are held with the Minister of Foreign Affairs and other ministers. The agreed subjects of the dialogue include democratisation (transition to multiparty democracy, elections), good governance (rule of law, human rights, press freedom, corruption, decentralisation), and conflict resolution (in Northern Uganda and in Karamoja)."

3.2 JC3.2 The choice of entry points (including their sequencing or combination) reflects national contexts

Main findings at JC level

The EC support to decentralisation has increased in terms of overall financial volumes as well as in terms of number of countries with decentralisation support over the evaluation period. It appears that an increasing number of countries now provide support through the entry point "direct support to national decentralisation reform programme ("top down" – up from 30% to 38% in surveyed countries) rather than through "bottom up support" (down from 45% to 38%). This is indicative for a general maturation of reform processes in the partner countries and EC subsequent alignment. There are also some exceptions, such as *Rwanda* and *Uganda* where the EC is less aligned with national reform policies than other DPs. The reasons for the relative lack of "alignment of entry points to national contexts" in such cases are found in the relative emphasis of additional objectives (addition to decentralisation support). For instance, the support in *Uganda* also included specific intensions for geographical targeting that could not have been achieved through support for national decentralisation support programmes.

Decisions on particular entry points are not based on extensive independent and in-depth analyses such as "political economy of decentralisation studies". Programme documents rarely have a forward-looking perspective beyond the design of the concerned interventions. These documents typically have a section with "lessons learned from past interventions" that justify the proposed intervention. EC assessments of such past experiences are frequently quite thoughtful and self-critical and have proven to be very useful as inputs to formulation of the interventions, thus illustrating that internal learning processes are going on.

The EC (incl. EUDs) has indicated that countries, in which support to decentralisation is made through sector approaches have increased significantly over the evaluation period. However, as discussed further in EQ5-8, these programmes rarely have objectives directly related to the enhancement of decentralisation reforms per se but are primarily sector programmes implemented in a decentralised context.

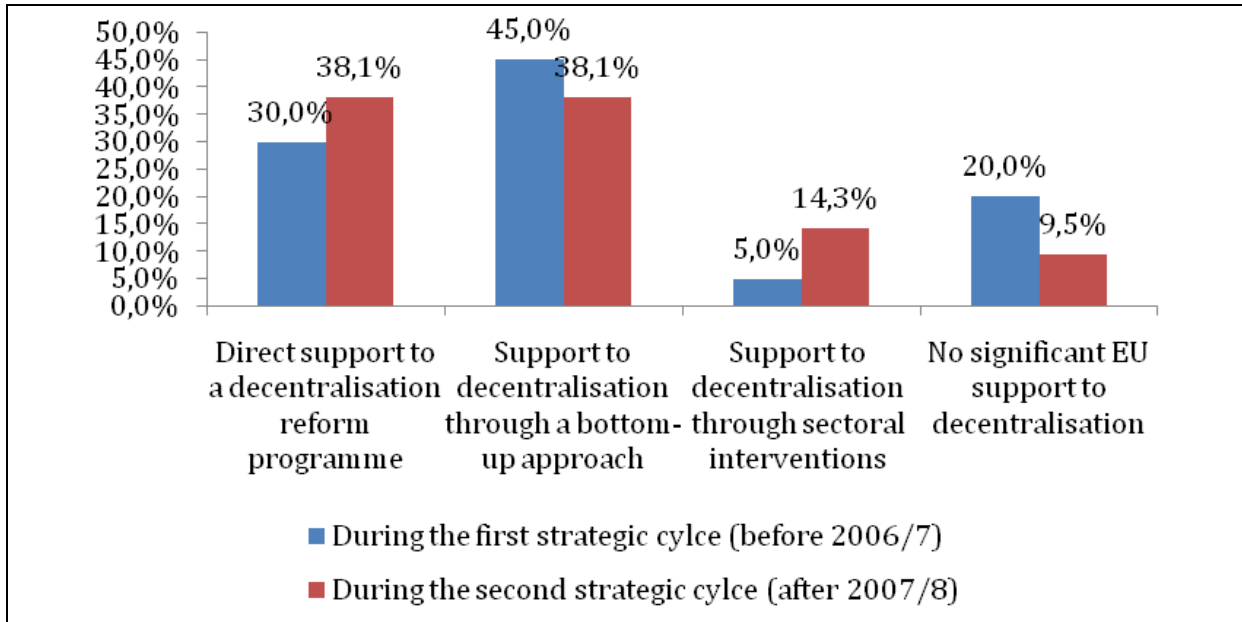
3.2.1 Ind3.2.1 - Evidence of sequencing of approaches/ entry points according to national contexts

Detailed evidence at indicator level

The EC support to decentralisation has over the evaluation period increased in more than 90% of the surveyed countries (20% did not render any support to this extent before 2007).

Programmes in direct support to decentralisation have increased in importance as support through "bottom-up approaches" has in a similar manner declined. Among the sample, the countries that support decentralisation through sectoral approaches have significantly increased over the evaluation period.

Figure 13 What was the main type of approach adopted by the EC to support decentralisation in your country?



Survey to the EUDs, Particip analysis

The shifts in various approaches are typically undertaken as reflections over the national government policies to decentralisation. This is illustrated in the trend towards direct support to decentralisation reform programmes based on **emerging national policies** (with some notable exception as in *Tanzania* where, in the first programming cycle, the EC could have supported the existing policy reforms).

For instance, in *Nicaragua*, the EC decided to lower prioritisation of direct support to decentralisation regarding declining Government support.

In *Kenya*, the EC initiated, in 2006, direct support to an emerging local government reforms programme, however the political climate for reform was not very favourable and, in the second programming cycle, a bottom-up (more community focused) programme was initiated. In 2011, the prospects for substantive local government reforms look very promising (after the Constitutional Amendments in 2010).

In *Madagascar*, the experience of the EC-funded interventions ACORDS (2004-2010)⁷¹ laid the foundations for the design of a wide national programme supported by both the EC and the World Bank in 2007 (one of the component of the new programme was based on the development of a new IGFT system around a national fund for LG "Fonds de Développement Local" - FDL). However, the 2009 political crisis led to the abortion of the intervention which has been launched in 2008. The ACORDS example illustrates an interesting situation in which a "bottom-up" approach project by allowing for experimentation and awareness raising on decentralisation issues at both national and local level, has developed a favourable ground for the launch of a wider intervention going in the direction of a "top-down" programme approach with multi donor support.

The table below gives an overview of the changes of approaches that occurred in the 22 desk countries during the evaluation period. The need for adapting to changing political contexts is clear. In countries where decentralisation reforms are mature and explicit policies

⁷¹ Which itself benefitted from the experience of the previous PAICAL project ("Programme d'Appui aux Initiatives des Communes et Associations Locales").

are declared, it becomes possible to move from “bottom up” approaches to “top down” direct support of national decentralisation reform efforts. This typically also entails a change from project modalities to sector programme support.

Table 12 Overview of changes in the EC support to decentralisation between the two programming cycles

Country	Type of approach for supporting decentralisation		Reasons for change (with responses from the survey to the EUD)
	1 st Cycle	2 nd Cycle	
Benin	Bottom up	Direct support ⁷²	National policy of Benin changed which enabled shifting towards sector budget support
Cambodia	Direct support	Direct support	Same approach (direct), moving from projects to a more comprehensive programme.
Colombia	Bottom up	Bottom up	The same approach has been followed: support to local authorities in the frame of the peace laboratories.
Congo (Democratic Republic of)	No significant support	Direct support	No support to decentralisation in the 1 st cycle, now direct programme support. <i>There was no decentralisation in DRC before 2006. Now we are starting up a programme</i>
Guatemala	Direct support	Bottom up	Direct programme support from 1 st cycle still not closed, in addition some local development activities in the 2 nd cycle ⁷³ .
Haiti	Bottom up	Direct support	Complex socio-political situation. <i>The passage towards a Direct support to a decentralisation reform programme remains a challenge today as after-earthquake context has provoked a fragmentation of the political will to carry on State reform. EUD approach may need to be slightly revised to secure implementation success.</i>
Honduras	Direct support	Direct support	No change, direct support in both cycles, even though not mentioned in the second CSP + Sectoral projects in environment sector ⁷⁴
Jordan	No significant support	Bottom up	In the process of devising the form of support to decentralisation. <i>Actually we are in the process of devising it. The approach has not been decided yet.</i>
Kenya	Direct support	Bottom up	Change from support to local governments to CSOs and communities. <i>The 2006/07 cycle include the support to an ongoing Local Government reform called KLGPR, in association with supporting a number of physical projects in 60 Local Authorities. In 07/08, the local governance will be mainly sustained through support and empowerment of CSOs and communities to play the role of watchdog.</i>

⁷² to national decentralisation programme

⁷³ Under the CSP 2002-2007 a comprehensive intervention on decentralisation - Proyecto decentralizacion del estado/Municipios democraticos - was designed in response to the favourable country context (in 2002 the Guatemalan state approved a far-reaching legal framework on decentralisation). Under the second cycle no new decentralisation support programme was designed because of the already important financial amount dedicated to the decentralisation project (24 mio EUR) - which only ended activities in 2008 and is still not fully closed - and the difficulties of the project in reaching its objectives.

⁷⁴ The PROADES is a Budget Support program to the Decentralisation in Honduras signed in 2004 with the Government on the basis of National Program of Decentralisation. The CSP 2007-2013 doesn't mention direct support to Decentralisation but the PROADES is still going on at this stage and various projects complete the direct approach by sectoral interventions mainly for the decentralisation of the environmental sector.

Country	Type of approach for supporting decentralisation		Reasons for change (with responses from the survey to the EUD)
Lebanon	Bottom up	Bottom up	Support to local levels will be complemented by building capacities at both levels. <i>No decentralisation agenda but large regional disparities and weak capacity of local actors, so supporting municipalities was seen as a way to improve service delivery at local level. Now we will also target national authorities to build capacity of both local and central levels.</i>
Madagascar	Bottom up	Bottom up	No change during most of the period (the new programme PDL programme launched in 2008 was eventually stopped just a few months later due to the political crisis) - support to local authorities. <i>The approach has mainly been through the 9th EDF Programme in support to decentralised authorities (267 communes) in the southern areas of Madagascar (programme named ACORDS, website: http://www.acords.org)</i>
Mali	Direct support	Direct support	No change, direct support SBS. <i>Les programmes de soutien aux politiques sectorielles de décentralisation et réforme de l'Etat constituent des programmes à part entière et utilisent les modalités de l'appui budgétaire sectoriel et les appuis institutionnels y afférents.</i>
Nicaragua	Through sectoral interventions	No major support to decentralisation	The policy of Nicaragua changed – with partial abolishment of decentralisation policies
Papua New Guinea	No significant support	Bottom up	Both bottom up and direct support implemented. <i>The support is twofold: both direct support to a decentralisation reform programme (implementation of the Organic Law, dealt with by the corresponding department), and bottom-up approach.</i>
Peru	Bottom up	Through sectoral interventions	Shift from bottom up to sectoral support due to geographic focus. <i>During the first period, the EUD has prioritised a local support in order to improve local capacities in a context of return to democratic system and implementation of a National Agreement to fight against poverty. the shift between first and second period has been done concerning geographic focus, but supporting State Budget Planning from "budgeting by means" to "budgeting by results" for social sectors (health, education and small agriculture, mainly).</i>
The Philippines	Bottom up	Through sectoral interventions	Shift from bottom up to sectoral support, due to inadequate use of the support in the local governments and good sector experience at the EUD.
Rwanda	Bottom up	Bottom up	No change, bottom up approach. Complemented by sectoral support.
Senegal	Direct support	No significant support	Direct support in the first cycle, no support to decentralisation since the 8th EDF – not a priority any more.
Sierra Leone	Direct support (through WB trust fund)	Direct support (through WB trust fund)	No change.
South Africa	Bottom up	Through sectoral interventions	Shift from bottom up to sectoral support, due to seeking better aid effectiveness and reducing the cost of aid.
Tanzania	No significant support	Direct support	EUD had earlier supported various rural development project interventions – among Government and Donors it emerged in 2004 as priority to mainstream all past and ongoing "local development" projects into local government planning and financing modalities. The "Local Government Development Grant" (LGDG) system was agreed as an appropriate mechanism that subsequently was co-funded by Government, World Bank, various bilateral donors and the EUD.
Uganda	n/a	Direct support	n/a

The table below presents the complementary information that emerged from the field visits (see Volume II – Annex 11 for more details on the field visit country notes).

Table 13 Evolution of entry points to support decentralisation – complementary information from field visits

Country	Complementary information
Benin	The approaches to supporting Decentralisation and local governance in Benin have evolved considerably over the past 10 years and have gone from the scattered project approach focusing only on limited districts/ municipalities to a more national and programme approach through the PONADEC. However, the donors still favour district-based programmes that only target a limited number of municipalities/communes per donor, and the support to e.g. capacity building is still scattered and not well coordinated. Attempts are being made under the PONADEC for MDGLAAT to design a more strategic approach to capacity building of LG. The overall importance of GBS and SBS has also grown considerably during the evaluation period. SBS is now in principle the modality for support to FADeC and should increase over the coming years in line with GoB funding priorities for local government investments. The GBS support framework has indicators that are aligned to the PONADEC and the FADeC.
Honduras	The entry point in 2005 was a top down approach with budget support to decentralisation. The EC proposed in 2004 a more gradual approach to SBS by starting with a modified SBS with some budget lines, but this was not approved by EC HQ. To a certain extent, the final modality chosen was not appropriate to the national context as, according to the EUD and other stakeholders met, the GoH did not understand the modality.
Lebanon	Most of EC support has applied a “bottom up approach” – working mainly with “local development” as main objective and limited attention to how this can be linked to wider state reforms/decentralisation. The EC is now planning for a different kind of entry point – where municipal fiscal reform is at the core of the project design although experiences from earlier phases of local development support (such as the emphasis on Unions of Municipalities) are maintained. This transition of support was not foreseen in earlier local development programmes.

Country	Complementary information
Mali	<p>The sequencing of EC interventions shows how the EC has rapidly expanded its intervention to take into account the institutional environment of decentralisation and then the related economic issues (regional economic dimension). The sequences of interventions have been:</p> <ul style="list-style-type: none"> • 7th FED: support for the preparation of decentralisation and the design of tools; • 8th FED: support for the start-up of the "Communes", • 9th FED: support for the state reform and continued support for decentralisation, and integration of a focus on the northern regions: • 10th FED: continued support for state reform and decentralisation, and integration of the regional economic dimension. <p><i>During the 7th FED</i>, the EC has supported the national authorities to create the necessary conditions for the implementation of decentralisation: preparation of the legal and institutional framework, support for the establishment of the consultative framework for the administrative division, preparation of technical and financial tools to support the local governments to organize elections. The point of entry was a direct support to the national body responsible for preparing the implementation of the decentralisation process: the "Mission de Décentralisation et de Réformes Institutionnelles" (MDRI).</p> <p><i>During the 8th EDF</i>, the EC has provided the resources to finance the start up of the "Communes". This involved (i) the financing of the investment of the "Communes" through the "Agence Nationale d'Investissements des Collectivités Territoriales" (ANICT) and (ii) the financial support of a mechanism to provide technical support to local governments. This contribution proved to be decisive as it allowed LGs to establish themselves and invest in several areas including basic social services. The entry point was the financial support to the "Communes" through: 1/ the funding of the national system which channelled funds to LG, and 2/ still the support to the national structures in charge of piloting the decentralisation process and providing technical support.</p> <p><i>During the 9th EDF</i>, the EC has sought to address one of major obstacles to the progress of decentralisation which was the non-implementation of the planned state reform. The institutional development program (PDI) established in the state reform was giving no result. The contribution of the EC aimed at supporting the authorities more consistently and to establish a "stronger link between decentralisation and deconcentration". This is the essence of the PARAD programme. The entry points are a financial support to the national system financing the LG and a contribution to support the state reform process at national level.</p> <p>In parallel, the EC has chosen to provide support to the development of the Northern regions. The "regions" are a key step in territorial planning and the territorialisation of public policies. Choosing to work also directly with that level, the EC strengthened their role and allowed them to acquire tools for consultative planning process for public investments with on the one hand the lower level LG, "Cercles" and "Communes", and, on the other hand, the local state services. The entry point was a support at regional level.</p> <p><i>With the 10th EDF</i>, the EC pursues the same interventions with still as guiding thread the combination of support to state reform and decentralisation as well as the support to regions but also the integration of economic development dimensions. It is noteworthy that the support to the regions (through ADERE and PARADER) has been made in the form of specific commitments and not of budget support.</p>
Peru	<p>Since 1997, the EC together with the GoP have implemented four large programmes with some indirect support to decentralisation (PASA, AGORAH, AMARES and EURO-PAN). PASA started in 1997 with the support to education, health, agriculture and economic development, thereafter the focus for the EC programmes has been eventually narrowed to health in AMARES and EURO-PAN, while AGORAH was a regional programme for support to regional governance & economic development. All programmes have taken into account parts of the decentralised structures in their implementation i.e. regions, provinces and districts.</p> <p>The EUD's approach to decentralisation in AGORAH and in six projects financed from the NSA-LA programme is bottom-up with regions and local governments as implementers of various sector activities.</p> <p>There is no top down approach to support decentralisation and there is actually no direct support given to the development of the decentralised structures.</p> <p>The approach of the EC sector interventions follows the national context well. And the PASA with its early start in 1997 may have played a role in the evolving structures for decentralisation.</p>

Country	Complementary information
The Philippines	<p>The EC interventions of relevance to this assignment have over the evaluation period encompassed health sector interventions and the “micro project” type of interventions lately supported under SPF.</p> <p>The type of entry points have included special initiatives to support the conflict areas of Mindanao as well as modalities for wider health sector support which are gradually developing into general SBS. In realisation of the problems of addressing wider PFM issues within the health sector programme, the EC has recently decided to support a specific PFM intervention.</p> <p>Direct support to decentralisation remains limited with the various small projects under the Strategic Project Facility (SPF). The SPF was designed as follow up to the Small Projects Facility (2004-2007) under which the mid term evaluation endorsed the continuation of “a more focused governance programme and specific instrument in the CSP 2007 – 2013”. However, the question remains as to how exactly focused or strategic the instrument is. Annex 4 presents a description of 14 ongoing projects under the SPF – each with their own merits: piloting multiple initiatives for improved local governance in various areas (with relative emphasis on environmental management but also wider LG policy issues). The Strategic Projects Facility (SPF) is a demand-driven governance instrument for which local stakeholders formulate applications for typically two or three year interventions.</p> <p>The approach of the EC to decentralisation support is pragmatic and in line with national context – Government appetite for additional major “decentralisation” reforms is limited. The World Bank informed that they have undertaken a “political economy analysis of decentralisation reforms” (kept confidential within WB) that had convinced them that scope for major reforms was limited and that WB instead should work on a more piecemeal approach to reforms within specific sectors. The EC approach is sound within this context although not based on significant independent assessments.</p>
Rwanda	<p>Under the DPRPR there was a focus on both, top-down approach of support to selected districts and, bottom-up approach via the Ubudehe to local communities and based on local community priorities. This became more obvious when the funding modality was changed under the DPRPR to better fit with the GoR’s preferred transfer mechanism to local governments under the CDF.</p>
Sierra Leone	<p>By supporting a comprehensive reform managed by the WB, the EC has followed the top-down entry point to decentralisation. The programme is well designed according to the national context, whereat the decentralisation system was not defined until the approval of the LG Act in 2004 and it was necessary to continue the comprehensive reform process with gradual devolvement of functions to LCs.</p> <p>Elements of bottom-up entry are also seen by the projects in specific districts financed by the EC budget line for Non-State Actors and Local Authorities in development with direct applications to the EUD. The EUD particularly mentioned three projects (see table 3 below) with districts as project implementers. The EUD sees these projects as a good supplement to the top down approach. In contrast, MLG&RD would like to be more involved/ informed during the implementation of all projects at district level to coordinate these with government programmes.</p>
South Africa	<p>The approaches and entry points have changed over the time according to the national context and increasingly been driven by the need for national implementing agents to have more flexibility and control over the funding and results.</p>
Tanzania	<p>Prior to LGDG support, the EC had supported local level interventions (micro projects) with some semblance of “bottom up support” to decentralisation, just as the EC initially (2003) considered an intervention piloting Village level funding rather than supporting the wider national decentralisation reforms (the LGRP) or pilot for national LG development grant system (the LGDG). In the end (around 2004-5) a decision was made that LGDG was the most appropriate.</p> <p>The decision was largely made as a reaction to the wider developments of the LGRP and other DPs agreement to stop various bilateral interventions in favour of a common supported national system rather than as a deliberate EC strategy.</p>

3.2.2 Ind3.2.2 - Key questions such as “How should existing interventions best evolve?” are addressed in Programming/ Identification / Formulation phases

Detailed evidence at indicator level

Except in very few cases (for instance, *Mali*), no evidence was found in the countries reviewed of the EC having an explicit long term strategy to accompany the national decentralisation process. Moreover, programme documents do generally not have a forward-looking perspective beyond the design of the concerned interventions. They typically have a

section with “lessons learned from past interventions” that will justify the proposed intervention.

The case of Lebanon illustrates a situation where the decision on the evolution of the EC support was made on a step-by-step basis:

- In *Lebanon*, most of EC support has applied a “bottom up approach” – working mainly with “local development” as main objective and limited attention to how this can be linked to wider state reforms/decentralisation. The EC is now planning for a different kind of entry point – where municipal fiscal reform is at the core of the project design, although experiences from earlier phases of local development support (such as the emphasis on Unions of Municipalities) are maintained. This transition of support was not foreseen in earlier local development programmes.
- In *Tanzania*, prior to LGDG support, the EC has supported local level interventions (micro projects) with some semblance of “bottom up support” to decentralisation, just as the EC initially (2003) considered an intervention piloting Village level funding rather than supporting the wider national decentralisation reforms (the LGRP) or pilot for national LG development grant system (the LGDG). In the end (around 2004-5) a decision was made that LGDG was the most appropriate. The decision was largely made as a reaction to the wider developments of the LGRP and other DPs agreement to stop various bilateral interventions in favour of a common supported national system rather than as a deliberate EC strategy.

The question of the evolution of the intervention strategy is thus actually addressed during the implementation of a programme (in the discussions carried out with the national stakeholders and other development partners, or in mid-term reviews, evaluations and other specific studies carried out during the implementation phase).

3.3 JC3.3 The choice of aid delivery methods (including their potential combination) has been appropriate to national contexts

Main findings at JC level

An overview of the main EC interventions in support to decentralisation in the 22 desk countries indicates **wide variation in type of aid delivery methods** - adapted as response to the country contexts as perceived by the EUDs. The evolution of aid delivery methods has been closely associated with the development of “entry points” discussed above. In several countries a mix of different aid modalities is applied. When support is provided as direct support to decentralisation reforms (“top-down”), then the aid modality increasingly takes the form of sector budget support (SBS) to the national governments with the ministry in charge of local governments as main responsible for implementation. When support is provided as “bottom up” support, it normally takes the form of project support – generally with the national government as a main partner, but in some cases (e.g., *South Africa*) also with local governments as the direct partners. In *South Africa* a special permission was sought to grant “budget support” directly to local governments. Only in *Tanzania*, it is indicated that EC General Budget Support also includes explicit decentralisation targets and triggers.

From the analysis, it appears that the EC has demonstrated capacity for **adaption to local conditions** in several countries by adopting a range of aid modalities already applied locally, such as UNDP implementation in *Cambodia*, World Bank Trust Fund implementation in *Sierra Leone*, and the use of basket funding modalities in *Tanzania*. This has been done in order to harmonise with other development partners in the concerned countries.

Support to decentralisation reforms is a **dynamic process**: government policies may open up for new opportunities – or earlier commitments to reforms are reversed – relevant programmes should preferably respond to these developments in a timely manner. The evaluation found some examples of how slowly EC procedures can prevent significant adjustments during programme implementation. However, especially in the early phases of programme formulation, the EC showed to be relatively open to make very significant adjustments. For instance, in both *Tanzania* and *Sierra Leone* it was decided to completely reject early concepts – although significant efforts have been made in initial programme

designs – in favour of more promising opportunities that arose partly because of Government initiatives and partly because of other joint donor programming.

Project documentations (financing agreements) rarely provide an explicit **discussion of pro- and cons** of different aid delivery methods.

The debate on “aid modalities” occasionally takes precedence over discussion of the “substance” (the objectives, institutional arrangements etc) of programme interventions.

SBS is indicated as a preferred financing modality and several of the larger new programmes have adopted SBS as the aid delivery method. The underlying risk analysis is not always very complete and often the project documentation includes very brave assumptions for the successful implementation of SBS.

It should also be noted that SBS to decentralisation in reality covers a very wide range of de-facto aid management arrangements that rarely are “full SBS”. For instance, in *Mali*, the SBS through PARAD is accompanied by a large share of project funds for technical assistance (13 mEUR). In *South Africa*, the funds are earmarked to specific local governments (rather than central government) and broadly earmarked as a “menu of investments” (for LED etc). In *Tanzania*, the LGDG aid modality is considered as “basket support” by the EC – however in a recent global ODI evaluation of SBS it was included as a case study of SBS modality for support to decentralisation.

The evaluation explored what types of aid delivery mechanism are **most suitable** for achieving various forms of decentralisation related objectives. Overall, it emerged that the relative effectiveness of different programme interventions is influenced by several factors but in particular the relevance of the supported activities and the overall institutional framework for management of these. **Aid modalities per se are not decisive factors**. That said, a number of specific observations can be made:

- Decentralisation support is highly political – and progress on development of conducive government policies, legislation, appropriate assignment of responsibilities and corresponding resources (see also EQ5) depends on well designed programmes, proper analysis and institutional arrangements for reform management including donor coordination mechanism. The fieldwork included some cases with success in this field that had been implemented with different aid modalities: *Mali* (SBS), *Sierra Leone* (World Bank Trust Fund), *Tanzania* (basket fund). The expectations regarding supposed superiority of SBS in sector dialogue cannot be confirmed.
- Support for capacity building of various stakeholders (see also EQ6) has been provided through many different aid modalities. As discussed further in EQ6, the support from EC has been most effective for strengthening LG capacities (rather than central government officials). It appears that project modalities are more effective than SBS – it is also noteworthy that, in some cases like in *Mali*, support for capacity building is provided through a separate project modality and not as part of the SBS. However, there are more important factors than aid modalities that explain relative successes in this area. (see also EQ6)
- Support to capacity building of NSA and several aspects of “local governance” are typically addressed through smaller projects. There is some evidence that this type of support can best be undertaken in “project modality” (as illustrated in the desk survey and confirmed during the field phase).

3.3.1 Ind3.3.1 - Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities

Detailed evidence at indicator level

An overview of the main EC interventions in support to decentralisation in the 22 desk countries (see table below) indicates wide variations in types of aid delivery methods.

Table 14 Overview of major financing aid modalities for main EC support interventions in desk countries

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Financing and Aid modality
Benin	Africa	2003: PRODECOM - Programme d'appui au démarrage des communes 8,1 m€ (#15861)	Grant to the GoB ⁷⁵ - Project
		2008: PACTE - Programme d'appui à la décentralisation - 13,7 m€ (#19049)	Mixed of Grant and Budget support
Cambodia	Asia	2004: Strengthening of pilot city administrations Battambang and SiemReap: Revenues and budget, transparency and peoples participation – 0,7 m€ (#5732/90688)	Grant (to a European association) – project
		2004: Strengthening democratic and decentralised local governance in Cambodia: building local capacity through networking and local-local co-operation - 10 m€ (#16856)	Contribution agreement to UNDP (with un-earmarked funds) - Project
Colombia	Latin America	2004: II Laboratorio de Paz – 32,7 m€ (#5757) ⁷⁶	Grant to the GoC – project
		2006: III Laboratorio de Paz – 23,7 m€ (#17668)	Grant to the GoC – project
Guatemala	Latin America	2003: Décentralisation de l'Etat – 18,7 m€ (#3061)	Grant to the GoG – project
Haiti	Caribbean	2003: Formation à la décentralisation des collectivités territoriales, des décideurs publics, et des membres des organisations et institutions de la société civile – 0,4m€ (#5002)	Grant to Private company, NGO or local association ⁷⁷
		2005: Renforcement du processus de décentralisation dans les départements d'Haïti (Etablissement de plans communaux de concertation dans la commune de Belladère au travers d'une démarche institutionnelle, participative et focalisée) – 0,1 m€ (#x17047/112845)	Grant to Private company, NGO or local association ⁷⁸
		2005: Projet d'appui à la gouvernance locale – 0,1 m€ (#17047/112734)	Grant to Private company, NGO or local association ⁷⁹
		2005: Programme d'appui au développement décentralisé – 0,08 m€ (#17047/112733)	Grant to Private company, NGO or local association
Honduras	Latin America	2004: PROADES - Programa de apoyo a la descentralización en Honduras – 33,7 m€ (#16807)	SBS to GoH
Kenya	Africa	2000: Community development programme phase 2 (CDP 2) - 14,5 m€ (#15011)	Grant to a Community Development Trust Fund (CDTF) – project
		2004: Rural poverty reduction and local government support programme - 15,9 m€ (#17379)	Grant to GoK – project

⁷⁵ Contracting body: NAO (Ministère charge des Finances et de l'Economie, Ordonnateur national); Implementing body: Project Management Unit (PMU).

⁷⁶ ACCI - Agencia Colombiana de Cooperacion Internacional; implementation by 3 "Regional project units" (Entidades Coordinadoras Regionales: CONSORNOC, PRODEPAZ, ASOPATIA).

⁷⁷ Association (NGO) Frères des Hommes

⁷⁸ Association ACTED

⁷⁹ Association (NGO) CONCERN

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Financing and Aid modality
Lebanon	ENP	2005: Support to reforms and local governance – 4,8 m€ (#17554)	Grant to the GoL – project
Madagascar	Africa	2004: Programme d'appui aux communes et organisations rural pour le développement du sud (ACORDS) phase I – 29,9 m€ (#16611)	Grant to GoM (NAO + PMU)
		2006: Programme d'appui aux communes et organisations rurales pour le développement du Sud (ACORDS) - phase II – 32,7 m€ (#17939)	Grant to GoM (NAO + PMU)
Mali	Africa	1999: Appui au démarrage des communes au Mali – 40,2 m€ (#14626)	Grant to GoM
		2006: PARAD - Programme d'appui à la réforme administrative et à la décentralisation - 71,8 m€ (#17914)	SBS + Grant for capacity building
Nicaragua	Latin America	2004: Education sector policy programme and its decentralization (PAPSE) – 50,7m€ (#5749)	SBS
Papua New Guinea	Pacific	2006: Strengthening of districts and local level governments - 4,3 m€ (#18704)	Grant to GoPNG
Peru	Latin America	2003: Programme d'appui au développement socio-économique et a la décentralisation dans les régions d'Ayacucho et de Huancavelica – 13,0 m€ (#5758)	Grant to GoP, with a component of Budget Support to the two beneficiary Regions ⁸⁰
Philippines	Asia	Philippine Health Sector Policy Support Programme – 24,3 m€ (#17638)	SBS
Rwanda	Africa	2004: Decentralised programme for rural poverty reduction (DPRPR) – 40 m€ (#16357)	Grant to GoR
Senegal	Africa	1999: Soutien aux initiatives de développement local - 10,8 m€ (#14414)	Grant to GoS
		2004: Programme d'appui au programme national de Bonne Gouvernance (PAPNBG) - 26,1 m€ (#16952)	Grant to GoS
Sierra Leone	Africa	2006: Decentralisation capacity building programme – 9,1 m€ (#17038)	MDTF (WB)
South Africa	Africa	2001: Local economic development in Northern province – 29,5 m€ (#4712)	Grant (budget support) to selected Local Governments
		2002: Urban development support to the Ethikwini municipality – 35,0 m€ (#4555)	Grant & Budget support to GoSA/ eThikwini Municipality Authority
		2002: Local economic development support programme in Kwazulu Natal – 33,7 m€ (#4557)	Grant to GoSA ⁸¹
Tanzania	Africa	2005: Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania – 0,7 m€ (#17215/118910)	Grant to Private company, NGO or local association

⁸⁰ Implementation by Consejo Nacional de Descentralización (CND) and "Gobiernos Regionales" (in Ayacucho and Huancavelica)

⁸¹ Implementing authority: Department of Economic Development and Tourism

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Financing and Aid modality
		2007 Support to Education Sector Reform – 43,3 m€ (#19633)	Grant to GoT
		2007 Support to the Local Government Grant Scheme- 22,7m€ (#18888)	Common basket fund (financing sector budget support)
		General Budget Support with specific indicators on decentralisation (and associated variable tranche)	GBS
Uganda	Africa	2000: ACHOLI programme (decentralised co-operation programme north of Uganda) – 3,9 m€ (#15264)	Grants to GoU
		2005: Support to decentralisation programme – 9,2 m€ (#17857)	Grants to GoU ⁸²

The evolution of aid delivery methods has been closely associated with the development of “entry points” discussed above.

When support is provided as **direct support to decentralisation reforms** (“top-down”), then the aid modality increasingly takes the form of sector budget support to the national governments with the ministry in charge of local governments as main responsible for implementation. The use of SBS has the clear advantage of making use of country systems and generally conforms to the Paris Aid Harmonisation Agenda.

Only in *Tanzania*, it is indicated (in the EUD survey) that **General Budget Support** also has explicit decentralisation targets and triggers (see also section 4.3.4). In the project documentation from *Uganda*, an argument is made for targeted project support to selected Northern local governments in order to supplement the mainstream financing of local governments that is viewed as supported through GBS.

When support is provided as “**bottom up**” support, it normally takes the form of **project support** – generally with the national government as main partner, but also, for instance in the case of *South Africa*, with local governments as the direct partners. In *South Africa* a special permission was sought to grant “**budget support**” directly to local governments. As discussed in later chapters, this has led to some results in LED etc – however, it did not lead to any general changes in intergovernmental fiscal relations.

In *Cambodia* it was decided by the EUD to work through the UNDP for implementation of its main intervention in support of decentralisation. In *Sierra Leone* a similar decision was made regarding financing decentralisation through a World Bank Trust Fund. These decisions were made with regard to the relative comparative advantages of working through such multilateral institutions with well-established reform programmes and the risks and problems associated with designing stand-alone EC project interventions. In *Haiti*, support is rendered through NGO project.

In *Madagascar*, as already mentioned in Indicator 3.2.1, the project supported by the EC led to the formulation of a wider programme jointly designed with the partner government and the WB. The project approach allowed experimenting with new forms of delivering aid to LG and new forms of financing their development (based on the idea of “performance based grant systems”) but also helped raising awareness on decentralisation issues at both local and national level. Several lessons were drawn from this approach and these were disseminated at both national and international level (at EC level, this was done through various mechanisms such as seminar at HQ, the Capacity4Dev forum, etc.). The box below illustrates some of the observations and lessons learnt regarding the approach of the

⁸² The programme is implemented in collaboration with Ugandan public institutions (e.g. the MoLG, Local Governments and the Uganda Local Government Association, ULGA) through programme estimates and with civil society actors through grants contracts, selected through a local call for proposals.

intervention which are pointed out in the project documentation (further information on the ACORDS programme is presented in Indicator 6.2.1).

Box 12 Some major observations on the approach adopted in the ACORDS programme

The project documentation of ACORDS describes a number of tangible **positive results**, such as improved capacities of LG (as illustrated in the financial audits carried out in both supported and not supported LG during and at the end of the programme) or the actual implementation of numerous local development projects in the southern region (local projects supported by the intervention turned out to be well in line with broader goals such as the MDGs⁸³). Moreover, the project documentation highlights the fact that the project has contributed to an improved national dialogue, including multi-actors' public discussion on state reform, and local/national awareness on decentralisation and local governance issues.

However, the experience of the ACORDS programme also illustrates some potential pitfalls associated to this type of approach (which are not necessarily only related to "project type approach). The TA final report "Rapport final de l'assistant technique auprès de l'Unité de Gestion Projet ACORDS (Novembre 2010)" underlines at least three **major observations** related to the implementation of the intervention:

- **Going through call for proposals: a competition that took place before any real sound capacity is developed.** The capacity building system put in place for accompanying eligible LG was expected to support the development and implementation of PAT in 189 pre-selected LG while it maybe would have needed to support all the 660 LG in the target regions. Going through a system of calls for proposals resulted in a competition between LG before any real capacity building had taken place, forcing certain actors to demonstrate knowledge that they did not have. The programme still provided some support to the LG through technical support facilities (10 to 20 per region) for the preparation of the proposals. However, this support did not allow for an understanding of the approach adopted by the LG for the development of their PAT.
- **A much higher number of LG was selected than originally planned.** In practice, the regional bodies involved in the selection process favoured equalization by increasing the number of eligible LG. As a result, following the completion of two waves of calls for proposals, all "eligible LG" were selected. 267 LG eventually signed a grant contract with the PMU, which represents 40% more than the originally planned number.
- **Evaluation criteria that actually are the intended results of the programme.** Some of the assessment criteria for the selection of proposals (see above) are in fact the intended "results" of the ACORDS programme. The procedure for call for proposals has proved inadequate in that it assumes that the applicants had already the "capacity to do" while the aim was actually to make them "learn how to do" during the implementation of the project.

In several countries, a **mix of different aid modalities** is applied. In *Tanzania*, decentralisation reforms are both supported through GBS, a basket funded local government grant (the basket is essentially provided by sector budget support as all funds are transferred on a formula based grant allocation to local governments through the Tanzanian treasury), to the education sector as well as project support to NGOs/NSA.

The field phase (carried out in 10 countries) has provided complementary evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities. This information is summarised in the table below.

⁸³ In determining their three-year investment plans, LG have focused on local infrastructure and facilities having a significant "social dimension": 27.55% of the projects are related to education, 17.34% to health, 8.67% to water and sanitation. Productive infrastructure represented nearly a third of the total investments (19.16% for markets, 7.27% for rural roads and 4.27% for various other equipments and facilities for local economic development)

Table 15 Evolution of EC approach – complementary information from field visits

Country	Complementary information
Benin	<p>The EC response strategies in the area of decentralisation have been aligned with national policies, first to kick-start the capacity building of the municipalities and then in more programmatic and SBS forms. The partners are responding to the Governments' priorities / activities in the field of DLG.</p> <p>The choices of entry points and aid delivery methods have been appropriate to national contexts. This can be seen foremost in the extent of emphasis on DLG issues as one of the prominent and specific indicators being monitored under the GBS.</p> <p>Regarding the DLG agenda pushed by donors: it is not clear how much this policy is based on political reality and priorities or whether it is only a statement which is not actively pursued by Government.</p>
Honduras	<p>EC started out with an SBS modality to support decentralisation in Honduras in 2005 and this approach has continued since then. Some projects are also financed through the NSA-LA programme.</p>
Lebanon	<p>The basic aid delivery methods have not changed substantially over the evaluation period – aid has been in the form of “projects” with no serious consideration of Sector Budget Support (SBS). The political and institutional situation throughout the period has been too uncertain and the “sector” obviously too undeveloped for SBS to be considered.</p>
Mali	<p>The EC support has evolved from a "project / programme" support to a sector budget support. In 2006, <i>Mali</i> was the first country where the EC launched a sector budget support to decentralisation. The sector budget support has always been combined with direct support in the form of programmes or specific commitments.</p> <p>The first support consisted of commitments essentially in favour of the MDRI to prepare the legal and institutional framework and other actions prior to the elections. In 2000, the programme supporting the start up of the "communes" was also in the form of a project including several components, one of these actually corresponded to an indirect budget support to municipalities (contribution to the FICT - Investment Fund of Local Governments managed by the ANICT). In 2005, in line with the logic of accompanying the decentralisation policy that had been implemented for several years by national authorities and due to the existence of a clear policy in this area and encouraging results in the first years of the process, the EC has decided to move towards sector budget support (SBS). The pre-requirements in terms of policy documents and sector programmes existed with: the 2006-2015 framework document of national decentralisation policy ("Document Cadre de la Politique Nationale de Decentralisation" – DCPND), the national programme of support to the "Communes" (PNACT II 2006-2010) and the Institutional Development Programme (PDI 2003-2013). Furthermore, there was a mid-term expenditure framework - MTEF ("Cadre des Dépenses à Moyen Terme" – CDMT) for decentralisation and the state reform. Nevertheless, these MTEF were considered to be weak.</p> <p>59 mEUR of the 72 mEUR PARAD programme were used for SBS (75% to decentralisation and 25% for the state reform) and 13 mEUR were set aside for specific activities related to institutional support. It is noteworthy that the PARAD corresponds to 8,6% of the budget support received by <i>Mali</i> for that period (2006-2009) and almost 22% of the volume of SBS.</p> <p>The weight of PARAD in financing the decentralisation and state reform is crucial because it represents 30% of contributions for decentralisation (contribution of state and development partners) and 48% of contributions for the state reform.</p> <p>The ADERE programme was implemented as a "project".</p> <p>The new PARADER programme continues within the same logic as for the PARAD, combining sector budget support and project support for institutional aspects. 44 mEUR were allocated to SBS and 31 mEUR were allocated in the form of "project", of which 7 mEUR for structuring investments for regional development (support to decentralisation - DER component), 12 mEUR for the support of regional assemblies (DER), 5mEUR for institutional support for the state reform and 3 mEUR for the support to decentralisation (DNCT, ENA / CFCT).</p> <p>A significant part of the SBS within PARAD and PARADER was directed towards the ANICT.</p>
Peru	<p>Apart from AGORAH and specific small projects funded by the NSA-LA programme, the EC is not supporting decentralisation directly. The indirect support is provided through sectoral interventions.</p>
Philippines	<p>Within the health sector support, the aid delivery methods have gradually developed towards SBS in line with national as well as global EC priorities. However, for direct local governance support, the SPF instrument has remained a “demand driven” project facility.</p>

Country	Complementary information
	Alternative instruments have not been significantly explored (or at least not explicitly discussed in e.g. SPF Action Fiche etc).
Rwanda	A move from Project to Programme and Sector Budget Support in the EC support to the decentralisation process has taken place over the last 10 years. In particular, the funding modality has been changed under the DPRPR to better fit with the GoR's preferred transfer mechanism to local governments under the CDF.
Sierra Leone	No particular evolution. The EC has supported decentralisation since 2004 and followed the WB approach in the IRCBP. The approach has evolved during the implementation following recommendations from the IRCBP implementation support missions, which have been carried out annually or semi-annually. According to MLG&RD the responses have been appropriate.
South Africa	<p>The following extract from an External Assistance Monitoring Report (EAMR) report of 2006 clearly demonstrates that the EUD is constantly trying to adapt its approaches to the national context and the problems faced.</p> <p><i>"In 2005 all disbursement targets on SBS were fulfilled. This modality certainly increases the efficiency of the work of the Delegation. However, new skills not previously required by Delegation project officers will need to be acquired. Furthermore, the learning process in many South African (SA) departments is slow and considerable effort needs to be made in the initial stages to come to a common understanding. Close contact with the thematic support unit on budget support (BS) in EuropeAid Co-operation Office (AIDCO) is therefore necessary".</i></p> <p>This was confirmed in the interviews with national stakeholders carried out in the country.</p>
Tanzania	<p>In 2004, it was decided by the EC that support to LGDG would be the most appropriate direct support to decentralisation reforms. A Financial Proposal was prepared the same year and submitted June 2005 to HQ, however rejected because of the proposed aid modality (financing the LGDG through LGRP basket funding). Annex 6 provides details on the formulation timeline, where internal EC discussion focused mainly on aid delivery methods with concerns in HQ about basket funding. These problems prevented the EC to take more of a lead role in decentralisation support and delayed funding decisions.</p> <p>Like other DPs, EC has also started increasing GBS while it was commonly agreed that some earmarked funding was required for a number of years to establish the LGDG system before it ultimately would be fully financed by GoT (through GBS and own revenue generation). Most bilaterals preferred to provide such funding through a pooled arrangement using the existing LGRP basket fund mechanism. For the World Bank it was necessary to establish a separate project. In theory, it would have been possible to fund the LGDG in an earmarked manner through SBS – but this would have been an added institutional arrangement that couldn't be agreed upon given the earlier engagement by bilaterals and WB. From GoT perspective, (and from several of the participating bilateral DPs) the agreed basket funding arrangement was effectively seen as SBS since the funds after pooling in the basket were transferred to Treasury and from there disbursed directly to all 114 LGs using GoT accounting procedures only .</p>

3.3.2 Ind3.3.2 - Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances

Detailed evidence at indicator level

Support to decentralisation reforms is a dynamic process: government policies may open up for new opportunities – or earlier commitment to reforms is reversed – relevant programmes should preferably respond to these developments in a timely manner.

In *Rwanda*, there were no examples found where inflexibility has led to non-adjustment to changing situation within DLG. The DPRPR was revised to accommodate the changing funding surrounding districts. First, the programme only targeted some few districts but changes to the approach midway meant that a countrywide approach was adopted for the community support part (Ubudehe).

Yet, some “lost opportunities” were identified.

In *Honduras*, the SBS modality proved to be a modality that has difficulty to adjust to the changing context of the country. The final evaluation of the PROADES programme points out that only 4.4 million EUR out of the 16.4 mEUR released to SEFIN (Ministry of Finance) has actually been "transferred" to the Ministry of Interior (SEIP – Secretariat in charge decentralisation). Moreover, the GoH's policy on decentralisation changed in 2006 with

decentralisation not being a priority any longer. This affected the release of funds of budget support and the use of the technical assistance (it also appears that the staff at SEIP have only limited knowledge of the outputs of the technical assistance).

In *Mali*, the support to regions was not adequately included in the programme although, later clearly identified as a priority. The support to regions under the ADERE and the PARADER programme was partly done through specific funding allocations outside the common ANICT channel. Moreover, regions were not fully involved in the allocation decisions, the management and the implementation of the activities financed by these funds (this has lead, for instance, to over emphasis on road infrastructure development projects). Finally, although, it appears that the SBS programmes have presented a number of strengths in the support to decentralisation in *Mali* (see country visit note in Volume II - Annex 11), there have been serious limitations regarding the decentralisation sector dialogue that took place in the context of these programmes in recent years.

Box 13 *Limitations of the sector dialogue in the context of SBS in Mali*

Budget support programme requires the identification of the relevant mechanisms for political dialogue and consultation between the national government and pooling partners, and the identification of the relevant bodies in charge of the implementation and monitoring of the national policies. In *Mali*, the system related to the state reform, the decentralisation process and the monitoring of relevant programmes shows a superposition of six bodies having in theory different functions and are of different nature. The analysis carried out in this evaluation shows that there are often overlaps with monitoring responsibilities.

Overall, this leads to a fragmentation of responsibilities and a situation characterised by the fact that the body must be highly placed in terms of monitoring and supervision, the Monitoring Committee of the State Reform (CSRE), which was supposed to decide on potential trade-offs and to suggest reorientations, is practically not functional.

In particular, the evaluation team has observed that:

- The CSRE was set up within the framework of the dialogue between the government and its partners with the goal of having a national authority at the highest level that would ensure this coordination of reforms. The CSRE is under the supervision of the Prime Minister. The implementation of this committee was one of the specific target indicators of SBS. In fact, it took time to meet the target (2006 to 2009). Given the fact that this situation could create the suspension of disbursement, partners had to meet several times with the national authorities and engaged in extensive discussions.
- The institutions responsible for the implementation reform (CDI – "*Commissariat au Développement Institutionnel*") and the National Directorate of Local Governments (DNCT "*Direction Nationale des Collectivités Territoriales*") have weaknesses in terms of "institutional positioning" which limits the scope of their actions. The Commission for institutional development (CDI) does not really play a guiding role due to an ambiguous institutional positioning. More specifically, it is in fact placed on a level with the Ministry responsible for the state reform, although it could be attached to the Prime Minister in order to be heard in other departments because of the cross-cutting of involved issues.
- The DNCT remains rather marginalized within its department and the MATCL is without any real autonomy of action and without representation in the regions. It has few qualified human resources and low capacity to influence the choice of policy directions. It is expected to be transformed into a General Directorate, which would give the institution more scope for making decisions.
- A general weakness of all the committees established concerns the fact that the meetings are not prepared, the members come without having taken note of the questions to be addressed or bringing the point of view or proposals of their structures.
- The panel of decentralisation appears as a place for exchange between partners and the authorities, but it is the CDI and DNCT who participate at the governmental level and it appeared that their weight was limited. The recurrent questions asked by partners on points that are not resolved in the process of decentralisation (transfer of powers and

resources to LG, reform of local taxation, monitoring of decentralisation, technical support to LG...) illustrates the limitations of this panel.

- Within the established monitoring system, an "annual review" allows to analyze the situation of the indicators jointly between nationals and partners. This review appears to be an interesting place for debate on the progress and constraints but it always stays at a level of "technicians".

In **summary**, it appears that actually there has not been a real political dialogue after 2006. This is a typical case of absence of real support of the reforms by the government: the conditionalities related to the SBS modalities are fulfilled under pressure of the development partners without any real initiatives from the government. The existence of a "multiple bodies" set up is questionable in the absence of political support. What comes out clearly is that if the institutions in place and in charge of the relevant areas would assume their responsibilities, these ad hoc and parallel bodies (CSRE, Panel of decentralisation, annual review) would not be necessary.

This lack of support at national level seems to be rooted in the unwillingness of central administrations to adjust their policies and actually implement the necessary transfers of functions and resources related to the decentralisation process. In the absence of strong political will to induce changes in these central administrations and absence of obligation in this area at the level of the National Assembly, the whole process is affected and sectoral dialogue related to the SBS is naturally hampered.

In *Peru*, the AGORAH programme was not adjusted after the CND ("*Consejo Nacional de la Descentralización*") has been closed in 2006, which resulted in a de-linking of the AGORAH programme to the central government.

In *Tanzania*, finalisation of the EC programme support of the (already designed and agreed LGDG system) dragged on for two years because of EC HQ being concerned over the nature of funding agreement (basket funding arrangement). EC procedures can thus lead to a slow process (see also Box below on the history of EC Formulation of Support to LGDG in *Tanzania*).

Moreover, to undertake significant adjustments during programme implementation appears in general difficult for the EC to implement.

However, especially in the early phases of programme formulation, the EC is relatively open to make very significant adjustments. Thus, in both *Tanzania* and *Sierra Leone*, it was decided to completely revise early concepts – although significant efforts have been made in initial programme design – in favour of more promising opportunities that arose partly because of Government initiatives and partly because of other new joint donor initiatives.

Box 14 History of EC Formulation of Support to LGDG in Tanzania⁸⁴

2003: formulation of Capacity Building for Participatory Development to support Lower Local Government in limited districts, however, LGCDG under development by LGRP and other donors → decision to await this process and ensure consistency.

2004: update of FP (rename to Local Capacity Building Programme) to include support to LGRP through basket modality.

June 2005: Submission of PIF. Decision not to allow basket funding. Reformulation to only support LGCDG through co-financing agreement with WB, however concern from NAO's office on fees.

July/August 2005: Possible re-orientation from HQ to allow for basket. Decision to revise again, although maintaining the option of WB until official notice from HQ on basket issue.

October 2005: No indication from HQ that this will be allowed any time soon, decision to move ahead to be able to commit the money. This is communicated to AIDCO E4.

⁸⁴ Self-assessment by the EUD Tanzania (discussed during fieldwork May 2011).

November 2005: Submission of revised PIF.

January 2006: Comments are uploaded on intranet, subsequently all addressed in FP. However, PIF is rejected.

February 2006: email from AIDCO that note which may allow basket funding is still soon to come.

March 2006: Complete u-turn from Commission, now contribution agreements are no longer acceptable and we should go for basket-option on a 'case-by-case basis'.

May 2006: First submission of FP, QSG in June asks for clarifications.

July 2006: Second submission of FP, QSG again asks more questions.

July 2006: Third submission of FP, QSG in August approves. Scheduled to be presented at the October EDF Committee.

Options pursued:

Basket funding: preferred option, however, is also not "for free" – LGRP also has administrative costs just for operating the programme. In addition, included in the cost of implementing the LGCDG system are service costs paid to LGRP and LGSP, which amounts to approx. 5%.

Sector budget support: criteria have been analyzed and assessed and for several of the seven criteria specified by the HQ guidelines, it would be premature and at the same time overhasty in this context: the LGCDG system is new and only fully operational from the fiscal year starting 2011 on. Furthermore it would be adding funding streams/transaction costs at a time when PO-RALG is preoccupied with considerable institutional changes.

Through World Bank: was not the preferred but the *feasible* option. Administration fee of 2% is very low compared to other organisations, UN for comparison operates with between 10-15%.

The time left for commitments of 9th EDF is also important to consider in this context.

3.3.3 Ind3.3.3 - Key questions on the choice of the most adequate aid delivery methods (such as "When and how to use sector budget support?" or "what are the risks related to the aid delivery method") are addressed in project documents

Detailed evidence at indicator level

It appears from the desk review that project documentation (financing agreements) rarely provide an explicit discussion of pro-and cons of different aid delivery methods. SBS is indicated as a preferred financing modality and several of the larger new programmes have adopted SBS as the aid delivery method.

The underlying risk analysis is not always very complete and often the project documentation includes very brave assumptions for the successful implementation of SBS. For instance, in the case of *Jordan*:

Box 15 SBS and Risk Assumptions – The case of Jordan

The following principal assumptions for the achievement of the support programme's objectives have been identified:

- The continuation of the decentralisation process with appropriate competencies and capacities for municipalities.
- Successful coordination between stakeholders, including public sector, civil society and private sector, at national and local level to agree on common objectives and strategies and sufficient operational coordination.
- Given the current highly centralized institutional environment, acceptance by central and regional authorities of the primary role of municipalities and local communities in defining development needs priorities.

- Acceptance by all stakeholders of participatory principles for local development.
- Sufficiency of envisaged additional investment at local level to launch development dynamics and obtain significant impact on poverty levels and living conditions.

The debate on “aid modalities” occasionally takes precedence over discussions on the “substance” (the objectives, institutional arrangements etc) of programme interventions. For instance, in *Tanzania*, this issue on its own delayed decisions for programming for two years although the basic design (to support Government of Tanzania with introducing a “block grants system” for development funds (the LGDG)) was agreed.

Indeed, the general preference for SBS frequently leads to that the EC takes this as the overall preferred entry point for support – rather than engaging in more general assessments of the development challenges and issues in the sector – and then subsequently explores what aid modalities would be most relevant. Some countries have prudently decided not to engage with SBS – e.g. *Lebanon*, but others have, in similar challenging situations (e.g. *Jordan*), decided to proceed with SBS.

It should also be noted that SBS to decentralisation in reality covers a very wide range of de-facto aid management arrangements that rarely are “full SBS”.

For instance, in *Mali*, the SBS is accompanied (e.g. through PARAD) by a large share of project funds for technical assistance (13 mEUR). In *South Africa*, the funds are earmarked specific local governments (rather than central Government generally) and broadly earmarked as a “menu of investments” (for LED etc). In *Tanzania*, the LGDG aid modality is considered as “basket support” by the EC – however, in a recent global ODI evaluation of SBS it was included as a case study of SBS modality for support to decentralisation.

Box 16 Selection of indicators of SBS in Mali

For the PARAD, 12 indicators were selected (see also field visit country note). Nine indicators concerned specifically decentralisation and three the state reform. Some indicators are decomposed into sub-indicators, leading, once disaggregated, to the total number of 21 indicators.

Indicator selection has proven to be difficult. It combines some of the indicators related to the MDGs and also some of other objectives of the PDI and of the national policy document on decentralisation (DCPND - "*Document cadre de politique nationale de decentralisation*" 2005-2014). These areas are well targeted:

- Public access to basic services covered by the LG;
- Decentralisation Policy;
- Interdependence of decentralisation-deconcentration;
- State reform.

The indicators themselves seem to be justified even though some can be discussed. In particular one must notice the difficulties in fulfilling them. The reasons of these difficulties are rooted in the formulation phase of the indicators which reveals a lack of accuracy in the definition of the calculation procedure and the obstacles to gather the right data for the indicators in the implementation phase. This difficulty is explained in order to calculate the fulfilment of the indicators, the specific supporting documents have first to be generated which then causes delays in the original deadlines. Furthermore, there is a lack of accurate definition of certain indicators (e.g. one indicator is the existence of water points, which then does not take into account the operational water points⁸⁵) or questioning about construction of the indicators (e.g. for the deconcentration of the budget: "is the progress in the transfer of the resources consistent with the needs of deconcentrated services?"), the fact that the databases non-functioning (SIGMA, OISE and DGMP) are not any more in use or not

⁸⁵ The external audit of spending in the decentralization process of Mali revealed several misleading indicators which hide a very poor quality of some infrastructures or procedures in the decentralization sector.

updated. In some cases, the reliability of data is questioned by certain observers (as indicators of the number of sessions and the PV of the municipal executive).

The target set for the indicators can be considered as little demanding. Indeed, the expected improvements appear very realistic, even low regarding the example of the indicator on the resources of local governments per inhabitant to increase from CFAF 850 in 2004 to 1032 FCFA in 2009 if we refer to the low level of recovery. The calculation of those indicators, verified during an annual joint review, raises every time lively discussions between the parties.

But the basic problem, which appeared with hindsight, concerns the reality that covers those indicators. It does not seem that these indicators are revealing true dynamics of change in the field as noted by recent evaluation of budget support (see quote below).

"As for the indicators themselves, with hindsight of four years of operating SBS, and despite their average rate of satisfactory achievements (in the range of 10/12, the figures for 2009 are still to be verified), it appears that this attack is not always revealing an improvement in the situation described by the indicator. Without challenging their relevance point by point, we can address them with the critic of having been designed without sufficient consideration of their specific modalities of implementation⁸⁶. While stimulating aimed performances they remain punctual and do not necessarily have a positive impact on their context. Their appreciation does not sufficiently take into account the current dynamics, as it was stressed during the meeting of the Focus Group MoEF⁸⁷. "

The difficulty in producing the indicators was a source of delay in the disbursements of variable tranches, which had a negative impact on the results. The mechanism measured: the release of tranches for the year N is done in the N-year analysis of the indicators for the year N-1. Now this problem is solved in N years analyzing the indicators of the year N-1 for disbursement in year N +1.

This problem of intelligence of indicators is linked to a deficit of more general information. Who talks about monitoring a sector, talks about an "information system" to produce reliable data about the situation in the sector. This system is particularly important in the context of budget support based, as we have seen, on indicators that determine the start for payment of tranches. In *Mali*, this system fails. The EC has funded the implementation of a database (OISE), unfortunately it is practically no longer functional since its attachment to deconcentrated territorial administration. Only few elements of the base are fulfilled to inform about two or three indicators for SBS rather than producing information for controlling the sector.

Source: Analysis of evaluation team based on information gathered in the desk and field phases

3.3.4 Ind3.3.4 - Assessment of relative strength and weaknesses of various aid delivery methods

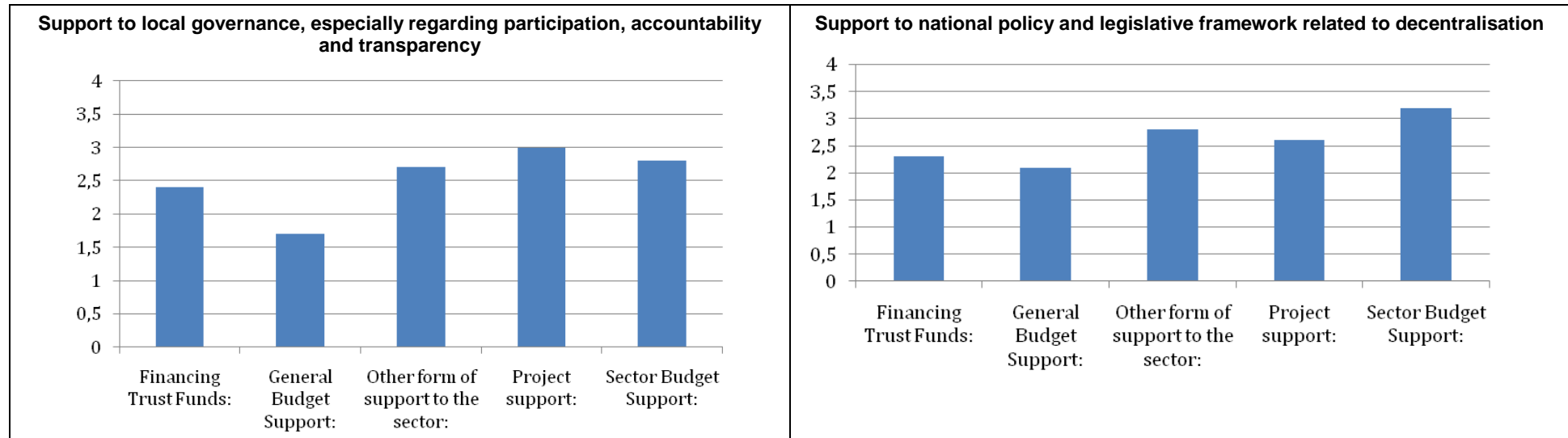
Detailed evidence at indicator level

The web survey to the EUDs explored the EUD perceptions of what type of aid delivery mechanism they found most suitable for achieving various forms of decentralisation related objectives. Details are provided in the figures below.

⁸⁶ E.g. Indicator 5 "LG's own resources /per capita" is not underpinned by a policy for improving the local tax system, indicator 8 "Fiscal devolution of ministries" is calculated based on endowments and not on the basis of the amounts executed; indicator 10 "Commissioning of 31 Receipts-tax collections" does not take into consideration the means of running these services.

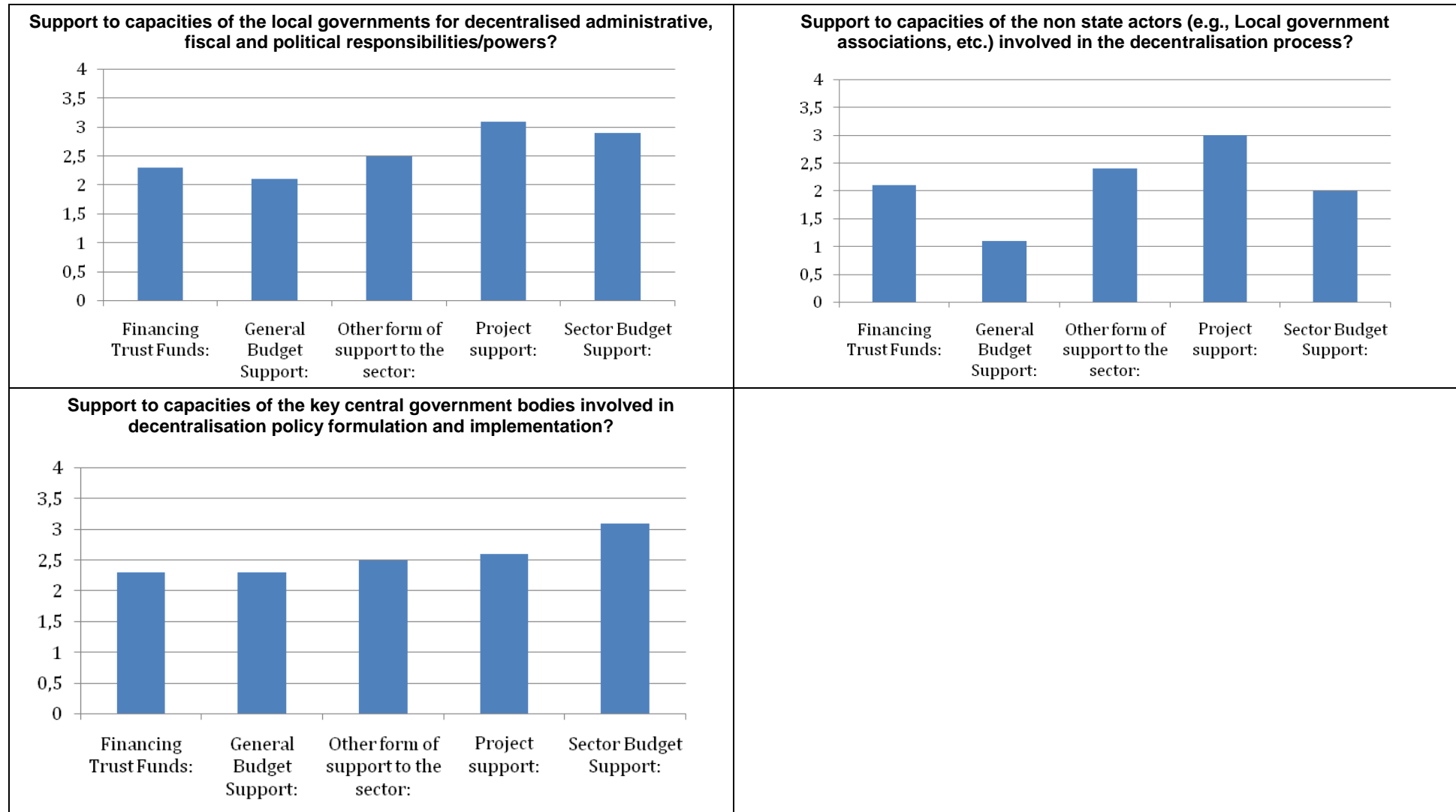
⁸⁷ Ministry of Economy and Finance.

Figure 14 EUD's perception on the appropriateness of specific aid delivery mechanisms for support to local governance and support to national policy and legislative framework (scale 1: low – 4: high)



Survey to the EUDs, Particip analysis

Figure 15 EUD's perception on the appropriateness of specific aid delivery mechanisms for different types of capacity building support (scale 1:low – 4:high)



Survey to the EUDs, Particip analysis

Many of the EUDs stated in the responses to the survey that it was difficult to make generalisations, since the choice of aid modality has to be contextualised. Nevertheless, it can be concluded from the survey that respondents consider:

3. Project support secondly SBS as most effective for supporting “local governance; transparency and accountability,
4. SBS as most effective for supporting national policy and legislative framework related to decentralisation,
5. Project support (and SBS) as most effective for strengthening the capacities of the local governments for decentralised administrative, fiscal and political responsibilities/powers,
6. Project support as most effective for supporting the capacities of the non state actors (e.g., Local government associations, etc.) involved in the decentralisation process,
7. SBS as most effective for supporting the capacities of the key central government bodies involved in decentralisation policy formulation and implementation.

The above propositions were tested during fieldwork. Details on results related to impact on policy development are discussed in EQ5, results related to stakeholder capacities are discussed in EQ6, and results related to “local governance” are discussed in EQ7.

The overall conclusions from the fieldwork are:

- The relative effectiveness of different programme interventions is influenced by several factors but in particular by the relevance of the supported activities and the overall institutional framework for management of these. Aid modalities per se are not decisive factors.
- Decentralisation support is highly political – and progress on development of conducive government policies, legislation, appropriate assignment of responsibilities and corresponding resources (see also EQ5) depends on well designed programmes, proper analysis and institutional arrangements for reform management including donor coordination mechanism. The fieldwork included some cases with success in this field that had been implemented with different aid modalities: *Mali* (SBS), *Sierra Leone* (World Bank Trust Fund), *Tanzania* (basket fund). The expectations regarding supposed superiority of SBS in sector dialogue cannot be confirmed (see box below).
- Support for capacity building of various stakeholders (see also EQ6) has been provided through many different aid modalities. As discussed further in EQ6, the support from EC has been relative most effective for strengthening LG capacities (rather than central government officials). It appears that project modalities are relative more effective than SBS – it is also noteworthy that, for instance in *Mali*, support for capacity building is provided through a project modality and not as part of the SBS. However, there are more important factors than aid modalities that explain relative successes in this area.
- Support for CB of NSA and several aspects of “local governance” are typically addressed through smaller projects. There is some field evidence that this type of support can best be undertaken in “project modality”. This confirms the suggestions of EUD staff in the desk survey.

Box 17 Elements gathered during the field phase in Mali on strengths and weaknesses of SBS

In *Mali*, the EUD draws a mixed picture of the SBS: positive in terms of disbursement and direct support to the "communes", more limited in the removal of obstacles to the reform process of the state and decentralisation.

The recent situation is characterised by delays in the effective transfer of functions and power to the local level as well as the fact that local governments does not benefit from a strong political and financial support from the central government (viability of the system is strongly sustained by the development partners) raises a number of questions about the

need to continue the support in the form of SBS. The evaluation team tries to illustrate some elements of the answer below.

On the one hand, there are tangible results from the support provided so far via SBS: local governments are operational, deliver services and the democratic process has taken place. After ten years of progress (which is a relatively short time period given the context of *Mali*), decentralisation is now strongly rooted in the institutional landscape and does not seem reversible. The EC has contributed greatly to this success and the current SBS has certainly been instrumental in maintaining the decentralisation in the agenda of state reform and ensuring the financial support to the "communes" using national systems.

On the other hand, the weak political support undermines one of the conditions of the SBS. It is clear that without the contribution of partners and the EDF in particular, the "*Communes*" would not have reached this point. Moreover, the introduction of SBS has also led to a new form of dialogue between the EC and national authorities focused on results (despite some weaknesses related to this dialogue and the imperfections of the current system).

Three elements support the idea of continuing the SBS to decentralisation rather than to go back to the initial point:

- The policy environment can change in the near future and the political support to the decentralisation process may evolve positively. It makes more sense to position the cooperation strategy over the long run regardless of political vicissitudes, rather than to change its mode of action based on them (and this is what the EC seems to have decided to do).
- Decentralisation is a cross-cutting dimension of the state reform. To provide continuous support facilitates the fact that it is taken into account in the various sectors. In addition, the improvement of basic services delivery which helps achieving the MDGs requires the capacity development of local governments over the long run.
- The SBS can provide a minimum level of predictability of the resources available to implement a national policy; moreover, if adequately designed as a tool for dialogue, the SBS can be a useful tool to induce certain necessary changes.

The experience of the EUD and national authorities should help to better frame the coming budget support, the "conditionalities" and the choice of indicators. A key to success will certainly be to better ensure the link between the different supports (financial and non financial support and, more generally, non budget support), to accelerate the transfer of functions and powers at sectoral level, to take into account the cross-cutting dimension of decentralisation and to enhance the capacity development at local level. In particular, the increase in resources at local level, including the level of the national budget allocated to local governments, should be one of the main points in upcoming discussions about the future SBS.

3.4 JC3.4 The EC use of multi-actor/level approach is responsive to national contexts

Main findings at JC level

The EC has in its support to decentralisation in third countries worked with a very wide range of actors in support of decentralisation.

However, there are some clear patterns:

- The most common partner is the national government with the ministry in charge of local governments as the lead (see also JC5.1).
- Local Governments are always involved as participating stakeholders but are also in some cases the main partners – in particular for interventions targeting selected local governments such as in *South Africa*.
- A less common key partner (for bigger projects) represents the NGOs and other NSA. It is noteworthy that NGOs turned out to be key partners especially in the context of

fragile states (e.g. in *Haiti* or *Madagascar*). NGOs are very frequent partners in smaller specific interventions related to local democratic governance or specific service delivery, although, it appears that this type of support often lacks a systematic and strategic link to wider reform programmes involving central & local authorities.

- In a few cases, there is significant involvement of local government associations (in particular *Cambodia*, but also *Honduras* and *Benin*), see also Indicator 6.3.1. It appeared from the evidence gathered in this evaluation that LGA could play a much more predominant role in the EC support (in particular, to make it more responsive) but experience shows that this option should be envisaged with care as it implies dealing with a quite highly politicised environment (see failed attempts in *Mali* and difficulties faced in *Peru*).
- It is rare to find significant involvements of other core “decentralisation stakeholders” (except by their representation in Steering Committees) such as Local Government Finance Commissions, Audit institutions, Ministry of Public Service, etc.

Programme formulations include some stakeholder analyses. However, the description of various actors are typically limited to the particular actors involved in the intended programme and their specific anticipated role in the programme rather than a wider political and institutional analysis that, for instance, would have determined the likely support or resistance to reforms from various stakeholders. The realisation that more in-depth “Political Economy and Governance Analyses” are required for design of appropriate interventions in support of decentralisation is fairly recent, but increasingly recognised within the EC (see also JC3.1).

3.4.1 Ind3.4.1 - EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes

Detailed evidence at indicator level

The team has to date not identified a fully-fledged “political and institutional analysis of the role of different actors in the decentralisation and governance processes” undertaken by the EC in its development of country strategies and programmes.

As discussed in further details in the analysis of Country Strategy papers (Volume II - Annex 6): the discussion of decentralisation is normally not very elaborated and do not contain detailed stakeholder analysis. However, it is noteworthy that in some countries like *Benin*, formal **consultation mechanisms** were established for the drafting of the CSP2 under which decentralisation/local development was one main topic of the consultations with Non State Actors. During this consultation it emerged that:

Benin (CSP2) "Non-State Actors (NSAs) recognize the importance of local development and decentralisation as a development priority area (on which EU aid may be concentrated in the five years of the next financial protocol ACP-EC). They placed particular emphasis on (a certain number of) points and aspects (...)"

The analysis in various project documentation differs, but in general the description of various actors are limited to the particular actors involved in the programme and their specific anticipated role in the programme rather than a wider political and institutional analysis that e.g. would have determined the likely support or resistance to reforms from various stakeholders.

Project agreements with slightly more elaborate analysis of stakeholders' position include e.g. *Jordan* (analysis of potential role and position of municipalities, regions and central government institutions on decentralisation reforms), probably because the project proposes a new intervention and the use of sector budget support as the main modality of support.

The realisation that more in-depth “Political Economy and Governance Analyses” are required for design of appropriate interventions in support of decentralisation is fairly recent. In 2010 both the World Bank and Danida developed a guide to political economy and

governance analysis of support to decentralisation – now shared on a website supported by the EC⁸⁸. The EC has only recently started developing such tools⁸⁹.

EUDs frequently make use of locally produced stakeholder analysis, independent work commissioned by the EUDs are rare. As long as other stakeholder's produce relevant analysis this is considered as unproblematic. However, during the fieldwork several EUDs have expressed their concerns over the limited possibilities they had for undertaking separate quality studies.

EUDs situational analyses are often based on reflections on past programme experiences rather than on stand alone analytical work. The reflections of the EUD in *Lebanon* (see below) are illustrative in this context.

Box 18 The various levels of the EC support in Lebanon

The EC has supported local development in Lebanon through a variety of national institutional entry points. The challenge for the EC has been that the “sector” was ill defined by both national government and donors: “local development” was by the EUD clearly associated with “local authorities”, but these were in turn very weak and there was no clear designation of a government institution to oversee their development. In hindsight, the EUD provided the following reflections on past interventions⁹⁰:

"These projects have been carried by different institutions, having no real mandate to support municipalities, and were not intended to accompany a national vision, which affects the sustainability of results. There has been no approach to reconciliation between central and local levels. These activities are unfortunately not addressing the structural problems of the municipalities (financial resources, degree of autonomy)".

The implementing organisations ESFD, CDR and OMSAR had no particular mandate to work with “local government reform”. ESFD and CRD were established to work with “local development”. OMSAR’s core mandate was to work on overall public sector reforms, yet because of having to take responsibility for unspent EU funds it had to take responsibilities for e.g. local solid waste management.

At the local level, OMSAR worked with projects for clusters of local governments (similar to but not identical with the unions), whereas ESFD mainly worked with projects implemented by the individual municipalities.

It is only in the proposed future municipal finance reform project that MoIM is given a lead status for implementation of local development activities. Under the new programme, focus for local level project implementation will be at “union” level.

In *the Philippines*, the analysis of decentralisation and local governance issues at CSP level is fairly general with no in-depth stakeholder analysis (see also annex 5 of the field visit country note). The EC generally relies on other DPs analyses rather than initiate independent assessments.

The main partners in the health sector support have primarily been the DoH, DBM and Provincial Governments. The recent PFM support includes broader stakeholder involvement ,as shortcomings have been recognised under past PFM support within the health sector (see box below).

⁸⁸ Available on the web at <http://www.dpwg-lgd.org>.

⁸⁹ See e.g. “Using Political Economy Analysis to improve EU development Effectiveness” – a DEVCO Concept paper – by Sue Unsworth and Gareth Williams (Final Draft September 2011).

⁹⁰ Overview based on the memo from the EUD: “*Projets UE en cours dans le secteur du développement local*”.

Box 19 Lessons learnt from PFM Support in the Philippines (extract from Action Fiche)

The analysis is strongly confirmed by reports under the PFM component of the recently completed EU-funded HSPSP (2007-2010), which have specifically identified the following issues constraining local service delivery and governance:

- Need to involve the other oversight agencies as PFM responsibilities are not exclusively within DBM mandate.
- Need for involvement of Local Chief Executive and awareness creation at that level. Weak political awareness concerning the need for a more solid, coordinated and aligned PFM-LGU system. PFM reform is a political process and involvement of the Sangunian Palawan⁹¹ (SP) should be pursued.
- Need for PFM leadership within LGUs. It is difficult to pin down leadership accountability as PFM is lodged with the Local Finance Committee (LFC) or PFM Committee, which are collegial bodies.
- Ineffective/out-dated administrative set-up at LGUs. The current set-up should be re-structured to promote better work efficiency, avoid proliferation of unnecessary positions and enhance a more professional, career-oriented, responsive and stable corps of LGU employees.
- Lack of effective internal control and monitoring & evaluation. Reluctance to establish these new functions because of personnel services limitation, non-appreciation of the value of an internal audit service (IAS), or differences in appreciation / understanding of internal audit.

Source: Support to Local Government Units for more effective and accountable Public Finance Management - CRIS reference: DCI-ASIE/2011/022-691

In *Tanzania*, the EC includes in its CSPs political and institutional analysis of the role of the different actors in decentralisation and governance processes, however, analysis is largely based on work led by other DPs (leading the LGR). The EC decided to join the LGDG and in this manner works mainly with PMO-RALG and MOFEA as lead partners. EC did not engage significantly with NGOs as, for instance, the NGO working group on LG reforms and ALAT were supported by other DPs more actively engaged in LGR. However, ALAT currently seeks assistance from a global EU Call for proposals to support LG association.

3.4.2 Ind3.4.2 - Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives

Detailed evidence at indicator level

The global inventory indicates that EC frequently combines different approaches in the same country (see Volume II – Annex 3, and summary table below). For instance, in *Guatemala*, *Honduras* and *Mauritania*, it has directly supported decentralisation (with Government as lead actor) and, in parallel, has financed programmes aimed at strengthening civil society to participate in local governance (with civil society organisations as lead actors).

The pattern is similar within the 22 desk countries analysed: the EC has in its support to decentralisation in third countries worked with a very wide range of actors in support of decentralisation.

However, there are some clear patterns:

- The most common partner is the national government with the ministry in charge of local governments as the lead.
- Local Governments are always involved as participating stakeholders but are also in some cases the main partners – in particular for interventions targeting selected local governments such as it is the case in *South Arica*.

⁹¹ Legislative local body

- A less common key partner (for bigger projects) are the NGOs – e.g. in *Haiti* and to a certain extent in *Madagascar* (both illustrating well the case of fragile states). However, NGOs are very frequently partners in the smaller NSA specific interventions.
- In a few cases, there is significant involvement of local government associations (in particular *Cambodia*, but also *Honduras* and *Benin*).
- It is rare to find significant involvements of other core “decentralisation stakeholders” (except by their representation in Steering Committees) such as Local Government Finance Commissions, Audit institutions, Ministry of Public Service.

Table 16 Overview of partners and stakeholders per country

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Main partner	Other participating local stakeholders
Benin	Africa	2003: PRODECOM - Programme d'appui au démarrage des communes 8,1 m€ (#15861)	MDGLAAT	LGs/NGOs
		2008: Programme d'appui à la décentralisation - 15 m€ (#19049)	MDGLAAT/ANCB	LGs and Local Government Association (ANCB)
		2009: SBS – EUR 45 Million for local development	MDGLAAT/CONAFIL	LGs
Cambodia	Asia	2004: Strengthening of pilot city administrations Battambang and SiemReap: Revenues and budget, transparency and peoples participation – 0,7 m€ (#5732/90688)	City local governments and LG association	City
		2004: Strengthening democratic and decentralised local governance in Cambodia: building local capacity through networking and local-local co-operation - 10 m€ (#16856)	Ministry of Interior	National League of Commune/Sangkat (NLC/S) and its network of Provincial Associations of Commune/Sangkat (PAC/S), the Senate
Colombia	Latin America	2004: II Laboratorio de Paz – 32,7 m€ (#5757) ⁹²	Regional and local governments and NGOs	
		2006: III Laboratorio de Paz – 23,7 m€ (#17668)	Regional and local governments and NGOs	
Guatemala	Latin America	2003: Décentralisation de l'Etat – 18,7 m€ (#3061)	Government	
Haiti	Caribbean	2003: Formation à la décentralisation des collectivités territoriales, des décideurs publics, et des membres des organisations et institutions de la société civile – 0,4m€ (#5002)	LGs and NGOs	

⁹² ACCI - Agencia Colombiana de Cooperacion Internacional; implementation by 3 "Regional project units" (Entidades Coordinadoras Regionales: CONSORNOC, PRODEPAZ, ASOPATIA).

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Main partner	Other participating local stakeholders
		2005: Renforcement du processus de décentralisation dans les départements d'Haïti (Etablissement de plans communaux de concertation dans la commune de Belladère au travers d'une démarche institutionnelle, participative et focalisée) – 0,1 m€ (#x17047/112845)	Commune de Belladere and NGOs	The deconcentrated administration
		2005: Projet d'appui à la gouvernance locale – 0,1 m€ (#17047/112734)	Département de l'Ouest : Commune de Pointe à Raquettes (Ile de la GONAVE) Département du centre : Commune de Saut D'eau	CONCERN/NGO
		2005: Programme d'appui au développement décentralisé – 0,08 m€ (#17047/112733)	Département du Centre, Communes de Mirebalais et Lascahobas	NGOs
Honduras	Latin America	2004: PROADES - Programa de apoyo a la descentralización en Honduras – 33,7 m€ (#16807)	Secretaria de Gobernacion y Justicia, Ministerio de Gobernacion	El Foro Tripartido including the Association of Municipalities of Honduras (AMHON)
Kenya	Africa	2000: Community development programme phase 2 (CDP 2) - 14,5 m€ (#15011)	Community Development Trust Fund (CDTF)	
		2004: Rural poverty reduction and local government support programme - 15,9 m€ (#17379)	GoK, Ministry of Local Government	All local governments in the country
Lebanon	ENP	2005: Support to reforms and local governance – 4,8 m€ (#17554)	OMSAR (Ministry for administrative reform)	15 selected municipalities
Madagascar	Africa	2004: Programme d'appui aux communes et organisations rural pour le développement du sud (ACORDS) phase I – 29,9 m€ (#16611)	LGs	Ministries, NGOs
		2006: Programme d'appui aux communes et organisations rurales pour le développement du Sud (ACORDS) - phase II – 32,7 m€ (#17939)	LGs	Ministries, NGOs
Mali	Africa	1999: Appui au démarrage des communes au Mali – 40,2 m€ (#14626)	MATCL	LGs, NGOs
		2006: PARAD - Programme d'appui à la réforme administrative et à la décentralisation - 71,8 m€ (#17914)	MATCL, Central Ministries, ANICT/FICT	Local Political Committees, LGs and NGOs
Nicaragua	Latin America	2004: Education sector policy programme and its decentralization (PAPSE) – 50,7m€ (#5749)	Ministerio de Educacion, Cultura y Deportes	Selected municipalities, Autonomous Regional Governments (RAAN, RAAS)

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Main partner	Other participating local stakeholders
		2003: Local Development and Food Security Programme (PRODELSA) 2004 to 2009, budget: 13 m€	INIFOM Instituto Nicaragüense de Fomento Municipal	15 municipalities and two regional associations: AMUNSE and AMUPNOR.
Papua New Guinea	Pacific	2006: Strengthening of districts and local level governments - 15 m€ (#18704)	DPLGA	LGs, NGOs
Peru	Latin America	2003: Programme d'appui au développement socio-économique et a la décentralisation dans les régions d'Ayacucho et de Huancavelica – 13,0 m€ (#5758)	Grant to GoP, with a component of Budget Support to the two beneficiary Regions ⁹³	
Philippines	Asia	Philippine Health Sector Policy Support Programme – 24,3 m€ (#17638)	Government – Ministry of Health (Sector Budget Support)	
Rwanda	Africa	2004: Decentralised programme for rural poverty reduction (DPRPR) – 40 m€ (#16357)	MINALOC	Beneficiaries of local projects, CSO and communities
Senegal	Africa	1999: Soutien aux initiatives de développement local - 10,8 m€ (#14414)	National and regional Level coordination committees	LGs and NGOs
		2004: Programme d'appui au programme national de Bonne Gouvernance (PAPNBG) - 26,1 m€ (#16952)	Ministries of Justice and Finance. National Assembly and National Statistics Agency	LGs and NGOs
Sierra Leone	Africa	2006: Decentralisation capacity building programme – 9,1 m€ (#17038)	Ministry of Internal Affairs, Local Government and Rural Development, Ministry of Finance	
South Africa	Africa	2001: Local economic development in Northern province – 29,5 m€ (#4712)	Northern province	NGOs
		2002: Urban development support to the Ethikwini municipality – 35,0 m€ (#4555)	Grant & Budget support to GoSA/ eThikwini Municipality Authority	NGOs
		2002: Local economic development support programme in Kwazulu Natal – 33,7 m€ (#4557)	Grant to GoSA; Implementing authority: Department of Economic Development and Tourism	NGOs

⁹³ Implementation by Consejo Nacional de Descentralización (CND) and "Gobiernos Regionales" (in Ayacucho and Huancavelica)

Country	Region	Start date: Title of main interventions - Budget (Decision#)	Main partner	Other participating local stakeholders
Tanzania	Africa	2005: Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania – 0,7 m€ (#17215/118910)	NGO	Local governments
		2007 Support to Education Sector Reform – 43,3 m€ (#19633)	Government of Tanzania: Ministry of Education	PMO-RALG Local Governments
		2007 Support to the Local Government Grant Scheme- 22,7m€ (#18888)	Government of Tanzania: PMO-RALG (through a Common basket fund)	Local Governments Representation of various ministries in steering committee
Uganda	Africa	2000:ACHOLI programme (decentralised co-operation programme north of Uganda) – 3,9 m€ (#15264)	Ministry of Local Government	LGs
		2005: Support to decentralisation programme – 9,2 m€ (#17857)	Ministry of Local Government	Local Governments and the Uganda Local Government Association, ULGA) through programme estimates and with civil society actors through grants contracts, selected through a local call for proposals.

The field visits provided following complementary information.

In *Benin*, the DLG sector is subject to good collaboration between the EC, France, Germany, Denmark and the Government, although all partners are actually involved. The preparation of the PONADEC was launched with the support of Belgium and in collaboration with MDGLAAT and of course the municipalities. The EC was leader in 2007, Germany and France took over in 2008, the EC again played the lead role in 2009. Under PACTE, a full component targeting capacity building of the de-concentrated provincial level of administration was delegated and implemented by GTZ (later GIZ) with very good collaboration between the two institutions.

In *Honduras*, in addition to the budget support programme involving central government bodies, the EC has approved six projects⁹⁴ with municipalities as project implementers from the world-wide programme for non state actors and local authorities (NSA-LA). Other major partner is the Inter-American Development Bank (IDB), which also supported the national decentralisation programme (PRODEL) and development partners in the sub-group for decentralisation (*Mesa de la Descentralizacion*).

In *Lebanon*, the implementing organisations of EC interventions (ESFD, CDR and OMSAR) actually had no particular mandate to work with “local government reform”. ESFD and CRD were established to work with “local development”. OMSAR’s core mandate was to work on overall public sector reforms, yet because of having to take responsibility for unspent EU funds it had to take responsibilities for e.g. local solid waste management. At the local level, OMSAR worked with projects for clusters of local governments (similar to but not identical with the unions), whereas ESFD mainly worked with projects implemented by the individual municipalities. It is only in the proposed future municipal finance reform project that MoIM is given a lead status for implementation of local development activities. Under the new programme, focus for local level project implementation will be at “union” level.

⁹⁴ A detailed list of the projects could not be provided by the EUD during the field phase.

In *Mali*, the EC operates at three levels: municipal, regional and central level. The first two levels involve LG, the central level concerns the institutions in charge of the state reform and decentralisation. The guiding documents of the EC take fully into account the role of central institutions (DNCT, CDI) and the need to strengthen them. Yet, the approach does not really consider LG elected officials at the national level nor does it take into account the National Assembly. Attempts to work with the association of elected officials had not given convincing results. Associations of elected officials have taken little initiative to boost the decentralisation process and to actively engage in lobbying. Civil society has not been significantly involved into these processes. It is more at a lower level that links can be established between civil society and other actors of the decentralisation process, in particular in the planning of public investments and the co-management of facilities financed by LG.

In *Peru*, the EC works with different actors in the decentralised government structures (ministries, regions and municipalities) mainly in the framework of sector programmes. The EC also involved the NSA and LA in small local projects in a number of regions. There is, however, no explicit and systematic link made between all these interventions and different levels.

In *the Philippines*, the main partners in the health sector support have primarily been the DoH, DBM and Provincial Governments. The recent PFM support includes broader stakeholder involvement in realisation of shortcomings under past PFM support within the health sector (see also previous indicator).

In *Rwanda*, the main actor for the DPRPR was the MINALOC, which is the responsible ministry for decentralisation and local governance issues. The focus on funds for districts and UBUDEHE being transferred through CDF focused on the local actors at district level and involved also CSOs, and communities.

In *Sierra Leone*, the WB was the obvious partner as it had already started the IRCBP with similar objectives as the EC programme (DCBP). EC had also established cooperation with DfID as other major donor in decentralisation and it was therefore logical to join DfID in the IRCBP. The UNDP/UNCDF also suggested that EC could support their programmes at district level, but support to the national decentralisation process was more important for EC as the IRCBP would have been halted from 2008 on without the support from EC and the DfID. Regarding EC support channelled through NGOs, three local councils (BO, Bombali, Kailahun) are supported by the EC from the budget line for Non-State Actors and Local Authorities in development with specific projects. Other projects financed from this budget line likewise involved some LCs to some extent but not as implementer of the project.

In *South Africa*, the EC has chosen to work with both national and provincial administration to introduce LED. This is the right entry point for decentralisation and local governance issues. LGs have also been the recipients of this support through the programme funding but it's the provincial authorities that work directly with the LGs. The focus on funds for districts on Area Based Management and LED was good but alignment to national procedures was difficult (lack of robust M&E systems, auditing and procurement requirements).

In *Tanzania*, the EC includes in its CSPs political and institutional analysis of the role of the different actors in decentralisation and governance processes, however analysis is based on work led by other DPs (leading the LGR). The EC decided to join the LGDG and in this manner work mainly with PMO-RALG and MOFEA as lead partners. EC didn't engage significantly with NGOs as, for instance, the NGO working group on LG reforms and ALAT were supported by other DPs more actively engaged in LGR. However, ALAT currently seeks assistance from a global EU Call for proposals to support LG associations.

4 EQ4: 3Cs

Evaluation Question 4: To what extent has the EC ensured **coordination and complementarity** with other donors, active in the decentralisation arena, and ensured coherence with EC policies and activities?

4.1 JC4.1 The EC has contributed to establishing and implementing coordination mechanisms with EU Member States and major donors (on decentralisation support programmes at different levels)

Main findings at JC level

The EC has actively been working to establish and implement **coordination mechanisms for decentralisation** support in partner countries. The EUDs engagement with other EU Members States and other major donors has significantly improved over the evaluation period and is probably an outcome of EC general emphasis on aid harmonisation efforts

Several levels of dialogue and coordination have been identified but most of these coordination mechanism are not EU specific (EC/MS) but also include other donors, such as the WB. The most current mechanism has been the establishment of a **working group**, as for example in *Benin, Honduras, Mali, Peru and the Philippines*. **Joint DP efforts** such as joint strategies, identification and formulation processes have been other coordination mechanism used in the countries under evaluation. In particular, the EUDs have proved very open to the use of analytical work supported by other development partners but have rarely been leading in preparing such analyses.

Records of EC resolving inconsistencies between its cooperation programmes and member states/other donor's programmes in decentralisation have remained marginal. In *West Bank and Gaza Strip* an interesting example was observed whereby some **EU Member States worked with the EUD** to ensure greater harmonisation by development of an "*EC Fiche on Sector Strategy Fiche Municipal Development and Local Governance*".

In general, the EC has **encouraged the national government to play a leading role** in donor coordination and to support this where necessary. However, in many countries where the national governments are inactive in donor coordination it will be necessary for the EC (or other donors) to play a more proactive role. The EC has actively sought to resolve aid harmonisation issues in some countries where it is taking a lead role (e.g. *Mali*).

EUDs have actively **taken a lead role** in 30% of the 22 desk review countries and have been in most of the other countries actively engaged in existing working groups established to coordinate development assistance in support of decentralisation. The survey and fieldwork gave some indication of what it requires to take on a lead role:

- Potential of delivering significant funding in a predictable manner,
- The potential ability of the EC to use a wide range of aid modalities – and SBS in particular (highlighted in particular in *Senegal, the Philippines, Mali, and Peru*),
- A significant local level knowledge of the sector (with *Mali* as a clear case, also mentioned in *Senegal, Lebanon and Rwanda* - less so expressed in other countries),
- Global experiences and access to experiences from a variety of EU countries could be a potential strength of the EC – however, EUDs widely recognise that knowledge management is so poor at present, that this largely constitutes a potential rather than a real strength of the EC.

There have been several cases where the EC has adapted to processes led by other donors when relevant, as for example in *Sierra Leone*, in the *Philippines*, in *Cambodia* and in *Tanzania*. This especially took place in the framework of **trust funds and basket funds**.

At a "**global level**", EC contribution to the informal Development Partners Working Group on Local Governance and Decentralisation is highly appreciated by other partners – however, the work on coordination and information sharing has not (yet) led to significant progress on more precise defining, more distinct division of labour among EU Members States and the

EC or vis-à-vis various specialised multinational organisations (see indicators 1.3.2 and 2.3.2).

4.1.1 Ind4.1.1 - Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries

Detailed evidence at indicator level

According to the answers to the survey to EUDs, the quality of dialogue and coordination on decentralisation has improved between the two strategic cycles with respect to all main stakeholders, with the exception of EU Member States, where the ratio of High and Quite high assessments stayed the same (and relatively highest) between the cycles (75%).

The perceived importance of other donors' support to decentralisation increased between the two strategic cycles (assessed high or quite high by 58.8% and 78.9% of EUDs respectively). The complementarity between the EC support and other donors' support also rose, assessed high or quite high by 50% and 84.2% between the two cycles.

Figure 16 Change in the quality of dialogue and coordination on decentralisation between the two strategic cycles – 'high' or 'quite high' responses

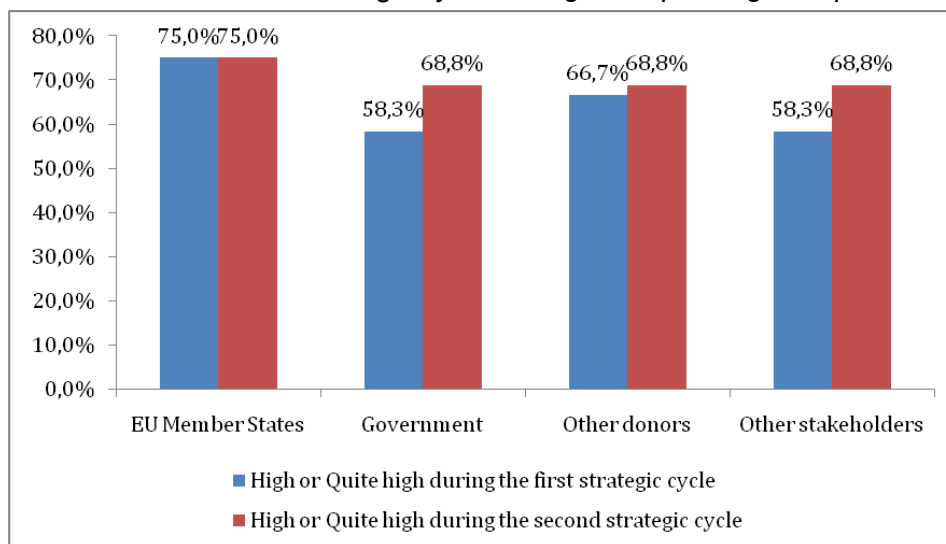
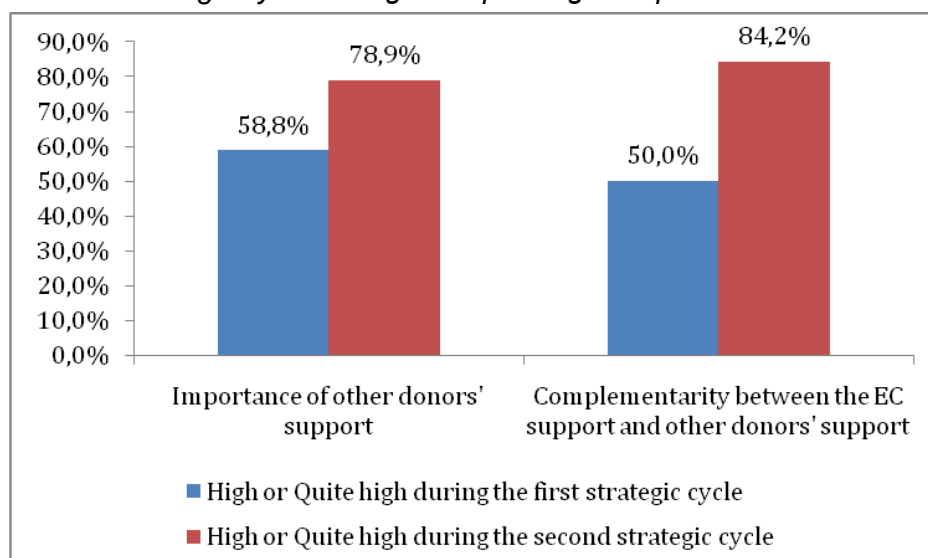


Figure 17 Change in perceived importance of other donors' support and the complementarity between EC support and other donors' support between the two strategic cycles – 'high' or 'quite high' responses



Survey to the EUDs, Particip analysis

According to the findings from the field phase, the **coordination of EC with EU Members States and major donors** is generally assessed as being **increasingly good**.

- In the *Philippines*, EC coordination with Member States (MS) is generally assessed as good. EU coordination meetings between MS and the EC take place on a monthly basis at Heads of Mission, Development and Commercial Counsellors meetings. There are various thematic coordination mechanisms that have gained momentum in the preparation of the Philippine Development Forum. The Strategic review felt that “(EC) dialogue with the Government is good and healthy” and that “the Delegation has reinforced the dialogue with MS on development co-operation” while “bilateral dialogue with multilateral institutions is on an operational level.”
- In a more general way, *Peru* has been characterised by an increasingly well coordinated donor community illustrated by the recent initiative of various UN agencies to start a “Joint Programme”⁹⁵ under the leadership of the PCM⁹⁶. Various donor coordination mechanisms have been established over the years. In addition to the traditional international organisations active in the region such as the World Bank (WB) and the Inter-American Development Bank (IADB), a number of other international organisations have played a significant role in the development landscape of *Peru* during the period 2000-2010. These include: United Nations (UN) agencies such as UNDP, United Nations Children's Fund (UNICEF) and Food and Agriculture Organization (FAO), the EC, the Andean Development Corporation (CAF)⁹⁷ and various co-operation agencies from “bilateral” donors such as USAID, Economic Co-operation and Development Division at the Swiss State Secretariat for Economic Affairs (SECO)⁹⁸, Japan International Co-operation Agency (JICA), GIZ & German Bank for Reconstruction (KfW), CTB⁹⁹.

In the countries visited during the field phase, several levels of dialogue and coordination have been identified. The most current mechanism is the establishment of a **working group**, as for example in *Benin, Honduras, Mali, Peru* and the *Philippines*. However, most of them are not EU specific (EC/MS) but are also gathering other donors.

- In *Benin*, there is a very active **working group on decentralisation and good governance**, which meets regularly to harmonise their activities and ensure compliance with the national framework for decentralisation. This group is one of the most operational working groups in *Benin*.
- As for *Honduras*, the development partners established a **decentralisation group** (mesa de la descentralización) in 1998 after the Mitch natural disaster, with all the development partners in decentralisation (EU, WB, GTZ, Jica, etc.). The group meets once a month to coordinate actions and share information. The chair is changed every six months. Government institutions and CSOs are invited at particular events to discuss certain issues. The actors share information, views and analyses in the meetings, but the actual programme implementation on the ground is not coordinated well, according to the several persons met during the mission. “*La coordinación? - Está funcionando en las mesa, si, pero en el terreno, no*”¹⁰⁰.
- In *Mali*, Development partners (DPs) involved in decentralisation have created a Task Force on “*decentralisation and institutional development*.” The **working group** can trade on the implementation of the decentralisation process and a degree of harmonisation of interventions.

⁹⁵ Programa conjunto de las naciones unidas “mejorando la nutrición y la seguridad alimentaria de la niñez del Perú: un enfoque de desarrollo de capacidades”

⁹⁶ Secretaría Técnica de la Comisión Interministerial de Asuntos Sociales (ST-CIAS) de la Presidencia del Consejo de Ministros.

⁹⁷ Corporación Andina de Fomento.

⁹⁸ Economic Cooperation and Development Division at the Swiss State Secretariat for Economic Affairs.

⁹⁹ Coopération Technique Belge.

¹⁰⁰ former government official

- In *Rwanda*, **regular meetings** with other donors take place in the framework of the Budget Support Harmonisation Group, the Development Partners Coordination Group, the annual Development Partners Retreat and Development Partners Meeting, monthly EU Heads of Co-operation and Heads of Mission meetings, ad hoc Political Officers meetings and at different **sectoral working groups** (the EC is particularly active in the transport, justice, public financial management, agriculture, and decentralisation working groups).
- In *Peru*, there are two working groups working at different levels:
 - Mesa de Finanzas Públicas: this **working group focusing on Public Finance Management (PFM)** was created shortly after the 2008 Public Expenditure and Financial Accountability (PEFA) exercise. It is lead by the MEF with active participation of a number of donors such as: WB, International Monetary Fund (IMF), CAF, KfW/GiZ, SECO, USAID, CTB, JICA and the EC. In this donor group, the GoP (via the MEF) take an active (leading) role and the group has created a space of policy dialogue between donors and the GoP.
 - Mesa de Descentralización: this **working group on decentralisation** was established shortly after the creation of the “donor group on governance” and the related “sub group on modernisation of the state” in 2002. This donor group has a more technical focus and the dialogue with the GoP is reduced to introductory meetings organised when a new Secretary is appointed at the National Secretary of Decentralisation. It appears that this group has initiated some direct dialogue with the Assembly of president of regional governments to discuss the main challenges of the decentralisation process in Peru.
- In the *Philippines*, a **Working Group on Decentralisation and Local Government** has been established.

Box 20 Working Group on Decentralisation and Local Government in the Philippines

Department of the Interior and Local Government (DILG) and WB are conveners of the working group. It meets regularly with active participation of all member DPs (including EUD). “The group is among the most active and the overall plan captures to a large extent all DP funded activities in the sector – we are generally aware of what we do and know each other – better than other groups”. It has developed an overall work plan that captures different donor funded interventions in support of decentralisation and local governance. All activities of e.g. EC support through SPF are captured here. Information is shared through the working group – the ADB and the WB have probably been the most proactive players, actively engaged in various core decentralisation studies, whereas EUD has been more of a “*silent partner*”. The EC is seen primarily active through its health programmes (and health sector issues are not discussed in the group), the SPF and (in particular, in future) PFM support at LGU levels. Through the working groups, the Government and DPs have shared information for coordination but not developed substantive co-financed programmes.

In *South Africa*, a broader dialogue between Government and donors on aid effectiveness has been launched. Especially the follow up to the Accra Agenda for Action (AAA), has continued with several meetings in 2009. Development partners are encouraging the Government to take forward the AAA through a national action plan for 2010 onwards. *South Africa* has been co-chairing (together with Germany) the Cluster C **working group on aid effectiveness** in the OECD DAC.

Joint DP efforts such as joint strategies, identification and formulation processes are other coordination mechanism used in the countries under evaluation. These joint donor efforts are not EU specific (EC/MS) and also include other donors, such as the WB.

- For example in *Lebanon*, there are few if any co-financed projects supporting local development and local governance. However, the new municipal finance reform project was subject to a joint identification/formulation process with the Italian Government. The Italian Government will grant additional funds to the component 2 of the program through a parallel funding to the Government of Lebanon. Related to this

process the World Bank financed a major analytical work on municipal finance that feeds directly into the new EUD project.

- In *Sierra Leone*, DfID and EC have established a close co-operation during the last 10 years, which materialised fully with the publication of the Joint CSP for 2008 - 2013¹⁰¹. During the programming of the CSP 2008 to 2013, the EC had regular contacts with the DfID and this ended up with a joint CSP: “*The Joint Country Strategy (JCS) for Sierra Leone (SL) has been drafted jointly by the government of Sierra Leone (GoSL), the European Commission (EC) and the United Kingdom (UK) Department for International Development (DfID) with inputs from in-country EU Member States. The joint exercise in Sierra Leone sets a unique example of joint programming and marks an important step towards fulfilling the EU’s commitments on harmonisation of donors’ activities, as expressed in the Paris Declaration on Aid Effectiveness in March 2005*”¹⁰². Apart from this co-operation with DfID, the EC fully accepts that the WB leads all coordination on decentralisation.
- In *Benin*, the coordination and general harmonisation of approaches has been seen and the Joint Annual Reviews have become institutionalised, which shows a degree of maturity, coordination and collaboration between the various stakeholders.
- In *Rwanda*, the harmonisation of donor activities is more clearly prominent but it is still a long way to go in terms of joint action plans, revised fiscal decentralisation strategy with less earmarked or conditional funds at local level, and more programmable or unconditional funds.
- In *South Africa*, the EUD launched a number of preparatory studies in order to set the ground for the conceptual discussion among stakeholders. These preparatory studies were carried out in areas likely to become “focal” in 2005/6: the economic cluster, the social cluster, and human rights/governance, the latter two including the burning issues of service delivery capacity at local level. The first one of these studies, on the economic cluster, was delivered in November 2005, and the other ones were delivered during the first quarter of 2006. All studies were validated during workshops with DPs, GoSA and other partners, including Non State Actors. This is just an example of the analytical work carried out by the EUD but there seems to be frequent exchange and interaction between key stakeholders.
- In *Tanzania*, the decision by various DPs to fund the LGDG system provided them with an exit strategy from previous bilateral projects and enabled substantive aid harmonisation.

The analytical works that led to the LGDG were the outcome of major joint DP efforts: in 2003 the LGRP basket decided to finance the required analyses that initially would lead to WB support for the LGDG. The WB managed the consultancies in co-operation with participating bilateral DPs.

The EC proved flexible (after extensive administrative delays) to adapt to the jointly agreed LGDG approach. The EC financial contribution was significant (22mEUR) and enabled the nationwide scale up of the system.

4.1.2 Ind4.1.2 - Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones

Detailed evidence at indicator level

In most countries, such as *Benin, Honduras, Lebanon, Peru, the Philippines, Rwanda, Sierra Leone* and *Tanzania*, the evaluation team has not identified any record of EC resolving inconsistencies between its cooperation programmes and member states/other donor’s programmes in decentralisation.

¹⁰¹ In spite of the fact that the CSP is a joint document both parties have their individual implementation plan.

¹⁰² Country Strategy Paper and National Indicative Programme 2008 to 2013, EUD (introduction).

One interesting instrument adopted in *West Bank* and *Gaza Strip* for donor coordination was the EC Fiche: “Sector Strategy Fiche Municipal Development and Local Governance (MD&LG) 2010 – 2013” - a document initiated by EU Member States supporting decentralisation who felt frustrated over the lack of coherence in the sector. The document provides an analysis of all ongoing support to decentralisation by EU Member States (and other donors) and seeks to establish a common response for EU members regarding future programming and support to decentralisation and local governance in the country.

The EUDs generally emphasise donor coordination either as a lead or “follower” (see section below). In general the EC will as a stakeholder seek to encourage the **national government to play a leading role in donor coordination** and support this where necessary. However, in many countries where the national governments are inactive in donor coordination it will be necessary for the EC (or other donors) to play a more proactive role.

In *Mali*, the EUD has been instrumental in encouraging other partners to meet national mechanisms in place (ANICT device and technical support). The EUD has not hesitated to play its political weight to influence the choice of the World Bank. The latter has been forced to take account of these devices, but did so only marginally. The World Bank has always remained outside the system of decentralisation focusing on a community approach.

4.1.3 Ind4.1.3 - Lead role played by the EC in coordinating EC policy positions on decentralisation in partner countries

Detailed evidence at indicator level

In 30% of the countries analysed during the desk phase, the **EC has taken a leading role in coordination of aid and support to decentralisation and local governance** in the respective countries. A lead role will necessarily require some “comparative advantages” of the EC.

Table 17 EC’s coordination efforts (EUD survey)

Answer	Number of respondents	
Leading	6	30 %
Important, but not leading	5	25 %
Taking part in the efforts	5	25 %
Not very much involved	4	20 %

The survey gave some preliminary indication of what it requires to take on a lead role:

- Potential of delivering significant funding in a predictable manner,
- The potential ability of the EC to use a wide range of aid modalities – and SBS in particular (highlighted in particular in *Senegal*, the *Philippines*, *Mali*, and *Peru*)
- A significant local level knowledge of the sector (with *Mali* as a clear case, also mentioned in *Senegal* and *Rwanda* - less so expressed in other countries),
- Global experiences and access to experiences from a variety of EU countries – however, also realisation that knowledge management is so poor at present, that this largely constitutes a potential rather than real strength of the EC,
- In some countries the EUDs clearly indicated that the EUDs had no strong comparative advantages compared to other donors (e.g. in *Uganda*, *Tanzania*, *Nicaragua*)

In many countries, the EC has **had a lead or active role among donors** during the evaluation period.

- In *Benin*, **the EUD has played a lead role** in the dialogue on DLG with the GoB over the past 3-4 years and this has been very much appreciated by all stakeholders. The EC actively participates and contributes to the annual sector review in the field of decentralisation.

The activity of the working groups (WGs) for sectoral and thematic coordination has been uneven and the GoB leadership has been lacking in many WGs. E.g. in 2007, the EUD had the lead for Groups (1) Monitoring PRSP and Budget Support, (2) Decentralisation, (3) Justice (4) Transportation and (5) Aid Harmonisation and was also active in Health, Water and Energy, and the private sector WGs.

The EC actively participates and contributes to the annual sector review in the field of decentralisation, and financially supports the FADeC/CONAFIL. During sector reviews, debate and criticism are very objective, sincere and constructive.

- In *Honduras*, the EU participates as a member in the decentralisation group, but some development partners (i.e. BID, WB) see the **EUD taking an active role** in decentralisation in the present situation, where the Government of Honduras has just formulated policies on decentralisation but also in 2004 during the formulation of the national programme for decentralisation PRODDEL.
- In *Mali*, **EUD is the leader among DPs** since the start of decentralisation. This role was reflected in two ways: (i) being the "voice" of donors involved in discussions with the authorities and (ii) ensuring an overall consistency to finance the technical support and financial facility. Indeed, the majority of donors have targeted their interventions, including geographically. The EC has agreed that its funds are not targeted and can thus meet the needs in areas not supported. With this choice the equalisation system could be effective.

There is an ad hoc structure for coordination among donors and government called the "Panel de la decentralisation". This coordination platform is lead by the EUD. The majority of partners recognise the leading role played by the EC, although some believe that the EC tries to always first consider its own point of view.

- In *Rwanda*, **the EUD played a key role** in the harmonisation and alignment area. It participated actively in the two Joint Budget Support Reviews and is leading a task force to develop a new multi-donor partnership framework for budget support. It co-chairs the Transport sector working group with GoR. It coordinated policy dialogue through joint EU policy statements at the Development Partners meetings, and by regularly convening EU meetings to coordinate political dialogue in accordance with Article 8 of the Cotonou Agreement. The EC is a financing partner in four basket funds but will face some challenges as basket funds are increasingly managed by and in accordance with recipient's procedures, where EC participation would require four-pillar audits. However, there is no basket funding in the DLG area.

The EC-chaired informal network of donors on elections met on a very regular basis for the 2008 elections and the issuing of a draft electoral code for the forthcoming elections.

- In *South Africa*, the EUD has often taken the **lead in coordination and complementarities** of donor interventions also in the DLG field, which has fallen under the Governance working group. The six EU working groups (S&T, health, education, employment, governance, housing) have ensured a platform for exchange of information and sharing of good practices between main partners (EU and non-EU incl. UN system, World Bank etc). The EUD has encouraged regular participation of lead departments in those groups.
- In *Lebanon*, the EUD **has played a major active role** in establishing a "*Working Group on Local Development*". The group initially met in April 2008 at the Embassy of France whereby EU Member States approved to establish a lead donor structure in three key sectors: Water, Local Development and Environment. Consequently, Germany agreed to assume the overall coordination of the Water Sector, while Italy agreed to provide overall coordination in relation to Local Development and Environment. As a first step, the Embassy of Italy organised a conference on governance and local development intended to clarify and harmonise diversified views on approaches. Recognising that non-EU Member States countries and international organisations are dynamically involved in the local development process,

the EU working group was broadened to encompass a wider representation of donors and multilateral organisations.

*"To avoid previous interventions fragmentation and lack of sufficient coordination between Government, donors, agencies and numerous non-governmental organisations, the Working Group (WG) on Local Development has drafted "Common Donors Guidelines on Local Development". Moreover, as the MoIM is recognised as the key institutional partner in this area, the project should support the MoIM to manage and chair the WG in order to ensure ownership and overall coordination. The Ministry has developed in 2009 a Local Development Master Plan with the purpose of listing and coordinating local development activities in Lebanon."*¹⁰³

However, MoIM has expressed uncertainty about whether it has the resources (time and staff) to lead such a process (interview) and all stakeholders interviewed expressed frustration about the continued lack of common approaches among donors.

However, in some other countries, the **EC has not had a leading role** among donors during the evaluation period.

- In *Sierra Leone*, the EC has not taken a leading role, instead co-operation has been established with the only other major donor in decentralisation from (WB, DfID) and UNDP. Furthermore, the EC has adjusted fully to the WB approach in the IRCBP and has left the leading role for decentralisation and programme management to the WB.
- In *Peru*, it seems that the EC has taken part in various coordination mechanisms but has not contributed to actively develop these coordination mechanisms with EU Member States and major donors on decentralisation.
- In *Rwanda*, the EC local development/governance portfolio is important and increasing support to DLG issues over the evaluation period can be seen. The EUD did not initially dedicate specific staff resources to DLG (shared) but at a later part of the evaluation period, one full time staff member was assigned to this area. The EUD has not been a focal point in the sector working group established in 2005/6 but has attended meetings sporadically and even though not a decentralisation donor in division of labour exercise recently conducted EUD DLG focal point attends meetings more regularly now.

Box 21 The lack of leadership of EC in coordination mechanisms in Peru

In *Peru*, the EC has not had a lead role among donors during the evaluation period. For instance, the group on decentralisation has been lead by GiZ (Germany) for more than two years and opinions on the EC participation in this group range from "quite active" to "not very active". Moreover, on matters related to PFM, it seems that the EC has followed the WB although it seems much more active in this area than in the area of decentralisation. The EC has a more limited role in the platform of exchange on decentralisation compared to other EU Member States such as Spain and Germany. The latter consider that "EU bilateral donors have played a much more important role than the EC in the area of decentralisation in Peru" and they point out at the same time that "support from bilateral donor is not sufficient to address the needs of Peru in terms of decentralisation. For instance, the EU could play a complementary role to bilateral donors in crucial areas such as the development of the civil service framework".

The limited role played by the EC in decentralisation has been confirmed by the various actors interviewed (Government, other non-EU donors, EUD itself). One interviewee (a non-EU bilateral donor) pointed out the fact that because of its internal rules and despite regular participation in the regular meetings: "the EU cannot compromise itself when a decision is taken by the group". Moreover, the EUD does not have the possibility to quickly mobilise funds to participate in initiatives launched by the working groups.

Two cases illustrate this situation:

¹⁰³ Extract from Action Fiche 2010: Support to Municipal reform

- In 2005, a group of experts was mandated to analyse the situation of the country in terms of Human Rights, Justice and Decentralisation and to organise a forum to discuss the results. The EC could not contribute directly to the organisation of the event.
- In 2010, a group of experts was mandated by the working group on PFM to provide new ideas and high level analysis to improve PFM in the country. The EC was not able to contribute to the joint efforts of MEF, GIZ, CTB and SECO.

4.1.4 Ind4.1.4 - Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation

Detailed evidence at indicator level

There have been several cases where the EC has adapted to processes led by other donors in the area of decentralisation and local governance. This especially took place in the framework of **trust funds and basket funds**.

- In *Sierra Leone*, the EUD decided to allocate all funds from the EC decentralisation and Capacity Building programme into a **WB managed trust fund** for the Institutional Reform and Capacity Building Programme. The EC and DfID coordinated their action on decentralisation from 2004, when DfID decided to support the trust fund for the IRCBP and DfID recommended the EC to follow this approach during the formulation phase of the EU DCBP. The alignment with the WB programme shows a high level of flexibility for reducing transaction costs and improves efficiency and willingness to lose control of the programme's implementation.
- In the *Philippines*, a dialogue fund has been established as WB trust fund. It is funded by AUSAID and CIDA and managed by the WB with involvement of all DPs and the league (agreement assigned last week of 2009). Because of different financing agreements and rules of donors it is difficult to co-fund activities – at present the **trust fund** is with 1.5mUSD and just started to fund one activity.
- In *Cambodia*, the EC channels its support through an **UNDP led programme** in realisation of the significant local knowledge the UNDP has established within this area in *Cambodia*.
- In *Tanzania*, coordination of support to decentralisation and local governance has since 2000 primarily been coordinated through the **basket funded LGRP** – led by GoT and basket funding partners but with the inclusion of non-basket funding DPs. The EC joined funding of the LGDG immediately after the WB had started to fund the grant on a pilot basis (in 2005). The WB had initially considered funding only some 30% of the local governments on a “pilot basis” – but the Government was keen to have the system adopted on a more rapid scale and several donors, including the EC, were at the same time exploring modalities for more effective coordination of local level development funding, that until then had been funded through several separate “area based projects”. EC support enabled the Government of *Tanzania* to roll out the system to all LGs simultaneously.

Box 22 The basket funded LGRP in Tanzania

The LGRP supported (up to 2004) mainly the “soft” aspects of the decentralisation reforms: capacity building, institutional development etc., whereas donor funding for local service delivery at that time was primarily channelled through various sector programmes (with basket or sector budget support arrangements in health and education and later also in agriculture, water and roads). The budget allocations for the LGRP were therefore modest and below 10mUSD annually. In addition to the LGRP, various DPs supported up to 2004 a range of bilateral program support for “local governance”, in particular in the form of various “Area Based programmes”: i.e. programmes that targeted selected districts with a combination of development funding for services (typically earmarked various capital investments in areas such as school construction, health centres, roads etc. – but also frequently with some elements of “budget support” to selected LGs).

The decision by various DPs to fund the LGDG system provided them with an exit strategy from previous bilateral projects and enabled substantive aid harmonisation.

The analytical works that led to the LGDG were the outcome of major joint DP efforts: in 2003 the LGRP basket decided to finance the required analyses that initially would lead to WB support for the LGDG. The WB managed the consultancies in co-operation with participating bilateral DPs.

The EC proved flexible (after extensive administrative delays) to adapt to the jointly agreed LGDG approach. The EC financial contribution was significant (22mEUR) and enabled the nationwide scale up of the system.

In other countries, as for example in *Benin, Honduras, Lebanon, Mali, Peru, Rwanda* and *South Africa*, the evaluation team **did not find any evidence of EC flexibility** to adjust to other donor approaches:

- In *Honduras*, the EC follows its own approach with the government with some flexibility, it has not adjusted to others donors' approaches to decentralisation e.g. within mutual programmes.
- In *Lebanon*, an alternative approach to co-financing projects, by supporting the UNDP Governance and Local development (GOLD) project, was internally rejected by the EUD. The rejection was partly based on assessment of the overall soundness of the UNDP project and partly on principle concerns about financing UNDP.
- In *Mali*, the EC is a lead donor and driving force of decentralisation. There is a consensus among donors on the approach developed by the EC. In the future decentralisation support (programme PARADER) the EC plans to use a new co-operation modus with EU Member States ("convention de delegation") which allows delegating a part of the programme implementation to EU Member States. In this case it will be Germany (GIZ) and Belgium (CTB-BTC). Interviews with EU Member State representatives revealed that the EC procedures are demanding and rather inflexible and that this is the reason for a negotiation phase taking more than one year. The agreement should be finalised in the current of 2011.
- In *Peru*, the evaluation team has not find any evidence of an important co-operation project or activity where the EC has joined efforts with other donors to support decentralisation in the country. This is likely also because of the limited role played by the EC in the coordination of activities within decentralisation.
- In *Rwanda*, funding for decentralisation is *ad hoc* and linked to various area-based programmes of donors and/or capacity building funds used in a strategic way especially by GIZ. The question is why the EC has not selected to fund a programmatic approach to decentralisation process through the DIP. But other donors have consistently taken the lead on decentralisation issues – earlier on it was DfID and the Dutch and the Germans, now it's the Dutch and the Germans still taking the lead.

4.2 JC4.2 There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Main findings at JC level

It is clear that **dialogue with donors** always occurred at some level **during programming stages**. All project documents made some reference to other donors' interventions. It appeared that the quality of the dialogue has differed from country to country and has been strongest when it is part of various joint works: joint analyses, joint programming etc. Consultations and dialogue could be rather superficial in absence of such joint work and would then merely result in "information sharing", as for example in *Rwanda* and *Honduras*.

Division of labour among donor agencies has been most explicit in countries where (a) the aid harmonisation agenda is significantly developed at a general level and (b) where elaborate government policies and strategies for decentralisation reforms are in place. Useful

examples of division of work has been for instance found when some donors fund these government programmes and others focus on related complimentary support to civil society to enhance their capacities for demanding services and accountability of local governments (*Philippines, Peru*). In some cases, the division of tasks has not been arranged but resulted *de facto*.

It has been very common that the **EC jointly financed programmes** with other donors: it is a general rule for all the major programmes in direct support to decentralisation and where SBS is applied. In addition, the EC has also in several cases joined programmes led by other development partners. Of the ten countries included in the field review, jointly financed programmes have been found in *Benin, Lebanon, Mali, Sierra Leone and Tanzania*.

It appeared that the **participation of EC policy officials and EU Delegations' personnel in policy forums** (both internationally and nationally) has been active in *Benin, Honduras, Lebanon, and Mali*.

However, it is clear that staff generally has felt very time constrained but has still tried to engage in relevant policy forums wherever relevant. In recent years a number of high-level forums of either ad-hoc or permanent nature have been established to debate issues related to decentralisation reforms and local governance in third countries. The involvement of EC staff in these forums has not been very significant. These forums included for instance:

- The Global Forum on Local Development,
- ICLEI - Local Governments for Sustainability United Cities and Local Governments (UCLG) The Council of European Municipalities
- The European Platform of Local and Regional Authorities for Development (PLATFORMA)¹⁰⁴

The interaction between EC staff working with decentralisation issues (in HQ or in delegations) and the various global forums – including the European PLATFORMA appeared to be very limited and appeared to be an area for the EC to explore further.

4.2.1 Ind4.2.1 - Existence of dialogue with other (EU) donors during the EC programming process

Detailed evidence at indicator level

It is clear that dialogue with donors always occurs at some level during programming stages. All project documents make some reference to other donors' interventions.

The existence of dialogue with other (EU) donors during the EC programming process has been identified by the evaluation team in the following countries:

- In *Lebanon*, the **EUD consult** with other EU Member States **in programming** – the French complained about a lack of dialogue but Italians were very satisfied (interviews) – the EUD has undertaken joint analytical work with Italy.
- In *Mali*, the **dialogue** was ongoing with the other DPs supporting decentralisation. The main partners were CTB, UNCDF, GTZ, SNV and AFD (now with limited support). These partners all finance the PNACT (national support programme to local authorities), like the EU. The EUD has consulted these stakeholders **during the programming process**.
- In *Peru*, it appears from interviews with the EUD and other donors that the **EUD regularly exchanges** with other donors and key stakeholders **during all stages of the programming and implementing process**. As mentioned above, the main platform for dialogue between donors on programming are the donor working group on decentralisation (*Mesa de Descentralización*) and the Group on Public Finance (*Mesa de Finanzas Públicas*) chaired by the MEF.
- In *Sierra Leone*, during the programming of the CSP 2008 to 2013, the EC had **regular contacts** with the DfID and this ended up with a **joint CSP**: "*The Joint Country Strategy (JCS) for Sierra Leone (SL) has been drafted jointly by the*

¹⁰⁴ <http://www.platforma-dev.eu/en/homepage.htm>

government of Sierra Leone (GoSL), the European Commission (EC) and the United Kingdom (UK) Department for International Development (DfID) with inputs from in-country EU Member States. The joint exercise in Sierra Leone sets a unique example of joint programming and marks an important step towards fulfilling the EU's commitments on harmonisation of donors' activities, as expressed in the Paris Declaration on Aid Effectiveness in March 2005¹⁰⁵. Coordination for decentralisation with other EU donors is minimal.

- In *Benin*, the sector of local development, decentralisation and devolution is subject to collaboration between the EC, France, Germany and the Government, although other partners are also involved. The EUD was the lead donor in 2007, Germany and France took over in 2008, and the EUD then took over again in 2009 as lead donor in the decentralisation working group. **The preparation of the PONADEC** was launched with the support of the Delegation of Belgium and, in collaboration with the Ministry of Decentralisation, Local Governance, Administration and Spatial Planning (MDGLAAT). The development of PONADEC was also supported by the EUD.

In some countries, the dialogue remained limited to "information sharing":

- In *Rwanda*, **the dialogue** is anchored around the DIP and is conducted mainly through the decentralisation sector working group with the GoR but mostly in terms of exchange of information.
- In *Honduras*, **the EUD informs** the other donors at the decentralisation group meetings about its interventions in decentralisation, but the real dialogue is with the government on the actions in the programmes.

4.2.2 Ind4.2.2 - Existence of a task division agreed upon among (EU) donor agencies in relation to the decentralisation agenda in a given partner country

Detailed evidence at indicator level

Division of labour among donor agencies is most explicit in countries where (a) the **aid harmonisation agenda** is significantly developed at a general level and (b) where **elaborate government policies and strategies for decentralisation reforms** are in place.

Existence of a task division agreed upon among (EU) donor agencies in relation to the decentralisation agenda in many respective partner countries has been identified by the evaluation team:

- In *South Africa*, donor coordination and division of labour is there, but no specific sector working group on decentralisation/local governance. It falls under both Governance and Economic Cluster groups. The GoSA is not keen on the usage of decentralisation as a concept – it prefers local government and the three spheres of government (Unity principal). A recent Mid-Term Review (MTR) of CSP/MIP examined aid effectiveness and EU coordination issues and concluded that there is good complementarity and **improving division of labour** between EC and member states programmes. It was also in this connection recommended that donors should maintain a judicious mix of budget support and project based approaches at EU level, seeking stronger dialogue at EU level on poverty reduction, in particular with the new Government.
- In *Tanzania*, the aid harmonisation agenda is in a very advanced state with significant emphasis on the use of GBS and elaborate **institutional arrangements for division of labour among DPs**. The aid harmonisation agenda has taken issues of "complementarity" further, as each main sector (including "decentralisation") preferably is to be supported by only one lead DP and limited supporting DPs. As part of this aid harmonisation agenda the EC left decentralisation as a "sector" and only indirectly follows sector developments through other lead DPs.

¹⁰⁵ Country Strategy Paper and National Indicative Programme 2008 to 2013, EUD (introduction).

- In *Benin*, donor practices and efforts have been undertaken over the last three to four years to improve the coordination of partners and the **alignment with national procedures**. Development partners seek to uphold the principles of the Paris Declaration on alignment and harmonisation. The programming support of their projects is most often in connection with the preparation of budget proposals. But the predictability of aid is still insufficient. Development partners also aligned on national procedures for procurement, but still refer to their own procedures for accounting records and payments, audits and monitoring.

In some cases, the division of tasks has not been arranged but resulted *de facto*.

- In *Sierra Leone* for example, within decentralisation only a limited number of development partners are active and therefore the coordination is not complicated. Three donors have agreed to support the reform process with the IRCBP and other donors (JICA, GTZ, UNCDF etc) work with district programmes. This is not an organised division task, but more a **result of different interests by the donors**.
- In *Mali*, **the majority of partners recognise the leading role** played by the EC, although some believe that the EC tries to always first consider its own point of view. The current issue of targeting funds, geographically and by sector, now called a new dialogue between donors and between donors and the central government (the current trend leads to a questioning of the equalisation system and equity in access to funds).
- In *Peru*, there is complementarity between the EU action and other donors support in the area of decentralisation but this is more due to the limited direct support to decentralisation provided by the EU rather than a clear strategy to divide tasks and responsibilities among donors in the area of decentralisation.

Useful examples of division of work are also found when some donors fund government programmes and others focus on related complimentary support to civil society to enhance their capacities for demanding services and accountability of local governments.

- In *Peru*, one interview with a key actor in the region of Ayacucho showed there was, during 2006-2009, an informal division of roles in terms of activities related to the development of capacities at local level: USAID was focusing on civil society participation and local governance; the EC was focusing on technical aspects of decentralisation (such as planning) at the level of the regional government; UNICEF and CTB were directly looking at sectoral aspects related to poverty reduction. Yet, this division seems rather fortuitous than planned. Interviews showed that, in general, the knowledge of the various stakeholders on the EC co-operation activities was actually rather limited.

A donor matrix exists and seems to help avoiding overlaps between donors. In general, the various actors interviewed underline a good coordination and complementarity in the area of the support to decentralisation. Yet, a clear and formal division of tasks and roles among donors in this area does not seem to exist.

- In the *Philippines*, EC support to decentralisation is captured in the overall sector plan and agreed with other partners.

In some other countries, as *Honduras* and *Lebanon*, there is no evidence of task division among (EU) donor agencies in the decentralisation area.

- In *Honduras* for instance, there is no evidence of clear agreements between development partners on a division of tasks. The practical arrangement is that EUD and BID work at the central level with the key ministries in decentralisation (the Ministry of the Interior and Population (SEIP) and the Ministry of Finance (SEFIN), while other donors are more involved at the municipal level.
- In *Lebanon*, there is not yet a very explicit division of tasks among DPs in relation to support to the “decentralisation agenda”. The reason is primarily that there is no consensus on any government led strategy. Different ministries within the government pursue different approaches to local development.

4.2.3 Ind4.2.3 - EC jointly finance decentralisation programmes with Members States and major donors

Detailed evidence at indicator level

It is very common that EC jointly finances programmes with other donors: it is a general rule for all the major programmes in direct support to decentralisation and where SBS is applied. In addition, the EC has also, in several cases (see EQ3 and EQ 5 to 7), joined programmes led by other development partners.

For interventions implemented as projects in support of elected local governments (rather than national programmes) it is as a general rule NOT co-financed with other donors and potential coordination issues can arise. This includes for instance issues related to equality of resource allocation (if the EC decided to focus on a few local governments).

Examples of EC jointly financed decentralisation programmes with Members States and major donors have been identified by the evaluation team in the following countries:

- In *Mali*, there is a **joint funding** of the PNACT, including joint financing of the national fund to support local authorities FNACT (see also the FICT). The table below summarises the financial contributions to the FNACT over the period 2001-2010:

	Amount in Fcfa	%
Government	16 467 193 064	11%
EDF	49 972 885 896	34%
Other DPs	80 276 394 493	55%
Total - DT	146 716 473 453	

It is noteworthy that the support from the EDF was actually larger in the early years, reaching 73% in 2003. A gradual introduction of other donors in the system and the transfer of part of the sector funds reduced the proportion represented by the EDF contributions.

- In *Sierra Leone*, the IRCBP and the new DSDP are **financed jointly** with DfID and the WB. This has maximised coordination between the EC and other donors – minor overlaps exist with activities in some districts funded by JICA and UNDP/UNCDF.
- In *Tanzania*, the LGDG is co-financed by several bilateral EU Member States, the EU and World Bank. Support to decentralisation reforms is primarily coordinated through the basket funded LGRP, although some separate projects are continued (by WB mainly in direct support to urban sector; by USAID and various bilateral DPs mainly supporting NSAs).
- In *Lebanon*, there are few if any co-financed projects supporting local development and local governance. However, the new municipal finance reform project was subject to a joint identification/formulation process with the Italian Government. The Italian Government will grant additional funds to the component two of the programme, through a parallel funding to the Government of Lebanon.

However, in many other countries, such as *Benin, Honduras, Lebanon, Peru, the Philippines, Rwanda* and *South Africa*, there are **no EC jointly financed decentralisation programmes** with Member States and major donors:

- In *Honduras*, there is no joint financing of programmes, i.e. PROADES is only financed by the EC.
- In *Peru*, as described above in JC4.1, the EC does not jointly finance decentralisation programmes with Member States and major donors.
- In the *Philippines*, the Government and DPs have shared information for coordination through the working groups but not developed substantive co-financed programmes. A Dialogue fund has been established as WB trust fund. It is funded by AUSAID and CIDA and managed by the WB with involvement of all DPs and the league (agreement assigned last week of 2009). Because of different financing agreements and rules of donors it is difficult to co-fund activities – at present the trust fund is with 1.5mUSD and just started to fund one activity.

- In *Rwanda*, there is some coordination but not a basket funding of the DIP. This is clearly the wish of some donors and the GoR, but until now it has not been possible to establish such a system. There is more incremental funding and donors with programmes/projects as vehicles of support.

4.2.4 Ind4.2.4 - EC policy officials and EU Delegations' personnel participate in policy forums (both internationally and nationally)

Detailed evidence at indicator level

From interviews at EC HQ and the survey, it is clear that staff generally feel time constrained but seek to engage in relevant policy forums wherever relevant. From EC HQ, participation of EC staff in international forums in support of decentralisation is mainly restricted to the key staff from AidCoE4. They have actively engaged in e.g. the work of the Informal Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD).

In recent years a number of high-level forums of either ad-hoc or permanent nature have been established to debate issues related to decentralisation reforms and local governance in third countries. The involvement of EC staff in these forums has not been very significant. These forums include for instance:

The Global Forum on Local Development: Pursuing the MDGs through Local Government (Kampala 2010) – it was a high-level event being convened by the United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP) and the Government of Uganda, and supported by a wide range of partners – including the EU¹⁰⁶. The Global Forum brought together Heads of state and Government Ministers, as well as representatives of the donor community, international organisations, local governments, local government associations, academia, civil society and the private sector for three days of discussion and debate.

ICLEI - Local Governments for Sustainability is an association of over 1200 local government members who are committed to sustainable development. They arrange various policy forums – EC is not a direct member or supporter¹⁰⁷

United Cities and Local Governments (UCLG) represents and defends the interests of local governments on the world stage, regardless of the size of the communities they serve. Headquartered in Barcelona, the organisation's stated mission is: "To be the united voice and world advocate of democratic local self-government, promoting its values, objectives and interests, through co-operation between local governments, and within the wider international community". The organisation is present in 136 of the 191 UN Member States in seven world regions, UCLG's members include individual cities and national associations of local governments, which represent all the cities and local governments in a single country. Over 1000 cities across 95 countries are direct members of UCLG. They arrange a multitude of policy forums related to decentralisation and local governance. For development work, they partner specifically with World Bank and UN institutions.

The Council of European Municipalities (CEMR - www.ccre.org) was founded in Geneva in 1951 by a group of European mayors; later, it opened its ranks to the regions and became the Council of European Municipalities and Regions. Today, it is the largest organisation of local and regional governments in Europe; its members are over 50 national associations of towns, municipalities and regions from 39 countries. Together these associations represent some 100,000 local and regional authorities. At the head of its political structure is its President, the mayor of Stuttgart, Wolfgang Schuster. It has a staff of about 20 persons, headed by its secretary general Frédéric Vallier. CEMR's budget is about 2mEUR, the main part of which comes from the membership fees of its national associations. The rest (about 10%) consists of an annual grant from the EC in the framework of the "Active European

¹⁰⁶ For overview of partners see: <http://www.uncdf.org/gfld/en/index.php?page=Partners>

¹⁰⁷ For overview of supporters/partners see <http://www.iclei.org/index.php?id=779>. Note that e.g. the World Bank and UNDP, UN Habitat support the forum but not EC.

citizenship" programme. CEMR is the European section of the new worldwide organisation United Cities and Local Governments (see above).

The European Platform of Local and Regional Authorities for Development (PLATFORMA)¹⁰⁸ has been launched during the European Development Days of Strasbourg in November 2008. Coordinating the voice of local and regional authorities and of their representative organisations to the European institutions, PLATFORMA is committed towards three major objectives:

- A better acknowledgment of the action of local and regional authorities in development co-operation,
- The set up of a solid dialogue between European local and regional authorities and EC institutions in charge of development policy
- The promotion of an efficient decentralised co-operation.

The interaction between EC staff working with decentralisation issues (in HQ or in delegations) and the various global forums – including the European PLATFORMA appears to be limited and might be an area for the EC to explore further.

According to evidence collected during the field phase, it appeared that the participation of EC policy officials and EU Delegations' personnel in policy forums (both internationally and nationally) has been active in the following countries:

- In *Benin*, participation is there in both, national reviews and international conferences.
- In *Honduras*, the EUD is active at events in the SEIP and with other actors in the decentralisation process at the national level, according to the EUD and other development partners (WB and BID).
- In *Lebanon*, EUD staff has participated in the recent workshops on future direction of local government reforms – but not co-financed arrangements.
- In *Mali*, interviews with EUD staff as well as government representatives confirmed an active participation of EUD staff in national decentralisation fora, such as the “*revue conjointes annuelle*” between EC and the government and the “*Assises de la decentralisation*”.

However, less evidence has been found in the *Philippines, Rwanda, Peru* and *South Africa*.

- In *Peru*, the evaluation team did not find evidence of the EC policy officials and EUD personnel participate in joint programmes and policy forums (both internationally and nationally), except training programmes organised by the EC Head Quarters.
- In *Sierra Leone*, from the interviews held, it appeared that that the EUD since 2010 has had limited participations in activities and meetings about decentralisation in MLG&RD, while presence was larger up to early 2010, i.e. during coordination meetings and missions of the IRCBP. Many in MLG&RD encouraged the EUD to be more active in the activities of the MLG&RD.

The EUD staff has only participated in a limited way in the semi-annual/annual implementation support missions for the IRCBP. The staff member responsible for decentralisation from 2005 to 2010 participated normally in the wrap up meetings by the end of the mission and sometimes also in a few other meetings during the mission.

4.3 JC4.3 EC support to decentralisation processes is coherent with other policies, programmes and activities

Main findings at JC level

Within EUDs it is clear that **coherence between decentralisation support and sector support** generally has improved over the evaluation period. However, incoherence between general decentralisation policies and sector policies and practices has remained a persistent

¹⁰⁸ <http://www.platforma-dev.eu/en/homepage.htm>

issue in many countries. The problems have been most challenging in countries where responsibilities and resourced for large social sectors (such as health and education) were in the process of being decentralised to local governments. The EUDs have generally not taken a very pro-active role in seeking to support resolution of such inconsistencies, but largely left such coordination problems to national governments who in turn, on some occasions, have been supported by other donors in this regard.

Crosscutting issues have always been referred to in general terms in project documents. The large and comprehensive joint Government - DP supported decentralisation reform programmes have often addressed very fundamental issues, such as female representation in LG elections and general gender and environmental guidelines in LG planning and budget processes. This appeared as very relevant interventions. Programme documentation has been generally weak in monitoring effectiveness of these activities. Several of the smaller project based interventions that support NGOs in relation to local governments, have gender and environment as key issues. They appeared often to pilot innovative and interesting approaches, however, up scaling of activities appears challenging.

Experiences with **inclusion of decentralisation issues in GBS** were reviewed in *Tanzania, Ghana* and *Sierra Leone*. Overall, it has been observed that when decentralisation is included in GBS dialogue, then it has become more likely to have a serious discussion of decentralisation with stakeholders in Government beyond the normal lead partners (typically the Ministry responsible for local governments or Ministry of Interior) and in particular broaden the discussion to include the Ministry of Finance and sector ministries. However, the review of experiences in the three countries have also suggested that it has been difficult to establish meaningful, objective and commonly agreed indicators as basis for dialogue on decentralisation policy issues.

The most useful indicators were typically related to the IGFT – i.e. the size of LG fiscal transfers, the extent to which they gradually increase as percentage of total public expenditures, the extent to which transfers are reliable, formula based, transparent, timely, accurate etc. It has proved more challenging to include indicators for more qualitative aspects of wider decentralisation policy reform issues. A general lesson from this is to focus on outcome based conditionalities, as opposed to policy-based conditionalities and triggers.

4.3.1 Ind4.3.1 - Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...

Detailed evidence at indicator level

The 2007 Reference document identified **lack of coherence** between strategies for support to decentralisation and larger sectors such as health, education, road infrastructure etc. as a key concern. The EC has since then started to work on **sector specific guidelines** and reference documents on how to work with decentralisation (in education and health sectors). However, these documents are not yet official or translated into operational guidelines.

The findings from the field visits highlighted this lack of coherence between EC strategies related to decentralisation and to larger sectors, such as health, education, road infrastructure, as shown by the following examples:

- In *Benin*, there was **no evidence** of this having taken place to any larger degree. Of course the other sector programmes follow developments within the decentralisation sector but there is generally speaking a lot resistance to decentralisation in the larger sector ministries.
- In *Mali*, the infrastructure sector is a focal sector of the EC co-operation with *Mali*¹⁰⁹, and in this sector, the "communes" level is **barely taken into account**. In particular, it is not planned that the projects of infrastructure development related to the functions of the LG are managed by the LG themselves. This would actually be contrary to the law. This contradiction also appears in the programme ADERE and now PARADER regarding the financing of regions.

¹⁰⁹ Education and health are not focal sectors of the EC cooperation with Mali

- In the *Philippines*, the support to SPF and health sector is **not very complementary**. The SPF currently supports some 14 initiatives – mainly related to piloting of innovative general governance issues (general LGU planning and capacity building) or support to local governance issues where environment is a special focus. There is no initiative supporting local governance in relation to health, which is probably a missed opportunity.
- In *Tanzania*, the role of the EC in work related to ensuring coordination between sectors and decentralisation reforms has, however, been **relatively limited** and largely lead by other DPs more active in the decentralisation reforms.

Box 23 *The coordination between sectors and decentralisation reforms in Tanzania*

Coordination between **various sectors and decentralisation reforms** has for long constituted a major issue in Tanzania. However, with the establishment of the LGDG system, it became possible to address many of these issues in a practical manner by mainstreaming sector funding into the LGDG system. In 2005 PMO-RALG produced a policy paper on how sector funding could be integrated into LGDG system, and the same year it was designed and later implemented for the agricultural sector (as part of the ASDP). The EC participated constructively in the design process but has not lately been active in the ASDP basket. An evaluation has recently been conducted and has a very positive assessment of achievements of local agricultural development through the ASDP/Agricultural window of the LGDG.

In the **education sector** funding to LGs continued for long to be slightly parallel to the LGDG system (a crash programme for class room construction was for instance implemented under PEDP), but from 2007 funding for infrastructure development was largely integrated into LGDG system. The education sector is the financially most important for LGs; major issues persists in the sector related to facilitation of LGs including continued major inequalities of teacher allocations (that currently is centrally managed but from the LGR has been advocated as fully devolved and subject to equitable formula based financing) and inadequacies in capitation grant allocations to schools through the LGs.

In the **road sector** districts and municipalities have been provided with approximately 30% of the nationally collected road funds for maintenance of roads under the responsibility of LGs. The financing modality is not fully integrated into LGDG system but does provide a fairly reliable and equitable level of funding for LGs to maintain (and upgrade) local roads.

More consistency between EC strategies related to decentralisation and to larger sectors has been found in the following countries:

- In *Peru*, a number of sector interventions integrate components on decentralisation. Therefore it can be stated that the EC support to decentralisation in *Peru* is **fully coherent** with co-operation strategies in other sectors (such as Health, Education, Rural development, etc.).
- In *Rwanda*, the **coherence has become more evident** when the funding of DPRPR went through CDF and as SBS. The latest developments are that the EUD has generated a fiche for SBS for the agricultural sector with funding through the CDF and for all districts. The EUD has been part of the DLG coordination mechanism with major donors and GoR, but not as the most active partner. The EC DPRPR was a district and area based programme from the beginning and only later in 2006 did aspects of the UBUDEHE become more national in approach. But other aspects of DPRPR support to districts labour-based infrastructure development where only for a limited number of districts. However, the EC support to UBUDEHE was seen as crucial and significant for the survival of this countrywide initiative. Aspects of the programme had sector focus as well, especially within agriculture and health where the limited amounts to communities could be used for improvements for the community in these fields.
- In *Sierra Leone*, apart from decentralisation, the EC mainly supports sectors i.e. agriculture in SL. The team **has not come across larger inconsistency** between

different EC programmes in sector and decentralisation areas. A recent example is the new EC agriculture programme, where the mission did not observe inconsistencies based on an interview with the responsible in the EUD, who informed that the new agriculture programme is coordinated with the EC intervention in decentralisation.

- In *South Africa*, EC support to local development processes is **generally coherent** with other (sector and GBS) activities. The harmonisation of donor activities is now more clearly prominent but still long way to go in terms of joint action plans and linkages between sectors and local economic development.
- In *Honduras*, stakeholders met from the government and development partners (decentralisation, education and health) **do not find inconsistency** in the EC actions between sectors and decentralisation. For environment, the programme PROCORREDOR's actions are coordinated with the participating municipalities in the Caribbean, while for education and health the EUD does not make a particular effort to assure coherence with decentralisation. In general it is expected that the GoH coordinates different activities in sectors with decentralisation.
- In *Lebanon*, local governments are not significantly involved in sectors such as health and education – but mainly “municipal infrastructure”. The EUD has organised its own work in a manner that **integrates “decentralisation and local infrastructure”** – the EC support is mainly supporting local infrastructure development but with a view of including local authorities in the work for sustainability and governance reasons.

Regarding **conflict prevention strategies** in difficult partnerships, it is clear from the desk review that programming in support of decentralisation is particularly challenging in countries in (post) conflict situations: the potential for direct support to decentralisation and corresponding use of SBS is limited. In *Haiti* the main interventions have been working through NGOs, in *Lebanon* a relative cautious project and bottom-up approach has been adopted. The EC responses appear sound and not in conflict with long-term development responses.

4.3.2 Ind4.3.2 - Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes

Detailed evidence at indicator level

Crosscutting issues are referred to in project documents, but documentation in ROM database etc. is insufficient for making firm conclusions regarding the effectiveness. Findings from the field phase highlighted that crosscutting issues such as gender mainstreaming and environment have been integrated into decentralisation programmes, in the following countries:

- In *Honduras*, gender mainstreaming and environment are included in the national programme for decentralisation (PRODEL) and with the support to decentralisation in a SBS modality, the EUD does not have means to assure that the crosscutting priorities are followed. However in environment evidence exist on the decentralisation of certain functions e.g. through the PROCORREDOR.
- In *Lebanon*, gender issues are mainly addressed by including stakeholder consultations with women in identification of the various local development projects. However, there is no evidence of projects seeking to support a more permanent gender balanced participation in local governance structures. Environment is more clearly and prominently mainstreamed in the projects: this is reflected in the prevalence of specific environmental sub-projects financed in particular in the recent LOGO.
- In *Mali*, gender is generally included in the decentralisation programmes. One of three key indicators on the improvement of service delivery (in both PARAD and PARADER budget supports) is the enrolment ratio for girls. The environment is taken into account with the possibility for LG to finance environmental activities within the funds received; environmental management is one of the functions transferred to LG.

- In the *Philippines*, various crosscutting issues are included in the SPF – in particular environment and support to indigenous groups. Gender issues are less profiled but included in e.g. the projects piloting more participatory planning processes at LGU levels.
- In *Sierra Leone*, a gender strategy has been developed by the MLG&RD (IRCBP RF indicator 2.3). EUD has not promoted any specific EC priorities during revisions of the IRCBP. According to the MLG&RD, DfID has promoted some DfID priorities occasionally.
- In *Tanzania*, crosscutting issues like gender and environment have been integrated into the overall LGRP and addressed e.g. through planning and budget guidelines used by LGs when planning the use of the LGDG. However, the EC has compared to other DPs, only played a marginal role in integration of such issues.

However, the following examples do not show any inclusion of crosscutting issues:

- In *Benin*, crosscutting issues do not figure a major concern in the documentation reviewed from the EUD.
- In *Peru*, issues such as gender and environment do not appear prominently in the project documentation. The projects financed by the NSA-LA thematic budget line¹¹⁰ that were reviewed during the field phase do not mention these crosscutting issues, neither in the logframe/project proposal nor in the progress reports.
- In *Rwanda*, there is no evidence that the crosscutting issues have played a major role in the decentralisation support to districts and communities. The focus has been more on labour-based infrastructure development and on small-scale support to communities with clear local governance support focus.
- In *South Africa*, since there is no decentralisation support programme, it obviously doesn't address these issues, but the LED programmes do encourage that project proposals for LED support submitted by local governments do contain gender specific information as well as an assessment of the environmental impacts of the economic activity being proposed.

4.3.3 Ind4.3.3 - Inclusion of relevant indicators in GBS performance assessments

Detailed evidence at indicator level

The survey from the 22 EUDs indicated that only one country (*Tanzania*) had explicit performance indicators in the General Budget Support assessment framework. In addition, the team has found similar indicators in *Ghana* GBS.

Boxes five and six provide an outline of the type of indicators used in the two countries for assessment of decentralisation reforms in the annual GBS assessments as well as a very preliminary discussion of experiences.

Box 24 Decentralisation and GBS: Experiences from Tanzania

Indicators for assessment of decentralisation have been included in at least the last four years of GBS assessments. The underlying processes, outcome indicators and temporary process actions for the 2010 assessment are included below.

From a preliminary assessment¹¹¹ it can be concluded that the indicators are very qualitative, that donors generally assessed progress as “unsatisfactory” but that donors and Government failed to reach consensus on the assessment summarised below. The government for instance maintained that the percentage of budget allocations to LGs had increased very substantively (apparently reaching a record high 27% of total public expenditure in 2010).

¹¹⁰ such as “Proyecto Fortalecimiento de las capacidades de Gestión por Resultados en 4 regiones” - DCI-NSAPVD/2007/019-404 // 157-376

¹¹¹ Largely based on team members knowledge from other recent assignments in Tanzania related to work on fiscal decentralisation and country evaluation of SIDA, Irish and DfID programme. The findings are to be validated and further elaborated in planned fieldwork.

Donors argued that the allocations were ad-hoc, very earmarked (e.g. mainly for salaries to staff with budgets outside LGAs control) and not truly formula based. Many of the key indicators relate to actions that Government of *Tanzania* was supposed to implement, but where the Government ultimately had different interpretations of appropriate actions. Overall, the 2010 assessment in *Tanzania* was rather critical with some distrust between donors and Government – not least because of Governments apparent lack of commitment to implementation of the decentralisation policy that many donors saw as critical for improved local service delivery for the poor. Although all donors shared the same PAF indicators, then they had different responses to the results as they had each separate focus on selected indicators for their respective “performance tranches”. From 2010 EUD has decided to include the outcome indicators below as trigger for release of “performance tranche” (in a joint agreement with Denmark and Ireland).

Tanzania GBS PAF Indicators related to “Empowering Local Government Authorities”

Underlying process

Local Government Reform Programme	Unsatisfactory
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Outcome indicators

Percentage of total government budget allocated directly to LGAs, which does not go through ministerial votes and is calculated on a formula basis	Off-track
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Temporary process actions

In response to Medium-Term Pay Policy the inter-ministerial task force (including PO-PSM, MoFEA, PMO-RALG, MoHSW, MoEVT) has drafted 1) a comprehensive roadmap that provides incentives for frontline workers in underserved areas through central and local levels, and 2) measures limiting additional recruits to better served areas, by October 2009	Not achieved
Performance Assessment Framework developed and agreed by end of June 2009 and used in the sector review for local government reform in October 2009.	Not achieved
Baseline Information collected by PMO-RALG on the number of village assemblies held at each Local Council per financial year and establishment of annual targets by October 2009	Achieved

Box 25 Experiences from Ghana with Decentralisation Assessments in GBS¹¹²

Decentralisation issues have for many years been included as targets/triggers in the MDBS since the introduction of *Ghana’s* first Poverty Reduction Strategy in 2003. The experiences in that regard remain to be systematically evaluated, but appear “mixed” at best. Targets are frequently not met and there is also an increasing realisation that many of the targets applied have been too focused on policy process indicators of limited value¹¹³. For example, even though the target for the “development of HR Policy” was fulfilled, as required – it provided limited if any added qualitative guidance to the further decentralisation of human resources. It clearly appeared as if GoG simply submitted a paper in order to allow “the box to be ticked” rather than seriously considered policies for possible devolution and improved HRM in local governments. Another issue is the relative importance attached to decentralisation in the overall MDBS dialogue. Decentralisation issues can easily be crowded out.

The European Commission (EC) and World Bank have therefore since 2008 explored modalities for providing sector budget support to decentralisation. Policy dialogue on decentralisation issues would supposedly be strengthened. Additional budget resources would help government increase its transfers to MMDAs to generate additional investment and improve service delivery at this level, as well as finance recurrent cost, training, and technical assistance associated with developing and implementing the decentralisation policy.

The budget support would be provided against a results matrix including performance indicators. The results matrix will be comparable to the Multi-Donor Budget Support Performance Assessment Framework but will only focus on decentralisation issues. A robust policy and institutional framework is

¹¹² Case is largely based on the report DEGE Consult 2010: Joint Mission for Review of Decentralisation and the DDF in Ghana: 6-17th September 2010.

¹¹³ The GoG Aid Policy and Strategy (op. cit) explicitly states (section 3.10): “GoG shall actively encourage outcome based conditionalities, as opposed to policy based conditionalities and triggers, in the formulation of DP support programmes to the country

a prerequisite for budget support. EC aims at having agreement on the modality this year for implementation in 2011.

The latest MDBS Review¹¹⁴ noted that “in terms of progress against the MDBS Performance Assessment Framework (PAF), the 2009 PAF had 42 targets spread over 13 sectors or thematic areas. Due to the non-availability of data related to the Education Management Information System (EMIS) survey for 2009, the education targets and trigger could not be fully assessed at the time of the annual review. It was agreed that these would be validated by the 31/07/2010 when the data became available. The rationale behind this was based on the fact that the EMIS survey would be capturing the outcomes of actions already completed and thus no additional time was being granted for the achievement of the actions required. The review concluded that 25 out of the 42 targets had been met, 14 were not met and three could not be assessed. Good progress was shown in the agriculture, health and public financial management sectors, while much weaker outcomes were seen in the areas of decentralisation and water & sanitation.

With relation to the disbursement triggers for the performance component, following on from above, only 14 out of the 15 could be assessed during the annual review, making exception for the education trigger. In addition, the trigger on the Petroleum Management Revenue Bill was determined to have been met at the time of the review, but subject to validation by the 31/07/2010. This was based on the submission of an endorsed timetable for its eventual submission to Cabinet, as well as the provision of the summary of findings from the public consultations that were completed earlier in the year. Given that substantial progress had been made despite external delays to the process, it was agreed that this flexibility would be shown. In light of the above, the annual review concluded that **11 of the 14 triggers had been met and three were not met.**”

Specifically on decentralisation the GBS Review noted that “the Ministry of Local Government and Rural Development has embarked in recent months on a comprehensive decentralisation policy review. The exercise included a broad-based stakeholder consultation process at the national (national stakeholder conference) and regional level (10 regional stakeholder conferences) and workshops with special interest groups (MPs, Political Parties, Traditional Authorities, women, etc.) The review encompassed all relevant issues of political, fiscal and administrative decentralisation and was conducted with a significant level of political will and commitment. The increase of the District Assembly Common Fund (DACF) from 5.0% to 7.5% of total revenues in 2009 has been maintained in the 2010 budget and the establishment of the District Development Facility (DDF) with significant GoG contributions (10mUSD in 2009; 16mUSD in 2010) are also recognised as demonstrations of GoG commitment. The Local Government Service (LGS) has formally been established with the ongoing implementation of a roadmap for the decoupling of the Local Government Service from the Civil Service. GoG has made significant efforts to reinforce the Local Government Service Secretariat, although staff are still lacking.

The crosscutting nature of decentralisation has brought to light a number of challenges being experienced in the area. This includes the insufficient formulation and formalisation of functional assignments, roles and responsibilities of the Local Government institutions (RCCs, MMDAs, LGS, ILGS, etc.). The Policy Framework currently under preparation is expected to provide clarification and clear guidance in this area. There is insufficient funding, often earmarked (and/or taken off at source) and the vast number of sources of funds (incl. DPs) creates further issues. The Local Government Service (LGS), as principal institution for human resource management and capacity development at the district level, is not sufficiently operational. Its tasks must still be clearly defined as against those of other relevant bodies (OHCS, ILGS, GIMPA). De-concentrated Departments and Agencies are yet to be integrated into the district structures. Collaboration with MoFEP and key sector ministries on decentralisation reforms and a clear agreement of roles and responsibilities in the sector is very limited.

The review considered the following **PAF trigger** related to the area of decentralisation:

Trigger	Conclusion of review
Finalize the Comprehensive Decentralisation Policy following all consultations, and submit Policy and Implementation Plan to Cabinet for approval.	Trigger not met. Cabinet endorsement of comprehensive policy and implementation plan including MDA specific actions had not been undertaken.

The review also considered three targets:

¹¹⁴ Ghana Multi-Donor Budget Support Aide Memoire (Final) of the 2010 Annual review, Accra May 2010.

Target	Conclusion of review
The IMCC on decentralisation will initiate a process to review existing and new legislation to ensure it supports the concept of devolution.	Target not met. 1. IMMC has not yet been inaugurated. A work plan or minutes are not available. 2. Submission of confirmation that L.I. has been gazette is pending.
Human Resource Management Policy, including performance management implementation plan approved.	Target not met. LGS HRM Policy was developed and was approved by Minister prior to 2009 MDBS Annual Review. However, an implementation plan is still outstanding.
Implement the intergovernmental Fiscal Framework (IGFF) including: (a) Completion and roll out of MMDA Accounting Manual.	Target not met. MMDA Accounting Manual has been produced. The non-objection of the GAS which is needed prior to CAGD/Minister's approval is pending.

Despite the encouraging level of activity shown within the decentralisation area over the last year with a number of achievements noted, DPs at the review expressed concern that none of the three targets nor the trigger was met."

During the field mission, inclusion of decentralisation indicators in GBS performance assessments has been found in the following countries:

- As already mentioned above for *Tanzania*, **decentralisation issues have for long featured in the GBS dialogue**. However, the importance attached to decentralisation has differed among DPs; until recently SIDA has, as one of the few DPs, had explicit performance tranche related to decentralisation. The EC has until the most recent GBS agreement not had explicit performance tranches but relied on more holistic assessments. In the most recent agreement¹¹⁵ that provides for 300mEUR GBS from the EC it includes a joint approach to GBS performance tranches with Denmark, Germany and Ireland. One out of five elements of the performance tranche criteria relates to decentralisation as the government is required to "introduce regionally disaggregated targets for a number of key social indicators (health and education – at least one each) into PAF 2011". The particular wording of the indicator followed a long debate as many of the previous PAF indicators on decentralisation had been difficult to assess in an objective and mutually agreed manner. In particular, in the past years it has been difficult to reach agreement between DPs and GoT on how to measure progress on fiscal decentralisation. One key policy reform under the LGRP had been attempts for transforming fiscal transfers to LGs towards a formula based system based on objective needs rather than existing services (e.g. allocation of funds for education based on number of school age going children, rather than existing number of teachers in a district). MOFEA had on several occasions disputed the interpretation of the policy objective (arguing that only OC and not PE should be subject to formula based allocations), and it appeared increasingly in recent years as if policy direction in the LGR was interpreted differently by the lead LGRP DPs, the LGRP and GoT. The introduction of alternative performance measures were by the EUD in part seen as a way out of this deadlock in policy dialogue.
- In *Rwanda*, M&E of the decentralisation process is included in the GBS indicators.
- In *Sierra Leone*, for 2008 and 2010 an indicator for decentralisation is included for the GBS i.e. the size of government transfers. However, this has been eliminated in 2011 as it was difficult to provide reliable statistics for this, e.g. due to delays in the transfers it was difficult to track the transfers to the correct year. The indicator for decentralisation is in 2011 the increase in the government's expenditure for health and education, which is a rather indirect measure as it depends on central government funding. The indicators for the GBS for decentralisation from 2008 to 2011 are presented below:

¹¹⁵ MDG Contract 2009/2015 – CRIS TZ/FED/2009/021-300

Table 18 Indicators for Decentralisation in the Assessment Framework for General Budget Support 2008 to 2011

Year	Indicators
2008	i) "The budgetary funds actually transferred to local councils in 2007 expressed as a share of total discretionary non-salary, non-interest recurrent spending, will be within 4 percentage points of the budgeted share for 2007" and ii) "Actual spending as a share of budgeted allocations for health and education will meet or exceed the benchmarks set for each year".
2009	"Percentage of textbooks transferred from local councils to schools in scholastic year 2007/2008 increases on 2004/2005 results (>89%)"
2010	i) "Transfers to Local Councils in fiscal year (FY) 10 adhere to the quarterly disbursement schedule published in the beginning of each fiscal year"; and ii) "The variance between available resources and executed LC budgets should not be more than 10 percent in FY 2010"
2011	i) "Actual non-salary non-interest spending for health as a share of budgeted allocations in fiscal year 2010 will exceed the benchmark of 94.08% for fiscal year 2009 by at least 2%." ii) "Actual non-salary non-interest spending for education as a share of budgeted allocations in fiscal year 2010 will exceed the benchmark of 95.64% set for fiscal year 2009 by at least 2%"

Source: EUD

For the following countries, no indicators related to decentralisation have been included in GBS performance assessments:

- In *Honduras*, a general budget support (GBS) modality is established with the government to support the National Development Plan. The GBS contains only indicators for education and health.
- In *Mali*, there are no specific indicators related to decentralisation in the context of General Budget Support. In the context of budget support, a section is devoted to public finance management (with the programme PAGAM). Improving public financial management is a crosscutting and crucial issue. It will have a direct impact on all sectors and the financing capacity of the state. That said, it is regrettable that this programme does not take into account the local public finance.

It is noteworthy that the results in terms of improving public financial management are not satisfactory, prompting questions about the continuation of General Budget Support. This could influence the decision on whether to continue SBS or not.

In the other visited countries, the EU is not providing GBS. It is still interesting to note that in *Peru*, although the Euro-PAN programme seems to consolidate in a certain manner the decentralisation process due to its original implementation modality, there are no indicators on decentralisation in this SBS and decentralisation does not feature in its specific objectives/expected results.

5 EQ5: Transfer of functions & resources

Evaluation Question 5: To what extent has EC support contributed to the **decentralisation of powers, functions and resources** to local governments in partner countries?

It is interesting to put in parallel the detailed evidence presented in the indicators under the various JC analysed with the impact of the EC support as perceived by the EUDs. The figure below shows the results of the survey to EUD carried out during the desk phase. For the EUDs surveyed, the EC support has a rather low impact on:

- the development of the national decentralisation policies and strategies.

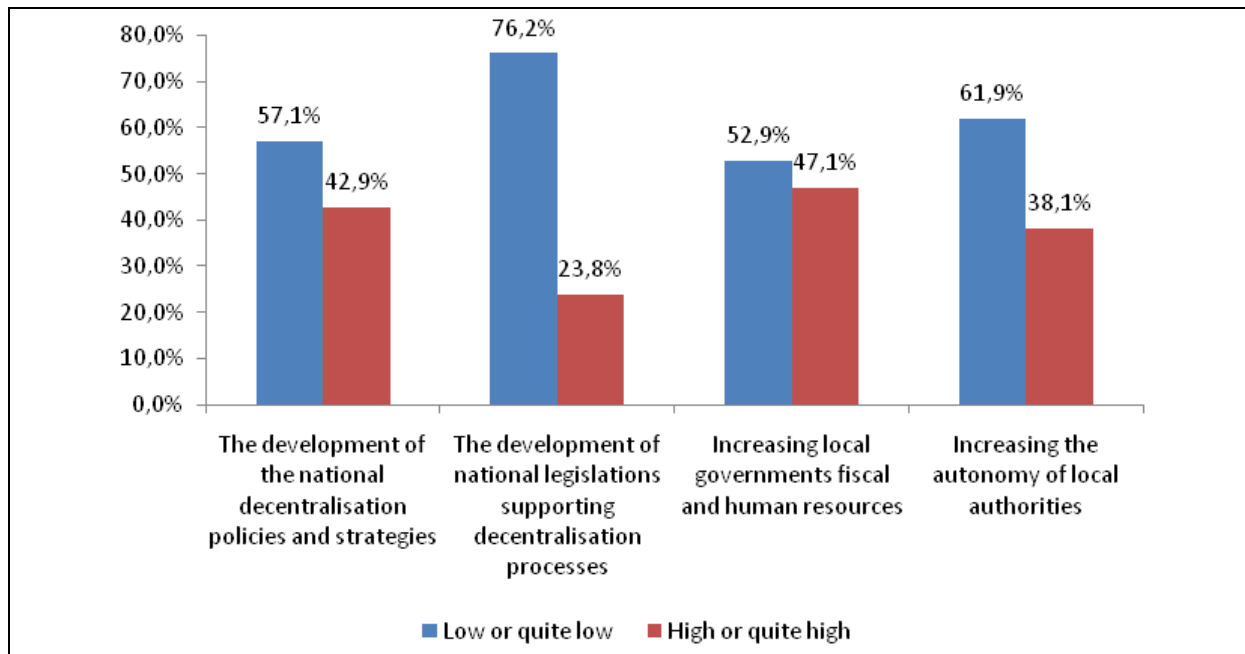
It has a very low impact on:

- the development of national legislations supporting decentralisation processes.
- the increase in the autonomy of local authorities.

The most significant positive impact that the EC support may have is related to the (however, in average, the impact remains rather limited):

- the increase in local governments fiscal and human resources.

Figure 18 Impact of support, as perceived by the EUDs



Survey to the EU Delegations, Particip analysis

The table below summarises the evidence gathered during the desk and field phases on the focus and the results of the EC support for the various case study countries for which an in-depth analysis was carried out. The analysis seems to confirm the perception of the EUD.

Table 19 Overview of EC support to national transfer of functions and resources (focus of the support & results)

Country \ Criteria	National policies	National legislations	LG resources	LG autonomy
Benin	≈	≈	+	0
Honduras	≈	0	≈	≈
Lebanon			-	
Mali	≈	+	≈	0
Peru				
Philippines			≈	
Rwanda			≈	
Sierra Leone	+	≈	+	≈
South Africa			+	
Tanzania	+		+	≈
Overall assessment	≈	≈	+	0

Legend

Colour	Level of EC support - Scale	Description
	significantly	Interventions' objectives or activities do explicitly at significant degree address the result area and the concerned interventions are of relative significance compared to overall EC support to decentralisation.
	partly	Interventions' objectives or activities only partially or marginally address the result area and/or the concerned interventions are relative small compared to overall EC support to decentralisation.
	not at all	EC support in the country does not at all address the result area.

Symbol	Results - Scale	Description
+	significantly	Results have to a significant degree been achieved (compared to objectives) in this result area.
≈	partly	Results have only partially or marginally been achieved (compared to objectives) in this result area.
0	not at all	Results have not all been achieved (compared to objectives) in this result area.

Detailed analysis and evidence on these aspects are provided in the next sub-sections.

5.1 JC5.1 National decentralisation policies and strategies have been developed

Main findings at JC level

Most countries reviewed (including six of the ten field countries visited) have developed national decentralisation policies and strategies, as well as relevant national legislations, during the period evaluated. The support from the EC has, however, been limited and in most cases only contributed to selected elements of the policies and strategies.

EC support for the development of national decentralisation policies/strategies has rarely been in the form of stand-alone EC programmes, but has almost always been in collaboration with other development partners, as joint support to large national decentralisation and local government reform programmes in countries such as in *Benin, Mali, Cambodia, Sierra Leone* and *Tanzania*. The results have been modest in most of these countries. Positive results have been most evident in *Mali* and, to some extent, in *Sierra Leone*.

The development of national decentralisation policies – and effective implementation - is highly political, and the capacity of the EC and other development partners to leverage policy often remains limited. In several of the countries reviewed, it appears that the national governments have backtracked on previous policy commitments (e.g. in *Nicaragua, Honduras, Mali* and *Tanzania* in recent years). In some other countries, the governments have remained relatively uncommitted (e.g. in *Lebanon* and *Madagascar*) or largely failed to act on policies (e.g. in *Senegal*).

It can also be observed that several countries, such as *South Africa* and *the Philippines*, have progressed significantly with decentralisation and local government reform without any visible policy contributions from ongoing EC support, which, during the period evaluated, focused on different aspects (such as local economic development or capacity building of local authorities in specific sectors). When trying to identify condition for success for the EC support to development of national policies and strategies for decentralisation, the following emerge:

- A proper situational analysis has to lay the foundation for support – including analysis of the “politics of reform”, to inform design of EC interventions;
- EC staff needs to have high-level access to central government and key ministries in the decentralisation process.
- Programme design and aid delivery methods need to be appropriate – this includes considerations of comprehensiveness of interventions, chosen entry points and aid delivery mechanisms.
- EC should have a comparative advantage (compared to other donors), e.g. in situations where relative large scale support (e.g. in the form of SBS) can take place rather than piloting innovative modalities at a small scale which can be done better by other smaller organisations (e.g. via the support of technical co-operation agencies of EU MS or UN agencies such as UNCDF).
- The highly political nature of decentralisation reforms may also require successful support to entail high-level political dialogue as well as building capacities of local stakeholders to engage in reform policies.

5.1.1 Ind5.1.1 - Existence and quality of national decentralisation policy and specific devolution processes

Detailed evidence at indicator level

In several countries reviewed (e.g. *Lebanon, Peru, the Philippines, Rwanda* and *South Africa*), the EC has not been involved in support to national strategies for decentralisation.

It appears that the EC has supported national decentralisation policies and strategies only in some cases (e.g. *Benin, Cambodia, Honduras, Mali, Sierra Leone* and *Tanzania*). The support has rarely been in the form of stand-alone programmes, but has almost always been in collaboration with other development partners, as joint support to large national decentralisation and local government reform programmes.

Significant positive results can be observed in only the two cases: *Sierra Leone* and *Benin*.

- In *Sierra Leone*, the PRSP I (2005) and II (2008) had decentralisation to elected local councils as a key national policy for improving service delivery and local democracy. Yet, it is only in 2010 that a formal National Decentralisation Policy was approved. This was done after a long process supported by UNDP and the EC together with the

WB through the IRCBP¹¹⁶. The policy is now a national document to be disseminated. It has been agreed among the stakeholders that the policy was necessary and that the document is of high quality.

- In *Benin*, the EC has actively participated in the design and development of PONADEC (National Policy of Decentralisation), which, since 2009, is the framework within which all programming and implemented interventions for decentralisation are taking place. While Benin's decentralisation & devolution policy still has to go a long way to become fully operational, a good foundation has been laid by having developed a clear sectoral policy framework (PONADEC) with a clear priority Action Plan.

Box 26 The Benin National Policy of Decentralisation and Deconcentration (PONADEC)

The National Policy of Decentralisation and Deconcentration (PONADEC – "*Politique Nationale de Décentralisation et de Déconcentration*") is the Government of Benin strategy for enacting the development aim of involving local governments in administrating their own proper activities and contributing to increased service delivery. The focus of the strategy/policy is on the implementation of policies of decentralisation, de-concentration and planning and how this is done at local government levels. PONADEC was finalised in 2009. This means that the focus of PONADEC is the creation of the institutional and organisational conditions for a sustainable and balanced local development based on grassroots development. There are three specific result areas namely:

- Implement a policy of planning and balanced development, incorporating the entire country to achieve sustainable and equitable development.
- Ensure the implementation of the principles of good governance in modernisation of local administration.
- Reduce the level of poverty by improving access to basic services and enhancing the economic potential of municipalities.

PONADEC has an implementation horizon of over 10 years to be able to achieve grassroots democracy, good governance and sustainable local development through a decentralised unitary state which ensures the harmonious development, on the basis of the national solidarity, universal access to basic services, and the potential regional and interregional balance.

The EC support has provided **some contributions** to the development of the national policy framework for decentralisation are observed in certain other cases such as: *Cambodia, Honduras, Mali and Tanzania*.

- Since 1995, *Tanzania* has pursued a decentralisation policy. Since 1998, the policy was guided by a Local Government Reform Policy. The PMO-RALG has been the lead institution responsible for implementation and further update of the policy. The PMO-RALG has since 2000 been supported by a dedicated Local Government Reform Programme (LGRP) team funded by a range of Development Partners through a basket funded arrangement. The EC, via its support to the Local Government Development Grant (LGDG), made some contribution to overall decentralisation policy and strategy as:

¹¹⁶ Since 2006 the EC delegation in SL decided to allocate all funds from the EC Decentralisation and Capacity Building Programme (IRCBP) into a WB managed trust fund for support to decentralisation. The trust fund finances the Institutional Reform and Capacity Building Programme (IRCBP) and with a contribution of 10,000 million EUR initiated 31 July 2007 and is expected to continue to mid 2011. The IRCBP supports the decentralisation secretariat (DecSec) in the Ministry of Internal Affairs, Local Government and Rural Development (MIALGRD), the Local Government Finance Commission, capacity building of LGs and other relevant central government institutions, and a development grant to local councils. The IRCBP programme and the EC contribution have been instrumental to most of the achievement mentioned for Sierra Leone in EQ 5 to 8.

- o The LGDG itself became the main vehicle/GoT Strategy for devolution of the development budget,
- o Once the LGDG was established around 2004 it further developed into a strategy for devolution of sector development interventions starting with the design of modality for decentralised agriculture sector interventions (the Agriculture Development Grant under the ASDP) as a “window” of the LGDG in 2005 – soon to be followed by windows for other sectors including health, water, education and urban environment.

The EC was one among several funding partners contributing to the LGDG. Although not a lead donor, its contribution was nevertheless critical for the establishment of the system. The World Bank originally led the design of the LGDG but had suggested that the system first should be piloted in 30% of the Local Governments through a World Bank credit effective from 2004. The bilateral donors active in the LGRP basket urged for a more rapid implementation – not least because the introduction of the LGDG system was also seen as exit strategy for DPs supporting various “Area Based Programmes”. Especially the Dutch and Irish Embassies were keen to see this change happen soon because of recent poor assessments of their area-based programmes and because of the increasing demands on development partners for aid harmonisation. The EC contributions of 23 million EUR made the upscale of the system on a national basis possible to achieve with co-funding from other EC member states (initially Ireland, the Netherlands and Belgium – later also Germany).

- In *Cambodia*, The Government’s National Strategic Development Plan (2006-2010) and the NSDP Update (2009-2013) acknowledge that decentralisation of political power and deconcentration of administrative authority are prerequisites for poverty reduction. To this end, the Law on Administrative Management of the Capital, Province, Municipality, District and Khan, widely known as the Organic Law, was adopted in 2008, and the National Committee for Sub-National Democratic Development was established. A Preliminary Implementation Framework was prepared and work began on the formulation of a 10-year National Program for Sub-National Democratic Development. According to the project documentation reviewed during the desk phase, the joint EC-UN funded “Strengthening Democratic and Decentralised Local Governance in Cambodia” contributed to the formulation of this 10-year programme and particular influenced its emphasis on downwards accountability and promoted the voice of communes within the programme.
- In *Mali*, during the evaluation period, the EC has given some limited support to the development of a national policy framework for decentralisation by contributing to the development of guidelines for the transfer of functions and powers to the local level.
- In *Honduras*, the Government of Honduras has no formal “policy for decentralisation”, although policies have been prepared during the last 10 years. From 2002 to 2005, the Government of Honduras had decentralisation as part of the national development strategy as presented in the 2003 Poverty Eradication Strategy Plan (ERP), while the government from 2006 did not have decentralisation as a priority, although this changed with the “Minimum Plan for Decentralisation” (Agenda Minima de Descentralización) introduced in 2008 with some particular actions for decentralisation (education, health). A new national strategy “Vision 2038” was approved by the Parliament in 2010, which has decentralisation as one of its pillars formulated in more details (Plan Estrategico: 2010-2014: Decentralisation para el Desarrollo Local en el Marco de la Vision de Pais 2038, SEIP 2010). During most of this period, the EC has contributed to the recent development of the national policy framework for decentralisation through its continuous support to the national decentralisation process (via PROADES) since 2005.

The section below presents some information on the country reviewed where the EC has not aimed at supporting the development of a national decentralisation policy.

- In Lebanon, discussions of decentralisation reforms are still in preliminary stages, so support to a policy or strategy for decentralisation is still not relevant. However, the President of the Republic of Lebanon, his Excellency General Michel Sleiman, has recently, in broad terms, expressed support for decentralisation reforms that “*gives municipal councils financial autonomy, strengthens democracy, revitalises regions and local participation...*”¹¹⁷. But the ministry in charge of leading the process seems quite weak and there is no evidence that the government as a whole support the process.
- In *Peru*, no policy document exists that defines the Peruvian decentralisation policy. The EC support during the evaluation period has not aimed at supporting the development of a decentralisation policy directly. The GoP’s approach to decentralisation has been an evolving process starting a long time back (see details in Annex 5 of the field visit country note). For the present context, the process took off in 2002-2003 with an amendment to the Constitution in 2002 and the elaboration of a number of key laws to define the decentralised system (regional, municipal functions, elections etc) and again in 2007, when the new government re-forced the process by demanding all key ministries to devolve their functions to the regional governments by a presidential decree. The efforts of the government in 2005 to reduce the number of regions, which was rejected in a referendum in 17 departments, should also be mention and the de-facto establishment of the departments as regions.
- In *the Philippines*, support from the EC has not directly aimed at supporting an overall decentralisation process but mainly focused on implementation of health sector programme in a “decentralised context”. Decentralisation reforms were to some extent a “big bang” major event marked by the enactment of the Local Government Code in 1991 that transferred significant functions, powers and responsibilities from the national to the local governments. The enactment increased the financial resources available to local government units by significantly increasing their internal revenue shares. It also transferred close to 70,000 national government agency personnel to local governments.

*The devolution ushered in by the enactment of the Local Government Code of 1991 was a defining moment that ushered in fundamental and radical changes in the history of national-local relations and local autonomy in the Philippines*¹¹⁸.

Several of the basic structures of local governments had developed gradually long time prior to 1991, e.g. with introduction of elected officials at municipal and provincial level as far back as 1898¹¹⁹. The Government has since 1991 not pursued an additional explicit “decentralisation policy” beyond the broad intentions of the Act which by many stakeholders also have been interpreted as “if it is not prohibited then it must be allowed”¹²⁰ which in this manner has encouraged multiple local interpretations of how the law and its policy intentions should be interpreted.

- In *Rwanda*, the RDSF, adopted in August 2007, provides the basis for furthering the decentralisation process from 2008 to 2012 in a comprehensive and coordinated manner. The RDSF outlines five strategic areas to boost the decentralisation process and further empower Local Government Authorities. It is aligned to the national EDPRS. The DIP has been elaborated by the GoR to implement the RDSF and addresses all the strategic areas of the RDSF. Its goal is to reach “sustainable economic growth and social development” and its purpose is to achieve “equitable, efficient and effective pro-poor services and local development in an environment of good governance”.

¹¹⁷ Speech of the President, opening ceremony October 17th, 2009 – Decentralisation in the near east, International seminar, Tripoli, Lebanon, 17-19 2009.

¹¹⁸ Extract from: Alex Brillantes, Jr., Gilbert Llanto, James Alm, and Gaudioso Sosmena 2009: Decentralisation and devolution in the Philippines; Status, Triumphs, Tests and Directions - an in depth study sponsored by ADB.

¹¹⁹ See annex 5 for details.

¹²⁰ Brillantes et al op cit, p. 15.

- In *Nicaragua*, the government from 2002 to 2007 (headed by Enrique Bolanos) had decentralisation as a strategy for development and a decentralisation policy was approved in 2006. The government chose education as a pilot sector for decentralisation and EUD, following CSP 2002-2006, decided to support this and other element in the National Education Plan (2001 to 2015). After the change in government from 2007 (headed by Ortega), it has however not been a priority to establish a more specific decentralisation plan as a new political agenda, without decentralisation as a priority, was formulated by the National Human Development Plan (Plan Nacional de Desarrollo Humano, PNDH). The INIFOM (Institute Nicaraguese de Formacion Municipal) has apparently worked on a National Decentralisation Plan, starting in 2009, but this is a weak institution with no broader mandate for reform of the public sector. EC is not supporting it.
- In *South Africa*, there is no doubt about the quality of the national policies and strategies in the DLG field and that the GoSA has its own strategies in this field. The Government has ample capacity to formulate these. What is lacking is the capacity and will to implement certain key policies throughout the country. The EC has not contributed any substantive analysis. Since the fall of apartheid, the reforms of the local government system in South Africa have been transformed: the main objectives being to support racial integration equalize developments and provide services more effective. Decentralisation is per se not a so strong objective. The previous four provinces and nine homelands were substituted by nine provinces. Apartheid local government consisted of over 1.200 racially-based local authorities. Local government was transformed in two phases: In 1995, 843 transitional municipalities were created. The second phase, in 2000, was characterised by the incorporation of urban and rural areas, reducing the number of local municipalities to 284 (47 Districts, 6 Metros, 231 Local Municipalities). Each municipality has to develop a 5-year Integrated Development Plan (IDP), which guides all investments at local level.

5.1.2 Ind5.1.2 - Existence and quality of national government institutional arrangements to implement decentralisation reform

Detailed evidence at indicator level

In most countries, the responsibility for implementation of national decentralisation strategies lies with the ministry responsible for local governments, for instance:

- In *Benin*: the Ministry of Decentralisation, the Local Governance and Regional Planning,
- In *Honduras*: the Secretaria de Interior y Poblacion (Ministry of Interior and Population),
- In *Lebanon*: the Ministry of Interior and Municipalities,
- In *Madagascar*: the Ministry of Decentralisation and Regional Development,
- In *Senegal*: the Ministry of Decentralisation and Local Governments,
- In *Sierra Leone*: the Ministry of Local government and Rural Development,
- In *Uganda*: the Ministry of Local Government (together with several LG specific institutional support modalities such as the Local Government Finance Commission).

In many countries, the wider aspects of reform coordination are also followed up by broader coordinating bodies, such as inter-ministerial committees or consultative bodies (this is the case, for instance, in *Benin*, where the PONADEC decentralisation policy is overseen by an inter-ministerial committee).

The EC has supported the coordination bodies in charge of the decentralisation reforms only in very few cases such as in *Benin*, *Mali*, *Sierra Leone* and, to a more limited extent, in *Tanzania* and *Honduras*. As detailed in indicator 6.1.4, the EC has also supported in these countries the inter-ministerial mechanisms in place but with mixed results: these inter-ministerial committees usually do not have the needed strength and political back up to spearhead the process and take a real coordinative role in the process.

The field phase confirms that, in most countries, the partner governments have established bodies or committees for coordination but that these bodies are often weak (with some exception such as the PMO-RALG in *Tanzania*) and that support in this area faces a highly political environment. This is well illustrated in the case of *Mali* (see box below).

Box 27 Institutional arrangements to implement decentralisation reform in Mali

In the early years of the decentralisation process, the body in charge of decentralisation, the "Mission de Décentralisation et de Réformes Institutionnelles" (MDRI), had the necessary weight (with a high level of political support) to lead the implementation of the national decentralisation strategies. The fact that decentralisation was under the responsibility of the Ministry of Territorial Administration, becoming the Ministry of Territorial Administration and Local Government (MATCL), aimed at empowering the ministry in its responsibility to guide the decentralisation process. Moreover, the creation of the DNCT within the department responded to the need to have an operational entity to monitor the implementation of decentralisation and coordination of planned actions. The establishment of the Commissioner of Institutional Development was aimed at enhancing the overall consistency of the reforms taking into account the various aspects of state reform including decentralisation and deconcentration.

However, from 2004 / 2005, the government's objectives moved gradually away from the realities of the technical orientations in terms of decentralisation. Speeches and official documents made fewer cases of decentralisation. Through its institutional support to the CDI, the EC tried to offer support to line ministries to work on aspects of decentralisation / devolution. But the response remained very limited. Both aspects (general policy objectives and technical issues related to decentralisation at ministry level) were treated separately and remained purely formal. Overall, the persons in charge of the reforms were often characterised by a low motivation and limited capacities to carry out this type of exercise. The interviews conducted during the field visit carried out in this evaluation clearly pointed out the fact that it is not possible to expect that an administration successfully conducts alone, from inside, important reforms that challenges the prerogatives and existing distribution of powers within the institution.

The case of *Sierra Leone* also illustrates the importance of taking into account the sustainability of the efforts supported in this area.

Box 28 Sustainability of the coordination mechanisms put in place for the decentralisation process in Sierra Leone

An inter-ministerial committee (IMC) headed by the vice-president was set up in 2004 to coordinate the decentralisation process. The IMC has, however, lacked a technical support unit as a secretariat and decision making and actual coordination have therefore been impossible.

As a result, the DecSec, supported by the EC and the IRCBP, has taken care of the coordination of the decentralisation process with sector ministries. As the support to DecSec will end by June 2011, the coordination is in jeopardy unless the IMC is revitalised or the Ministry in charge of the decentralisation process (MLG&RD) takes up the responsibility.

While national government institutions (sector ministries and their departments and agencies, MoFED, MLG&RD) are likely capable of continuing the reform process, an important issue by mid 2011 is also the institutionalisation of the two key programmes in this area (the IRCBP and the LGFD) into the relevant ministries (MLG&RD and MoFED respectively). In the MoFED, the ministry has assumed the expenditures for salaries and office costs for the LGFD but a budget for its activities in the field does not exist. For the DecSec, the MLG&RD had not yet taken serious actions – only a draft organisational chart exists with two departments for now.

5.2 JC5.2 National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Main findings at JC level

National legislations supporting decentralisation processes and the transfer of functions have been enacted in almost all the countries with decentralisation policies in place.

Support to the development of legislation for decentralization has only been provided by the EC to a very limited extent in the countries studied during the desk phase and visited during the field phase of the evaluation. The only major support was to the legislation and constitution in *Mali* and some limited support in *Benin* to improve the consistency between the sector legislation and the legislation on decentralisation.

The EC, as well as other DPs and national stakeholders, are aware of the fact that, in most countries, sector legislations are not fully aligned with overall national legislations related to decentralisation. However, this has rarely led to specific actions. One simple reason for this is that, during the period evaluated, the focus both of partner countries and development partners was on developing a national policy/strategy for decentralisation, which needs to be developed *before* any legislation on decentralisation, and several countries did not have a sound national policy or strategy. Another reason seems to be that it is more complicated for development partners to support the development of legislation because the translation of broad policies into specific legalisation is even more political than the development of general policies, and possibly also because of technical complexities.

5.2.1 Ind5.2.1 - Existence of national legislations supporting decentralisation processes

Detailed evidence at indicator level

About half of the ten countries visited during the field phase have a partly developed legal framework for decentralisation and two countries have an almost fully developed legal framework for decentralisation.

Overall, the EC support to the development of a legal framework for decentralisation has been very limited: only one example of significant support exists (*Mali*), while some limited support was given in a few other countries (such as *Benin* and *Cambodia*). The evidence gathered during the field phase confirms that the contributions of the EC support in this area in *Mali* have been instrumental (see box below).

Box 29 *Existence of national legislations supporting decentralisation processes - the case of Mali*

The 1992 Constitution laid the foundation for decentralisation. Law 93-008 defines conditions of the "free administration of Local governments" ("*libre administration des collectivités*"). This text was supplemented by a series of other texts on the status of elected officials and staff, local finance, election law, the code community, etc. The legal corpus of decentralisation is now relatively complete, as illustrated by the table below.

Selection of most important decrees and laws regarding decentralisation

1993-2001
The principle and conditions for the administration of local government (Law 93-008 of 11 February 1993, amended December 1996)
Law No. 95-035 of 12 April 1995 Local Authority Regulations
Officials of the Local Authorities (Law No. 95 022 of 30 May 1995)
Conditions of appointment and duties of state officials in Local Authorities (Law No. 95,210 of May 30, 1995)
The special status of the District of Bamako (Act No. 96 of February 2, 1996)
The conditions and terms of provision of Local Authorities of the decentralised services of the State (March 1996)
The establishment and management of the Local Authorities (Law No. 96 050, 16 Octobre 1996)
The fiscal resources of local authorities (the fiscal resources of municipalities (Act No. 044 of July 7, 2000)
Décret 313, 314, 315, 4-6-2001 : fixant les détails des compétences transférées de l'Etat aux LG en matière d'éducation, santé, hydraulique rurale et urbaine
2002-2011
Décret N° 02-313/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux Collectivités Territoriales en matière d'éducation
Décret N° 02-314/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux Collectivités Territoriales des niveaux, commune et cercle en matière santé
Décret N° 02-315/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux collectivités Territoriales en matière d'hydraulique rurale et urbaine
Loi n° 07-072 du 26 décembre 2007, art.4: dotation d'investissement des LG, dotation pour la garantie des emprunts des LG, dotation pour les appuis techniques, dotation pour l'appui au fonctionnement des LG, dotation pour l'inter-collectivité

Interviews carried out during the field phase have shown that the EC has significantly contributed to the development of the legislative framework for decentralisation, especially through its earlier interventions.

The EC, France and other donors have reiterated their political and financial support to the decentralisation process at different times (Round Table of Donors in Geneva in 2004, sectoral consultation on decentralisation in 2005 in Bamako). Recent support to the implementation of planned reforms in the framework of the national policy of decentralisation (DCPND) and the institutional development program (IDP) follows the EC-supported programme PARAD, the objective being now to deepen the decentralisation and deconcentration by an effective transfer of resources and the development of adequate capacities at both regional and local levels.

It is important to note that, in some countries the legal framework was already developed when EC entered with support to decentralisation (e.g. *Honduras, Nicaragua, the Philippines and Tanzania*).

In *Honduras*, the EC-funded programme PROADES initially intended to support the complete revision of the Law on Municipalities that was developed in 1991 (see box below). But, partly due to the low priority given by the government during several years, results achieved were rather limited. The technical assistance (and relevant short-term missions in this framework) still provided some contributions to the amendments to the Law on Municipalities that were approved in 2009 and to the current discussions on the revisions of the legislative framework that are further required.

Box 30 Existence of national legislations supporting decentralisation processes - the case of Honduras

A rather elaborated national framework exists for decentralisation in Honduras. Some of the most important laws are listed below:

- Law of Municipalities (Ley de Municipios, LdM 1991), with some important amendments in 2009.
- Planning Law (Territorial Order, 2003).
- Water and Sanitation (2003), which recognizes municipalities and water boards as provider of services and requires the central government to transfer the 33 operating systems and aqueducts to the municipalities.
- Law on forestry (2006).
- The law of the Municipal Administrative Career (2010 with effect from August 2011).¹²¹
- Law of Municipalities – Amendments (2009).

The box below illustrates some of the issues at stake regarding legal reforms in *Tanzania*.

Box 31 Existence of national legislations supporting decentralisation processes - the case of Tanzania

The Government committed itself to a comprehensive local government reform policy in 1998. Significant progress has since then been made regarding building the capacities of local governments and improving their budgets (primarily through increasing central government grants. Local Governments play today a significant role in *Tanzania* for local service provision (and manage more than 25% of total public expenditure) but the legislative framework for decentralised has not been significantly improved for the last ten years of reforms. Certain aspects of legal reforms (in particular related to human resource management) have de facto been centralised. A major weakness of the reforms in Tanzania has been the lack of comprehensive legal reforms along the principles outlined in the Local Government Reform policy. The dialogue around GBS did not alter any aspects of this (although the GBS dialogue included elements associated with local government reforms).

The most pressing issues in terms of local government reform were policy issues related to implementation of fiscal decentralisation – in particular the use of formula based allocations for more transparent and equitable allocation of resources to LGs.

The LGRP pursued legal aspects of decentralisation reforms including review of sector legislation but this largely failed.

The particular EC contributions to the reform (via the LGDG) did not have any objectives related to legal reforms.

5.2.2 Ind5.2.2 - Sector legislation is aligned with LG legislation and decentralisation policy

Detailed evidence at indicator level

Coherence between sector legislation and legislation on decentralisation is a problem in many countries as the ministry in charge of decentralisation rarely has enough power in the government structure to assure streamlining of legislation between decentralisation and the sectors. In most of the countries visited during the field phase, they were some inconsistencies between the legislation on decentralisation and the legislation within the sectors (see Volume II - annex 11 for more details). This typically concerns the question of what level of government (municipality, district, central government) is actually responsible for specific tasks (e.g. water provision, basic education, feeder roads, etc).

¹²¹ The law aims to prevent political patronage and improve the efficiency of municipal management through the recruitment and retention of qualified human resource, promoting the preservation of institutional memory of municipal governments and sustainability of the process regardless of the change of governments.

As highlighted during the field visit and the document consulted, the EC, as well as other DPs and national stakeholders, are aware of the fact that, in most countries, sector legislations are not fully aligned with overall national legislations related to decentralisation.

However, this has rarely led to specific actions. Apart from minor activities in *Benin*, *Mali* and *Nicaragua*, the EC has not supported strongly the alignment of sector legislation with the legislation on decentralisation.

The case of *Mali* is illustrative of the difficulties of supporting the translation of broad policies into concreted frameworks backed by appropriate legal and financial framework (see the summary of the field visit observations in the box below).

Box 32 Alignment of sector legislation with decentralisation – the case of Mali

As explained in the other EQs, the EC support to the national mechanism for funding local governments' investments ANICT (to which the EC has strongly contributed) has contributed to the fact that the transfer of function could happen at an operational level (LG are now able to assume most of their new functions with respect to public investments in a number of key sectors).

However, at a broader level, apart probably from education, sectoral legislation is far from being aligned with the legislation on decentralisation and it turns out that, despite some efforts to improve the situation, the EC has not managed to make the change happen regarding the problems of sector alignment.

Three decrees D02-313, 314 and 315 were made in relation to transfers in the areas of education, health and water.

LG have taken up the functions recognised by the law and, mainly with external funds, they have significantly invested in various sectors (especially education). But central administrations have not played the game: none of them planned, organized and actually implemented the transfers despite the decrees.

It is only in late 2008 that the Prime Minister gave a strong impulse to improve the situation by requesting the various ministries to actually implement the transfer of functions and resources to local governments based on a precise plan of transfers. An Inter-Ministerial Commission was set up to monitor the proper implementation of this decision. In addition, support units on decentralisation and devolution were established in around ten ministries.

However, it seems from the interviews carried out during the field visit that these units are actually not really operational. At the end, a real transfer of resources and functions has only taken place in the education sector (in 2010). The process has mainly focused on teachers management. Moreover, the transfer has actually not been properly prepared: overnight, LG found themselves in charge of the management of thousands of teachers without adequate structures and resources being established for this purpose.

The Ministry of Health has realized the transfer of community health centre (CSCOM), but it turns out that they only have the status of "association". Like the Ministry of Education, the Ministry of Health is now using the ANICT to channel the funds for the investment projects of LG. Specific "counters" ("*guichets*") were created for this purpose.

In the water sector, it is considered that the equipments have been transferred to LG, and that, as a consequence, there is nothing more to transfer. However, this is a rather simplistic view that summarizes the transfers made in terms of equipments. A proper transfer of functions should also ensure that the LG have the means to exercise these functions and that a proper accompaniment system is put in place. Once the central government makes the transfer, the relevant line ministries should still ensure monitoring, provide overall guidance in the sector and ensures that each actor is able to perform its duties. The national services in charge of this sector are unfortunately not reluctant to follow this direction.

Regarding other areas, no major breakthrough is noted.

Each year an assessment is made on the implementation of the recommendations of the Prime Minister; this assessment always leads to the same observation: stagnation. The transfer plans prepared or being prepared by the Ministries are generally inconsistent and do

not reflect a real sector strategy to ensure consistency between decentralisation, deconcentration, transfer of financial resource, human resources adjustment and changes in procedures.

From the analysis carried out during the desk and field phases, it turns out that the focus of both of partner countries and development partners was on developing a national policy/strategy for decentralisation, which needs to be developed *before* any legislation on decentralisation, and several countries did not have a sound national policy or strategy during the evaluation period.

Another reason of the little support provided in this area seems to be that it is more complicated for development partners to support the development of legislation because the translation of broad policies into specific legalisation is even more political than the development of specific policies on decentralisation and it is associated with high technical complexities. Moreover, it requires the capacity to cover many sectors and work with all the relevant line ministries.

5.3 JC5.3 Local governments fiscal and human resources have increased

Main findings at JC level

The analysis indicates that local governments' fiscal and human resources have increased in almost all the countries reviewed (recent negative trends can be observed only in *Nicaragua*). The EC has made some contributions to this evolution with regard to the availability of fiscal resources.

EC support for decentralisation frequently includes funding for local service provision. This is either provided in the form of project-specific funding (typically, targeting only a subset of local governments in a particular country – such as in *South Africa, Uganda* or *Lebanon*) or as contributions to a wider system of intergovernmental fiscal transfers (IGFTs) – such as in *Tanzania, Benin, Mali*. The former provides immediate and substantive increases for the specific local governments targeted, but does not lead to long-term changes in the level of LG financing. However, the latter aims at establishing models for increased levels of funding at LG level.

The framework of multi-donor programmes has been particularly appropriate for such support. In *Benin, Tanzania* and *Sierra Leone*, the EC and other development partners have financed formula-based development grants. In *Sierra Leone*, the EC has added value to an existing programme by extending the programme period for another two years, and thereby secured the funding for the local development grant. The EC supported such IGFTs relatively successfully in *Mali*, but in *Honduras* the municipalities have barely received any of the 32 million EUR allocated by the EC as budget support for decentralisation during the period evaluated.¹²²

In general, it can be observed that local government staffing levels vary tremendously; local governments in Eastern and Southern Africa generally have far more and better qualified staff than those in Francophone Africa or in some Asian countries (e.g. in *Cambodia*). Findings from the desk phase and field visits show that the EC mostly provides support to increase fiscal resources, and that EC-funded interventions have been less concerned with issues related to the increase of human resources in local governments.

Moreover, the evidence gathered in this evaluation indicates that international donors, including EC, generally have little influence on the allocation of human resources to local governments. In *Mali*, the EC has, through dialogue in the various sectors supported, advocated for more human resources to the LGs, but apparently with only limited results. Decentralisation of personnel is a highly sensitive issue in many countries and external direct interventions are rarely, if ever, requested by national governments.

¹²² Of the funds released by the EC, 25% was spent in the Ministry of Interior and Population, while the remaining 75% apparently was spent for purposes other than decentralisation.

While some aid-dependent countries rely significantly on donor funding for various fiscal transfers to local governments, salary payments are in general considered entirely a national government responsibility. This evaluation shows that local governments have increased their expenditures on salaries for human resources in the period under review, and local governments' financial resources have likewise increased. However, external DP support – and EC support in particular – has been negligible within decentralisation reform support, although some donors have provided assistance for wider civil service reform where issues of pay and overall size of public services have been analysed and reform has been sought. Linkages between such reforms and decentralisation reforms appear weak.

5.3.1 Ind5.3.1 - Evolution of the structure of local governments in terms of human resources

Detailed evidence at indicator level

Among the 10 field countries almost, all have experienced an increase in the number of human resources at the local level (although some major issues remain in terms of human resource management as described in indicator 5.4.2 and skills of the LG staff as mentioned in indicator 6.2.1 to 6.2.4). In particular, this is confirmed by statistics on the public sectors' spending on salaries and number of staff at the local level.

The EC has implemented wide support programmes in several countries where human resources have strongly increased during the evaluation period (*Mali, Sierra Leone, South Africa and Tanzania*). However, the evidence gathered in this evaluation allows attributing some results to the EC support only in *Sierra Leone and Mali*.

- In *Sierra Leone*, district administrations did not exist at local level before 2004. Today, all councils are staffed with minimum eight core members (chief administrator, finance officer, accountant, planning officer, procurement officer, monitoring and evaluation officer, engineer etc.), which all respond to the local councils. The core local council staff members mentioned above are, however, still paid by the central government, although they should have been devolved fully during the devolution process. The IRCBP has been strongly involved with setting up the structures and guidelines for human resource development in local councils and significantly contributed to the results in this area. However, the central government is still reluctant to transfer finances for key staff to local councils.
- In *Mali*, overall human resources have increased at local level, in particular thanks to the continuous EC support during the past decade. However, the poor resources of LG do not allow them to recruit good staff.

Box 33 LG human resources in Mali

In 1999, a pool of almost 700 administrative secretaries was appointed for management of municipalities after it was discovered that only 200 had been recruited before the deadline set in the decentralisation strategy. Specific accountant had also been recruited to handle finances under the control of local tax collectors and for municipal accounting. In 2002, a census conducted during the National Day of the Communes had revealed that more than 100 municipalities did not have a secretary general, nearly 280 others had no "commissioner of revenue" and over 400 posts of "commissioner of expenditures" were vacant.

In local governments, the Secretary General (SG) is often the only one to have a "baccalaureat" or university degree. The remaining staff consists of an assistant to the mayor, an accounting manager and one or two officers and cleaners. It is different in large urban LG with an organisation better structured and a management staff generally better trained. It is noteworthy that there is a high turnover of staff for two main reasons: general shifts at local elections (the new mayors prefer to surround themselves with people of their obedience) or late payments and lack of attractiveness of wages. A major effort has nevertheless been made in recent years under the leadership of the DNCT (supported by the EC):

- a special civil service for local government ("*fonction publique territoriale*" - FPT) was established with several branches: administration, finance and technical area. Minimum criteria are required to integrate the FPT, improving the level of management staff and ensuring safety in employment. 2500 workers have already been part of the FPT so far.
- New hires were made in 2008 with 721 managers who have followed refresher courses before joining their assignment,
- a Training Centre for Local Authorities ("*Centre de Formation des Collectivités Territoriales*" - CFCT) was established in 2007 with a mandate to train and upgrade elected officials and LG staff. The EC is funding part of the CFCT (together with Germany).

At "region" level which also highly disadvantaged in terms of staff, an effort has been made to enable the recruitment of 3 to 5 "managers" with university degrees for the positions of Secretary General, Finance and Accounting director, Social affairs director and Economic development director.

Source: data collected during the country field visit (see Volume II – Annex 11 for more details).

The section below presents information collected during the field phase for some of the other case studies. For the full field visit country note, please refer to Volume II – Annex 11.

In *Tanzania*, it is evident that local government capacities in terms of human and fiscal resources have increased tremendously over the last decade. Main trends are summarised in the two tables below. LG relative share of public employment has reportedly increased slightly since 2006¹²³. The increase in staff at LG level is in broad terms the results of the joint government-DP supported LG reform. However, EC support focused only on the fiscal aspects of the reforms (see indicator 5.3.2).

Table 20 LG Share of total Public Employment (Tanzania)

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006
Central	108.363	101.074	97.146	92.393	92.951	91.407	90.928	92.436	90.708	91.950	97.775
Regional	24.119	22.667	19.192	16.637	10.172	9.776	10.088	10.302	10.064	9.835	9.481
Local G	163.255	163.297	156.842	155.397	169.285	168.490	177.812	189.979	187.149	204.606	219.573
Total	295.737	287.038	273.180	264.427	272.408	269.673	278.828	292.717	287.921	306.391	326.829
LG share	55%	57%	57%	59%	62%	62%	64%	65%	65%	66%	67%
Local teachers					110.116	109.879	116.713	116.801	126.744	144.286	154.186
Teachers share of all LG Employees					65%	65%	66%	61%	67%	70%	70%
non-teacher LG					59.169	58.611	61.099	73.178	60.405	60.320	65.387
Non teacher growth rate						-0.9%	4.2%	19.8%	-17.5%	-0.1%	8.4%

Source: PSM HR and Payroll Database

In *Honduras*. As illustrated in the table below, municipalities' total expenditures on salaries have increased with 51% in constant prices from 2002 to 2009, so more funds are spent on salaries and more resources are available at local level.

¹²³ Interviews with PMO-RALG, however updated statistics were not made available.

Table 21 Municipalities expenditures on salaries - Honduras

Year	Total Expenditures
2002	100
2003	110
2004	107
2005	76
2006	117
2007	197
2008	114
2009	151

constant prices, index 2002=100

The EC has not explicitly aimed at supporting the establishment of more staff in municipalities and their management. It is not likely that the EC support through the PROADES has significantly contributed to this increase.

In *Lebanon*, Human Resources in local governments are very poorly developed – many of the smaller municipalities have hardly any staff at all and even larger municipalities like Beirut (see below) face significant constraints. EC as well as other DPs have not supported reforms of personnel in local governments in *Lebanon* yet.

Box 34 Overview of Human Resources in Local Governments - Lebanon

The administrative staff of municipalities is in dire need of in-depth reform on various levels including the development of a new organizational structure and a modern salary scale, new job descriptions and requirements. There is also a need for a specialized unit in charge of organizing public competitions and training municipal employees in order to gradually build the competence and information technology (IT) skills of municipal staff.

Moreover, there is a need to review the distribution of the authorities related to human resource decisions between the central and municipal governments in order to address the most prominent obstacles that prevent municipalities from exercising most of their authorities. These obstacles include:

- The depletion of municipal financial resources due to a deterioration in assessments and collections;
- A large number of unfilled vacancies, especially in large municipalities. For example, the municipality of Beirut suffers from a very large number of unfilled positions reaching up to 70% or even 100% in some departments such as Engineering, Rated Institutions, and even the Finance Department. Beirut currently counts only about 140 filled positions out of the 1.292 positions identified in its organizational structure); and
- The deterioration of the human resources in a number of municipalities, as well as an increase in the average age of their employees. For example, the average age of employees at the Municipality of Beirut is approximately 57.

Despite having a negative impact on the conditions of municipal manpower, the large number of vacancies and high average age may also represent an opportunity for implementing serious reforms in terms of increasing staff qualifications without having to let go current municipal employees. Once detailed job descriptions and hiring requirements are developed, municipalities may begin filling their vacant positions with young employees who are better able to handle recent technologies.

In many municipalities, especially the newer ones which tend to lack financial resources, the members of the municipal council, including the Municipal President and his/her deputy, perform the tasks of assessment, collections, cashiering, accounting, in addition to many other administrative and technical functions. Despite this, Chapter 6 of the Municipal Act,

namely Articles 103 and 110 which concern disciplinary measures against members of the municipal council have not been applied. These articles are essential especially for municipalities, which are not subject to the oversight of the Court of Audit and in light of the cancellation of the Civil Inspection Board's oversight authority over the municipal council members. Moreover, Article 111 requires the written approval of the Governor before the Municipal President, his/her deputy or municipal council members may be prosecuted for an offense related to their duties. The end result is that, except for municipalities, which are subject to the authority of the Court of Audit, municipal council members are not effectively held accountable by the Lebanese legal system.

Source: MOIM 2011, *Strategic framework*, page 57

In *South Africa*, local government has developed significantly since 2000. The Municipal Systems Act of 2000 provided clear guidelines to local government. This saw the appointment of staff at local government level to planning functions around the mandatory IDPs, and to local economic development through the appointment of LED managers and officers in most municipalities. The issue is not always that human resources are available, but that these resources are sufficiently competent and skilled, and that they have the material resources to effect implementation of plans. The EC contribution has been indirect through mainly the LED programmes and the focus on enhancing the numbers and skills of the human resources at local level.

In *Peru*, the evolution in the expenditures of regional and local governments for personal and their relative share of the total public sector is presented below.

Table 4 Sub-national governments' exp. for salaries

	2001	2004	2007	2010
Local Governments	n/a	n/a	1.147	2.055
Regional Governments	n/a	5.850	7.045	7.068

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see field visit Country Note)

Note: 2010 constant price; in million Soles.

Local governments' expenditures on staff have almost doubled from 2007 to 2010 in constant prices, while regional governments' expenditures increased with 21% from 2004 to 2010. The figures show a large increase in the number of staff in regional and local governments, which was also confirmed in interviews with various stakeholders.

Table 5 Sub-national governments' share of public exp. for salaries

	2001	2004	2007	2010
Central Government	100%	56%	51%	56%
Local Governments		0%	7%	10%
Regional Governments		44%	42%	34%

Source: www.ofi.mef.gob.pe & consultant's own calculations (for details see annex of the field visit country note)

This has however not resulted in a relative higher importance of the regional governments as their share of all expenditures for salaries has decreased.

The EC has not directly supported the increase of staff in the region / local governments through support to decentralisation. But various sector programmes (PASA, AMARES and EURO-PAN) may have had some effects in certain regions Ayacucho, Huancavelica and Apurimac for specific staff in the health sector.

In *the Philippines*, EC has in general not sought significantly to influence overall resource allocations to LGUs. The LGs decide on their own staffing levels and operate within the giving fiscal constraints. As discussed elsewhere – the LGs rely largely on fiscal transfers from central government that according to the LG legislation accounts for 40% of the central

government's gross internal revenue (IRA). This has remained stable over the evaluation period since the passing of the Local Government Code of 1991. EC support to health sector has included some additional levels of funding for provinces just as reform of health insurance system has increased available fiscal resources, which indirectly may have translated into increase in LG health personnel.

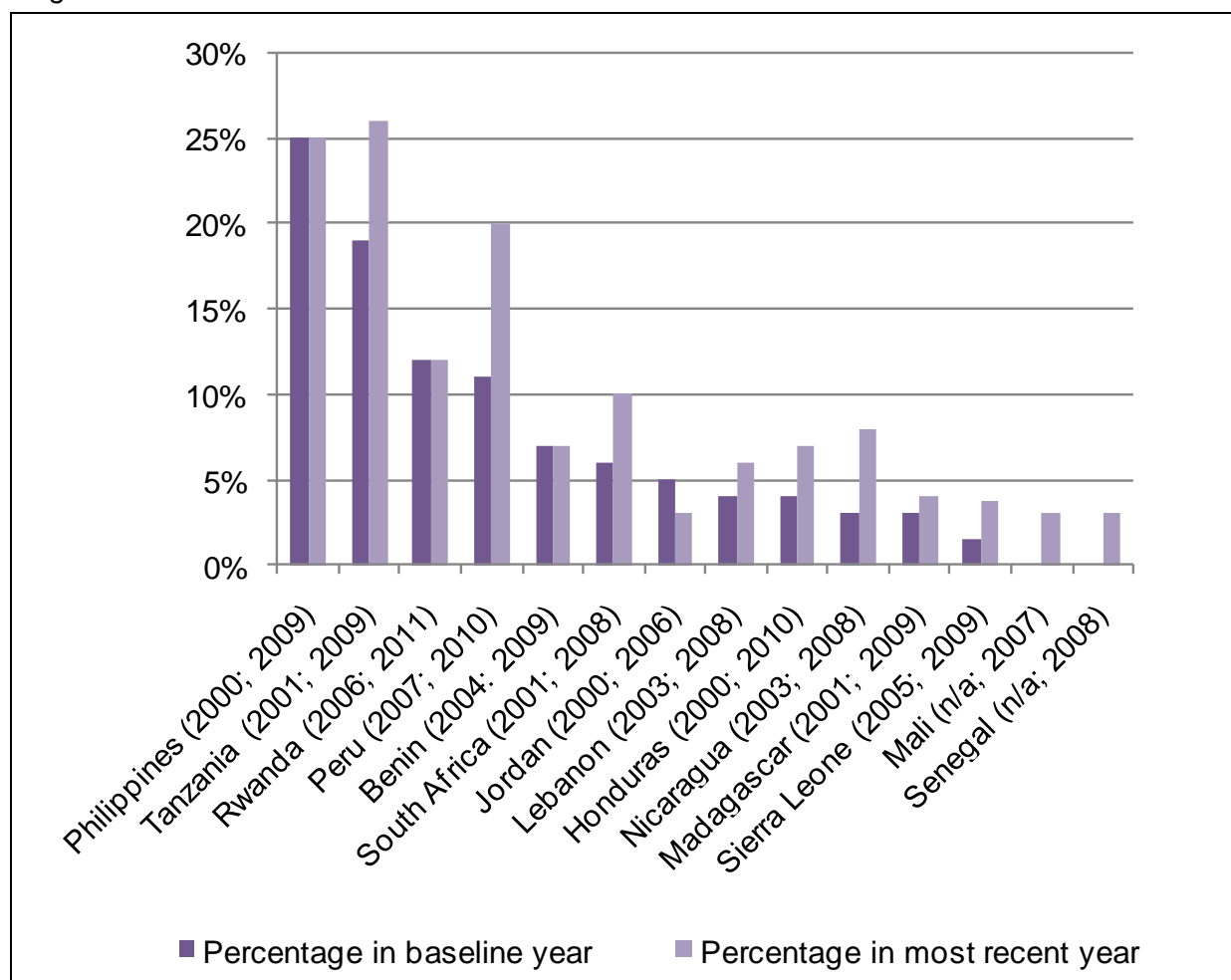
5.3.2 Ind5.3.2 - Evolution of the fiscal resources available at local level

Detailed evidence at indicator level

From the project documentation, literature review and field visits, it appears that the EC and other donor support has had some impact on fiscal transfers in several of the countries where supported was provided, especially where this was done through various forms of Inter-Governmental Fiscal Transfers (IGFT) / local government grants. This was the case in *Tanzania, Cambodia, Sierra Leone, Senegal, Mali, Benin and Madagascar*¹²⁴.

From the evidence gathered, it was possible to establish some data on fiscal trends, although these are not complete. In all countries the documentation indicates a significant increase (from low levels) in local governments budgets, both in relative and absolute terms. Some tentative data on selected desk countries are presented in the figure below.

Figure 19 Evolution of the fiscal resources at local level in selected desk countries



¹²⁴ In certain regions *Madagascar*, the EC experimented a performance based system to finance local governments (through call for proposals in the context of the ACORDS programme). This system inspired the establishment of a national intergovernmental fiscal transfer mechanism in 2008 (Fonds de développement local) which was initially supported by the EC and the WB. However, the 2009 political crisis led to the end of the newly launched programme. See also Indicators 3.2.1 and 6.2.1.

The figure is based on the table below which indicates some complementary information.

Table 22 Evolution of fiscal resources at local level in selected desk countries

	<i>Baseline (year / percent of public expenditure managed by local governments)</i>	<i>Most current (Year / percent of public expenditure managed by local governments)</i>
Tanzania	2001: 19%	2009: 26%
Nicaragua	2003: 3%	2008: 8%
Cambodia	2000: 0% (no LGs)	2008: 6%
South Africa	2001: Provinces receive 56% of CG budgets LGs around 6% of total public expenditure	2008: Provinces receive 58% LGs around 10% of total public expenditure
Lebanon	2003: 4%	2008: 6%
Jordan ¹²⁵	2000: 5%	2006 : 3%
Benin	2004 : 7%	2009 : 7%
Mali	n.i.	2007 : 3%
Madagascar	2001: 3% ¹²⁶	2009: 4%
Peru	2007: 11%	2010: 20% ¹²⁷
Philippines	2000: 25%	2009: 25% ¹²⁸
Honduras	2000: 4%	2010: 7%
Senegal	n.i.	2008: 3%
Rwanda	2006: 12%	2011: 12% ¹²⁹
Sierra Leone	2005: 1.5%	2009: 3.8% ¹³⁰

The information gathered shows that for 15 countries (including the 10 field countries and selected desk country cases where data was available) with EC support, the share of all public expenditures at the local level have increased for eight countries, remained unchanged for two countries while data is unreliable or non-existence in five countries.

It is also noteworthy that:

- EC support includes in some countries some elements of local level funding that clearly contribute to increasing fiscal resources at LG level.
- The potential for systems development is greatest in cases where EC funds are transferred as various fiscal transfers to LGs, such as in *Mali*, *Tanzania* and *Sierra Leone*.
- EC support to local revenue generation is limited. The only example is *Sierra Leone*, where the EC is cofounding IRCBP led by the WB.

The section below presents complementary information gathered during the field phase.

The case of Sierra Leone

The increase in local resources in *Sierra Leone* is illustrated in the table below. The table presents the actual and real development in the collection of local revenues from 2005 to

¹²⁵ Note that data from 2000 is from:

http://www.mota.gov.jo/ar/Documents/Contecno/General/Municipal_sector.pdf, whereas data from 2006 is from the GOLD 2010 report. Due to different sources it is not conclusive that LGs relative share of public expenditures in reality has decreased over the period as different methods of calculation can have been applied.

¹²⁶ "Decentralisation in Madagascar, A World Bank Country Study" - The World Bank 2004.

¹²⁷ Team calculations based on data from www.ofi.mef.gob.pe - see country report for details.

¹²⁸ Figures are approximate figures derived from GOLD 2010 and local case study analyses. According to the Local Government Code, 40% of Internal Revenue should be allocated to local governments – however, "internal revenue" is defined quite narrowly and funds are allocated based on previous years actual revenue collections.

¹²⁹ These data are from field work and differs from GOLD 2010 data – however field data are deemed most reliable – see details in Rwanda Country report.

¹³⁰ Source: Local Government Finance Department and www.econstats.com

2009. The table shows that the amount increased three fold from 2005 to 2007 to decline again, so the real increase from 2005 to 2009 is 106 percent.

Table 23 *Local councils' collection of revenues from 2005 to 2009 (Sierra Leone)*

Year	2005	2006	2007	2008	2009
Actual, Le millions	5,109	6,326	18,110	15,476	16,170
Actual, Le millions, 2009 prices	7,834	8,861	22,720	16,908	16,170
Index 2005=100	100	113	290	216	206

Source: LGFD and www.ecostat.com

According to the IRCBP, 50% of all council collected in 2010 more than Le 2,000 or Euro 0.4 per inhabitant (districts) and Le 3,000 per inhabitant (towns) (IRCDP RF indicator 5.1). These figures and the data in table 5 above show that the amount collected is still very limited and progress is not satisfactory.

The councils' revenue collection is a serious problem for the sustainability of their activities and the whole decentralisation process. Certain systems (e.g. within cadastre, registration of local taxpayers etc.) have been set up supported by IRCBP and UNDP/UNCDF, but revenue collection is still low in particular in the district councils, while some progress has been seen for the city councils. The main reasons for the low revenue collection are: Political interference, lack of will and incentives as funds are transferred from the centre and conflicts between the traditional paramount chief system and the local councils in the districts about collection and right to the local tax and marked dues.

For all revenues, i.e. local revenues and transfers from the central government, a steady increase since 2005 has occurred with a real increase of 150 percent from 2005 to 2010.

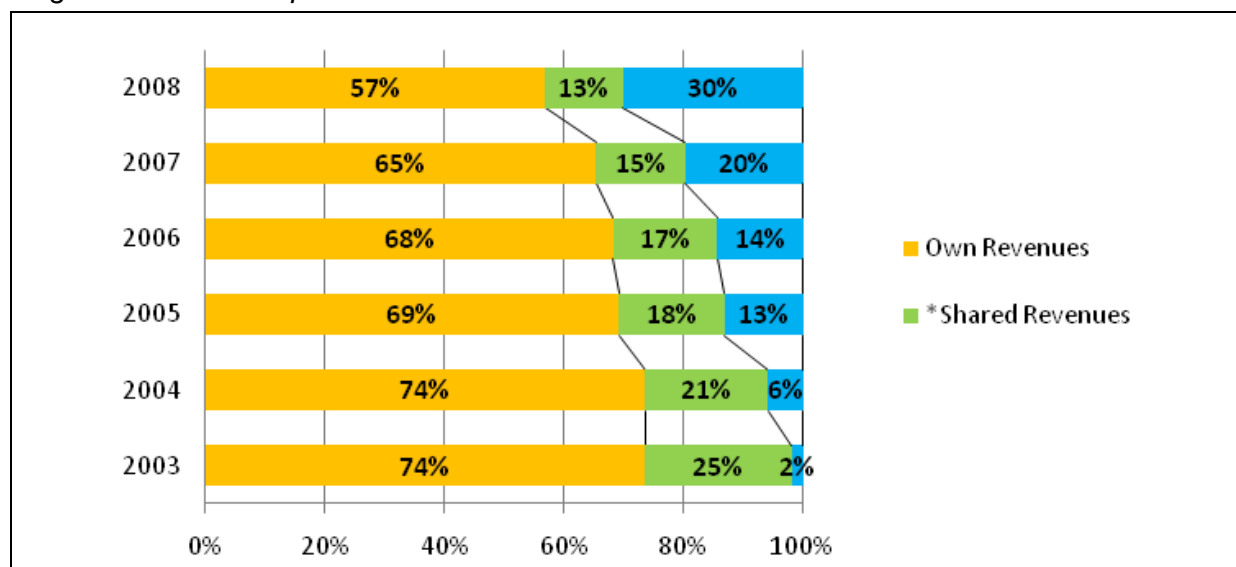
Table 24 *Local councils' total revenues 2005 to 2009 (Sierra Leone)*

Year	Local Council total revenues 2005 to 2009				
	2005	2006	2007	2008	2009
Actual, Le millions	17,959	28,748	32,427	46,370	68,362
Actual, Le millions, 2009 prices	27,556	40,267	40,681	50,657	68,362
Index 2005=100	100	146	148	184	248

The case of Benin

In *Benin*, even the recent Public Expenditure Review (PER 2010) from the WB does not have a full overview of the fiscal position of LGs. As can be seen from the table below the evolution of revenues for LGs has over time changed from reliance on own revenues to reliance of government grants and shared revenue sources. The total budget available to LGs has risen slightly over the past 5 years but this is also accompanied by a reduction in own source revenues. In real terms the budgets of LGs has doubled. This is a development supported by EC through the FADeC.

Figure 20 Composition of LG Income and Revenues - Benin



The case of Tanzania

It is evident that local government capacities in terms of human and fiscal resources have increased tremendously in *Tanzania* over the last decade. Main fiscal trends are summarised in the table below.

Table 25 LG Share of total Public Expenditure¹³¹

Fiscal Year (FY)	Total Recurrent Expenditure (TSH billion)	LG share
2001/02	1.253	18,7%
2002/03	1.527	19,0%
2003/04	1.834	17,7%
2004/05	2.252	17,0%
2005/06	2.875	18,6%
2006/07	3.142	24,3%
2007/08	5.452	21%
2008/09	6.536	21%
2009/10	7.991	28%

LGs share of development funding is significantly less – but the recent increases are relatively more substantial as it increased from 7.9% in 2007/08 to 18.5% in 2010/11¹³²

These substantive increases of development funding to LGs are a direct result of the LGDG system: from 2005 it was rolled out as a national system for all (qualifying) LGs with an average level of funding of 1.5 USD/capita – later additional “windows” of the LGDG were introduced for agriculture sectors, urban environment, education, water, and health sectors.

The EC support contributed to the establishment of the LGDG system and overall increases in LG transfers partly by its direct contribution to the LGDG but also through GBS support where a key performance indicator was defined in terms of increased share of public expenditure as LG transfers.

¹³¹ Note that for 2001-2006/07 the data are actual expenses (but only from recurrent budget) as published by PMO-RALG (URT, 2007)—this is the last year of a published local government fiscal review and that data from subsequent years hasn't been published by PMO-RALG. Data from 2006/07-2009/10 is based on data collected from the LG DPG (2010).

¹³² Rapid Budget Analysis 2010 (GBS partners): Aggregate Analysis Background Note – Public Expenditure Review November 2010.

The case of Mali

Concerning **financial resources**: LG resources come from local taxes and transfers from the state and donors via ANICT. By processing the data submitted by the Directorate General of Budget (Ministry of Economy and Finance) concerning the implementation of the budget over the period 2000-2010, we see that the state contribution represents only 20% of the direct support to LG.

Table 26 Origin of transfers to local authorities (excl. LG's own resources)

Year	State budget	External Resources	Accumulation
2000	957.500	3.407.000	4.364.500
2001	2.350.000	3.401.000	5.751.000
2002	2.300.000	16.108.639	18.408.639
2003	2.492.000	10.310.000	12.802.000
2004	2.755.260	5.837.000	8.592.260
2005	2.755.260	9.946.000	12.701.260
2006	2.755.260	12.274.690	15.029.950
2007	3.272.260	10.786.593	14.058.853
2008	3.036.877	13.877.100	16.913.977
2009	3.652.239	24.203.307	27.855.546
2010	3.307.538	9.794.773	13.102.311
Total	29.634.194	119.946.102	149.580.296
%	20%	80%	

Sources: General direction of the treasury, Ministry of finances - DGB (Currency: Thousands of CFA,)

The analysis of the mobilization of ANICT drawing rights (for the investment financing of LG) shows that the contribution of the state on its own investment budget is only 11% over the last 10 years.

Table 27 Contribution to local investment fund: Contribution by stakeholders

Year	Other donor	EDF	State - BSI ¹³³	total	Other donor	EDF	State - BSI
2001	218.965.189	247.540.406	112.392.700	578.898.295	38%	43%	19%
2002	2.059.352.767	8.470.657.939	1.508.762.358	12.038.773.064	17%	70%	13%
2003	2.058.853.646	8.402.012.814	985.161.011	11.446.027.471	18%	73%	9%
2004	1.954.236.838	3.241.075.582	749.340.770	5.944.653.190	33%	55%	13%
2005	4.090.559.016	2.951.400.907	1.574.500.560	8.616.460.483	47%	34%	18%
2006	3.228.952.469	8.204.768.755	1.332.054.452	12.765.775.676	25%	64%	10%
2007	20.087.659.651	5.758.756.046	1.625.383.859	27.471.799.556	73%	21%	6%
2008	18.498.903.746	5.414.425.303	2.596.568.993	26.509.898.042	70%	20%	10%
2009	17.012.159.921	5.110.867.094	3.799.601.053	25.922.628.068	66%	20%	15%
2010	11.066.751.250	2.171.381.050	2.183.427.308	15.421.559.608	72%	14%	14%
Total	80.276.394.493	49.972.885.896	16.467.193.064	146.716.473.453	55%	34%	11%

Sources: ANICT calculation on demand of the evaluation mission (Currency: CFA)

In 2010, a new transfer (of 80,6 billion CFA francs) is operated for the benefit of the LG in education. This is actually related to the transfer of teachers' salaries. This figure should not create an illusion of volume because no additional resources are actually granted: amounts transferred correspond to amounts for payments of charges already defined and these transfers provide no additional financial flexibility to municipalities. The opposite can be expected as there will be additional costs associated with the management of these financial flows and nothing is planned for that.

A report on local taxation was released in 2011 but it unfortunately only gives figures from 2007. The finding in terms of local taxation is an average of 1013 CFA francs per capita of

¹³³ Budget Spécial d'Investissement de l'Etat.

tax revenue. Own revenues represent 92% of operating expenses. Wages represent an average of 40% of operating expenses, the figure is much higher in small municipalities. The 2011 assessment report on decentralisation¹³⁴ indicates that the local taxation accounts for 75% of own revenues in 2007.

Trainings of elected officials have systematically concerned the improvement of local revenues. In LG supported by specific programmes, an assessment of potential sources of tax revenues was made. Improvements were noted where elected officials had a proactive approach in this area. However, a general observation is the lack of correlation between the improvement in tax revenues and the improvement of the level of investment and services (although this was an assumption that underpinned the reasons for decentralisation).

It is noteworthy that the local taxation system is not included in the state budget system. There is therefore no visibility. Existing data came mainly from the OISE database that fuelled the database on local finances (FILOC). But the latter is no longer updated since 2007.

The 2011 assessment report on decentralisation notes that:

*"Compared to the Gross Domestic Product (GDP), these block transfers of the state are extremely low, less than 1% throughout the period 2005-2008. Compared to total state revenue, the transfer made to LG is **only 0,48% in 2009.**"*

Moreover, behind these numbers lies a great disparity in the distribution of funds among LG. This disparity is due to the fact that ANICT is receiving more and more "targeted" funds, to a sector and / or a geographic zone, to the detriment of unrestricted/ discretionary funds. In the early years of ANICT, only 20% of funds were targeted. Today the trend is reversed: more than 80% of the funds are targeted. As a consequence, the equalization system can no longer function.

It should be noted that the transfer related to funds for investment in health and education operated through ANICT from 2007 onwards (15 billion per year on average) can explain the situation: there has been an important influx in quantitative terms of sector targeted funds (mainly for PISE / education).

Table 28 Overview of the evolution of the use of discretionary & non discretionary funds for local investments in Mali

	DT 2001	DT 2001	DT 2002	DT 2003	DT 2004	DT 2005	DT 2006	DT 2007	DT 2008	DT 2009	DT 2010
Fonds généraux	4,400,000	15,780,908	693483,010,372,237	7,848,385	5,142,059	7,720,094	5,999,490	5,364,513	5,063,307	4,478,151	
Fonds spécifiques	693,483	2,386,566	2,408,746	3,015,705	4,475,383	5,568,633	23,764,358	24,729,050	17,754,449	23,147,010	
TOTAL	5,093,483	18,167,475	12,780,983	10,864,090	9,617,443	13,288,728	28,763,849	30,093,564	22,817,756	27,625,161	
Fonds généraux	86%	87%	81%	72%	53%	58%	20%	18%	22%	16%	
Fonds spécifiques	14%	13%	19%	28%	47%	42%	80%	82%	78%	84%	
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Source: Study on fungibility, AHT-Betico, ANICT, 2011; note: the data DT are slightly different than the data provided by ANICT (Currency: Thousands of CFA francs)

This table shows the changes between the discretionary funds ("general funds") and the funds allocated (geographically or sectorally) here called "special funds". The percentage of unrestricted funds increased from 86% in 2001 to 16% in 2010. The autonomy of the "Communes" is thus increasingly challenged.

The 2011 assessment report on decentralisation mentions such distortions

"for the transfer of the state, the disproportion is very strong between the sparsely populated Communes and the municipalities with large populations (e.g., 613 CFA / capita for the Kidal region against 118 CFA / capita for the Sikasso region), - there is no correlation with the amount of own resources / capita (Sikasso has the highest rate

¹³⁴ Etude sur le bilan et les perspectives de la décentralisation au Mali (2011).

of own resources / capita, 2358 FCFA, is entitled to a transfer of 118 CFA / capita while Mopti has 538 CFA of own resources / capita is entitled to a transfer of 545 CFA / capita). "

Several observations emerged:

- the operation of joint depends primarily on the own revenues, including local taxation;
- their own investment capacity is also dependent on the local taxation;
- transfers of the state are limited,
- financing of investment depends to 90% from outside.
- significant distortions between the LG and the equalization system does not play.

Today, decentralisation is funded primarily by external resources.

Moreover, it is the sustainability of LG which is at stake and the way they are financed. Financing can realistically only be based on local taxation. While flexibility exists in terms of financial recovery it is far from covering all the needs. It all boils down to the starting point on the mismatch between the functions transferred and the available resources.

The EUD is well aware of the existing problem. This is why it was planned to work on the reform of local taxes in the PARAD programme, through its support to the CDI. Yet, it would have been appropriate to have previously carried out a detailed analysis of the cost of decentralisation and the means to finance it.

The case of Honduras

In *Honduras*, the government failed to comply with the transfer of the central government's own revenues to the 298 municipalities for years. The percentage of the transfer is established in article 91 of the Law of Municipalities, passed in 1990, which was 5% of the central government's own revenues. But finally in 2005 the GoH met the 5%. At the end of 2010, the percentage is officially 7%, but the Central Government only schedule 6,5% in the national budget, a situation that has mobilized local authorities to monitor compliance with the agreed value (7%), the idea is to increase the percentage to 8% in 2011, 9% in 2012, 10% 2013 and 11% in the year 2014 onwards. Serious confusion exists on all these figures and how they should be calculated and interpreted.

The EC SBS for decentralisation has not been used to support the development of a transfer system to municipalities, or systems for more revenue generation or financial management.

Table 29 Municipalities' total revenues, own revenues and transfers (Honduras)

<i>Year</i>	<i>Total revenues</i>	<i>Local revenues</i>	<i>Transfers</i>
2002	100	100	100
2003	110	116	105
2004	117	116	116
2005	106	113	147
2006	159	142	219
2007	168	146	232
2008	129	99	195
2009	166	137	253

Source: Own calculations - see details in annex of the field visit country note (constant prices, index 2002=100)

In spite of this all revenues for municipalities have increased with 66% in constant prices giving the municipalities a substantial increase in resources. It can also be seen that transfers from the central government has been the main reason with a real increase of 153% from 2002 to 2009.

With the exception of 2008, municipalities' collection of local revenues has also increased but the actual collection is still only about Le 500 (27,4 EUR) per inhabitant per year.

The case of Lebanon

The EC has not supported reform of overall system of municipal finance (until the new programme starting in 2011).

The share of total public expenditures managed by the municipalities has increased significantly in relative terms over the last decade (from 3,6% to 5,6%) but is still – in global comparisons – at a very low level.

Table 30 Trends in municipal finance in Lebanon 1999-2008¹³⁵

	1999	2008	Real average annual increase
Central government expenditures excl. debt	3,563,036 (\$2,383)	4,507,228 (\$3,786)	5.3%
Municipal expenditures	128,012 (\$86 million)	253,344* (\$231 million)	10.6%
Municipal spending as share of central government expenditure	3.59%	5.63%	
Central government revenues	4,448,393 (\$2,966 million)	7,773,800 (\$5,183 million)	6.4%
Municipal revenues	247,969 (\$165 million)	457,067 (\$305 million)	7.0%
Municipal revenues as a share of central government revenues	5.57%	5.88%	

Source: Ministry of Interior and Municipalities

**This includes the sum of the expenditures incurred by the municipalities plus a 40% share of the IMF for 255 municipalities deducted in return for providing cleaning services.*

The case of Peru

The local and regional governments have more resources than before, which follows from the tables below, which show the real development in transfers and local revenues from 2001 to 2010. The EC has not supported this.

Table 31 Transfers to sub-national governments (Peru)

	2001	2004	2007	2010
Local governments	2.232	4.257	10.079	11.965
Regional governments	n/a	615	2.407	3.181
TOTAL	2.232	4.871	12.486	15.146

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see Annex 8 of the country note)

Note : 2010 constant price; in million Soles .

For the collection of local revenues, LGs have increased their collected from 2004 to 2010 with almost 70%, but the collection is still very limited with only approximately 93 soles per inhabitant. In 2010 roughly half (1.235 million Soles) was collected in the Lima region (of which 470 million Soles alone in Lima municipality).

¹³⁵ See MOI 2011 op.cit pp 20 for additional details.

Table 32 Sub national governments' own revenues (Peru)

	2001	2004	2007	2010
Local Governments	n/a	n/a	1.383	2.317
Regional Governments	n/a	327	416	478
Total		327	1.800	2.795

The case of the Philippines

In general, EC has not sought significantly to influence overall resource allocations to LGUs. Section 284 of the LGC indicates that 40% of the central government's gross internal revenue (IRA) in the third preceding fiscal year be transferred to the LGUs as IRA. Provinces and cities receive 23% each from the total transfer, municipalities 34%, and Barangays 20%. The share of each province, city, and municipality is computed using the horizontal distribution formula composed of three determinants namely, population: 50%, land area: 25%, and equal sharing: 25%.

IRA has increased in both absolute and relative importance as source of financing LGUs and currently constitutes around 60% of LGUs total revenue (for details see annex 5 of the field visit country Note).

EC support to health sector has included some additional levels of funding for provinces.

The case of Rwanda

The Government launched the Decentralisation Policy with the aim of strengthening the practice of good governance and promoting the mobilisation and participation of the people in determining their own well-being. To achieve this, the Government passed four decentralisation laws relating to provinces, districts, the city of Kigali and urban authorities. Under these laws, the four provinces remain arms of the central Government, administered by provincial governors approved by the Senate in respect of proposal made by the Cabinet and comprising an integral component of the central Government, whilst districts and cities now exercise budgetary autonomy. Whilst law No. 17/200218 assigned taxes and fees to sub-national levels of government, revenues from these sources are insufficient to cover the operating requirements of sub-national governments, let alone carry out functional responsibilities assigned or delegated to them, and service delivery relies largely on grants from central Government. Since the launch of the decentralisation policy the Government has been developing mechanisms to clarify and improve the predictability of the flow of resources to district governments. There are currently three main flows of resources from the central Government: a block grant (un-earmarked) from central Government; grants earmarked for the delivery of specific public services at sub-national level; and revenues from the CDF. The relative importance of these three main sources reflects the current status of the decentralisation process. Whilst the long-run objective is to devolve services, which are currently delegated to local government level (which implies a progressive decline in the use of earmarking), the requisite capacities of local governments and the associated mechanisms for managing devolution have yet to be established for this in the majority of sectors. However, in sectors like health and administrative governance, most service delivery has already been devolved, while in others like education efforts for full devolution are already under way. This has a clear bearing on the staff working at LG level, as most are still fall under the sector ministries and not the District.

Financing of most Rural District Councils shows that: (1) More dependant on central government (CG) transfers - 10% of total annual funding comes from internal sources while 90% is from external sources especially CDF (demand driven) and sectoral transfers from the CG; (2) The sectoral/ Earmarked transfers are meant for infrastructure development; (3) Main sources of internal funds include: Service based fees at sector level (markets, slaughter house fees), levies on construction materials (sand, concrete, ballast etc); (4) Transfers 10% of its total budget and 50% of total internal income to the sectors; (6) Procurement is done by

the council; and (7) MINALOC provides technical support through capacity building programmes in public financial management.

The case of South Africa

The Division of Revenue Act provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. The Municipal Infrastructure Grant supplements the funding of infrastructure programmes funded from municipal budgets to enable municipalities to address backlogs in municipal infrastructure required for the provision of basic services. Other instruments include the Integrated Housing and Human Settlement Development Grant, the Integrated National Electrification Programme Grant, and others. All transfer is worked out according to a formula, and all allocations made must be included in municipal Integrated Development Plans. The Development Bank of Southern Africa provides loan and development financing to local government. In respect of financial sustainability, key challenges faced by municipalities often relate to the size of the tax base and their ability to collect revenue. In rural areas the tax base is usually very low. A number of municipalities have negligible revenue bases and are not sustainable without direct transfers. The EC supported Local Government Toolkit explains the functioning of local government and provides tools for community members to help them engage substantively with local government. Likewise the Ward Capacity Building Project trained Ward Committee members around the functioning of local government in an effort to stimulate bottom-up participation.

Box 35 Fiscal Decentralisation in South Africa

South Africa compares well with other developing economies regarding expenditure responsibilities and autonomy of Sub National Governments (SNGs). Sub-national expenditure in developing countries rose from 12.7 per cent of total public expenditure in 1980 to 19.6 percent in 1998 (Shah and Thompson 2004). Similarly, education spending by SNGs increased from 21 per cent of total public sector education expenditure in 1980 to 40 percent in 2000 while health expenditure increased from 22 per cent in 1980 to 57 percent in 1999. Although the trends vary widely across countries, there are areas of shared responsibilities among central and sub-national governments in almost all countries. On average expenditure autonomy, i.e. percentage of sub-national expenditure financed from own-source revenue, in developing countries was 58 per cent in 2000.

Provincial governments' revenue amounts to about 50 per cent of total public sector revenue in South Africa. But on average 96 per cent of provincial revenue is in the form of transfers from the national government to provinces. Approximately 70 per cent of the transfers (in 2002-2004) are in the form of equitable share and the rest conditional grants. Tax receipts represented on average 49 per cent of own-source (and 2 per cent of total) provincial revenue during 2001-2004. Main taxes include Casino taxes, motor vehicles licenses and horseracing. Other sources of own revenue include sale of goods and services, sales of capital assets, fines, penalties and forfeits, interest and dividends and financial transactions in assets and liabilities.

5.4 JC5.4 Local governments autonomy has increased

Main findings at JC level

Overall, local governments have obtained some degree of autonomy in all the countries studied during their decentralisation processes. The EC support has facilitated such processes only to a limited extent, primarily with regards to fiscal autonomy and, more specifically, in relation to its support in some countries to IGFT.

Some of the fiscal transfer systems supported by the EC in multi-donor programmes have the deliberate intention of providing funding systematically to local governments with significant local discretion and autonomy in its use. This is, for instance, the case with the

LGDG in *Tanzania*. Similar objectives have been pursued in *Sierra Leone*, whereas it appears to have had relatively less emphasis in *Mali*. The evidence gathered in this evaluation show that the EC has only supported financial autonomy indirectly by co-funding LGDG (that allows discretionary decisions by LGs) in three countries out of the reviewed countries.

The EC support to IGFT in countries such as *Tanzania*, *Cambodia*, *Sierra Leone* and *Senegal* has some tangible impact, as LGs are given some discretionary power for their use.

It is noteworthy that the extent to which local governments' autonomy has increased depends mainly on internal political processes in the respective countries. For instance, as indicated above in JC5.3, international donors (including EC) generally have had little influence on the allocation of human resources to local governments.

Overall, the role of international donors appears only to be a rather indirect one, by "demonstrating" models that, over time, may be appreciated by national governments. National governments have proved especially appreciative of models for devolution of development budgets to local governments as this typically also is part of broader transition from donor-specific project modalities into systems of financing more harmonised with national systems.

Local governments have obtained some degree of autonomy in all the countries studied during their decentralisation processes. Most of this was established when the legislation was developed, which in some countries happened in the 1990s before the EC entered into direct support to decentralisation in any country (top-down entrance point).

The extent to which local governments autonomy has increased in the countries depends almost entirely on internal political processes in the respective countries – the role of donors appears only as rather indirect by "demonstrating" models that over time may be appreciated by national governments.

5.4.1 Ind5.4.1 - Evolution of fiscal autonomy (powers to raise revenue, relative share of discretionary funds in LGs, autonomy in budgeting etc)

Detailed evidence at indicator level

LGs' autonomy for collection of local revenues exists in all countries studied in the evaluation, but LGs do still not use this autonomy very. In several of the countries reviewed, fiscal autonomy has usually been partly granted to LGs by legislation. Overall, LG autonomy is determined by:

- The legislation (that may grant autonomy in budgeting etc),
- The relative importance of own revenue generation and LG discretion in its use,
- The conditionalities attached to fiscal transfers from central government.

Some of the fiscal transfer systems supported by the EC in multi-donor programmes have the deliberate intention of providing funding systematically to local governments with significant local discretion and autonomy in its use. This is, for instance, the case with the LGDG in *Tanzania*. Similar objectives have been pursued in *Sierra Leone*, whereas it appears to have had relatively less emphasis in *Mali*. The evidence gathered in this evaluation show that the EC has only supported financial autonomy indirectly by co-funding LGDG (that allows discretionary decisions by LGs) in three countries out of the reviewed countries.

The EC support to IGFT in countries such as *Tanzania*, *Cambodia*, *Sierra Leone* and *Senegal* has some tangible impact, as LGs are given some discretionary power for their use, although several limitations remain in most cases.

The section below provides some examples of the evidence gathered during the field visit.

- While the reforms in *Tanzania* successfully have increased the resources and capacities in LGs, the relative degree of autonomy of the local governments has not significantly increased. The following shortcomings can be noted:

- o LGs depend largely on fiscal transfers from central government – they generate only approximately 5% of their total expenditures through own source revenue generation.
- o From 2004-05 a number of LG taxes were abolished by central government and LGs (ALAT) dispute the extent to which they have been compensated adequately for this,
- o The central government significantly earmark use of transfers to LGs: the transfers are mainly sector specific (health, education etc) and within each sectoral transfer there are typically very strict earmarking regarding the use of funds,
- o Central government continue to send instructions to LGs regarding how they are to prioritise spending on even own source revenue,
- o Human resource management in LGs has largely been even more centralised after the Public Service Act of 2004 (in spite of other intentions in the LGR Policy).

However, there have also been a few improvements – in particular related to the LGDG system. While the LGs increasingly rely on fiscal transfers for their budgets and while GoT in many cases have made these transfers in a highly earmarked manner, then the LGDG provide an alternative model: funds are transferred without string earmarking: the LGs can decide to use the funds for water, education, health, roads or other local priorities. The LGDG has in this manner slightly increased local autonomy of LGs by empowering their local budget prioritisation process.

- In *Sierra Leone*, the local councils are empowered to raise local revenues by the LG (2004) and also to prepare their own budgets with the functions given by the LG. The budget is prepared following guidelines from the LGFD. The IRCBP has supported the development of manuals for revenue collection and management and also the guidelines for budgeting, which are used by the LCs.
- In *Mali*, the financial autonomy of LG did not improve (see also JC5.3/ Ind 5.3.2). Local taxation should be reviewed and the contributions of the state actually depend on investment to 90% from outside. Autonomy of LG to choose their investment is also limited by the system of allocation of funds. Through an active policy dialogue at sector level, the EC has made some efforts to improve the situation and to advocate for more transfer of resources from the state to the local¹³⁶ level but without significant success to date.
- *Benin* has moved rapidly recently towards a more unified, harmonized approach and political commitment towards a strong decentralisation and deconcentration (and territorial management) policy and the creation of the corresponding Communal Development Support Fund (FADeC, 2008). The donor community and especially the EUD in Benin, equally has moved closer towards a sector wide, more unified, aligned and harmonised approach in their support to the national 2D-policy (creation of well functioning donor working group, increasing use of the modality of global and sectoral budget support, increasing channelling of their ODA through the FADeC Fund as single instrument for supporting Benin's communes). A number of external development partners follow more or less also still their existing projects (project modality) due to previous contracts signed or because they have certain reservations still in regard to channelling their resources fully through the FADeC. However, even those more contribute, at least nominally, in parallel also to the FADeC. The FADeC, after a good start in 2008 and 2009, in 2010 suffered a setback in terms of Government's level of funding. Also, many communes complain about the late arrival of funds and still weak efficiency of fund allocation, distribution and efficient fund management from the side of the central and departmental administration. Also, the

¹³⁶ The indicator 6 from the PARAD BS programme covers this issue but does not oblige change in this respect.

communes themselves lack for a large part the resources and capacities to manage the new PONADEC priority action programme and FADeC adequately.

- In *Lebanon*, there have been no major changes in the relative autonomy of the municipalities over the evaluation period – and EC support has had no objectives in that regard.
- In *Peru*, the regional and local governments have been given autonomy for budgeting and the municipal organic law defines also the local governments' autonomy for collection of revenues (property taxes, service fees, licenses etc). The regional government has very few sources i.e. licenses and fees for services provided. The EC has not supported regions and LGs finance directly. An indirect support is the EURO-PAN's support to the establishment of own budgets for execution agents in three regions (Ayacucho, Huancavelica and Apurimac) in the health sector.
- In *the Philippines*, in general, LGU are relative autonomous with significant degree of fiscal autonomy – most of the transfers (the IRA) is e.g. discretionary rather than in the form of conditional grants. EC has not significantly sought to influence or increase LGU autonomy. To some extent one could argue that the earmarked support under health sector projects has sought to centralise some decisions making (see sections on planning below). EC concerns have been more focused on e.g. PFM issues at LGU levels than their overall levels of autonomy.
- In *Rwanda*, a Common Development Fund (CDF) was established in 2002 under Law 20/2002, with the intention of providing support to districts for development purposes. MINALOC acts as the parent ministry to the CDF and also provides the president of the board for the CDF. The major source of funding for the CDF comes from the Government budget, which is meant to channel an amount equivalent to at least 10% of the previous years domestic revenue collection to the fund. The donor community also provides funding for the CDF. At the outset, the allocations from the CDF were effectively formula-driven in that the fund was divided equally among districts. This method of allocation was replaced in 2005 with a dedicated formula, proposed by the Board of the CDF and approved by the Cabinet, based on population size, geographical area and indicators relating to household welfare and access to basic infrastructure within each district. Access to CDF funds, however, requires district governments to go through a project preparation process and to submit documents related to this before disbursements become effective. Whilst district government access to CDF resources from the Government budget is formula driven, allocation of funds provided by donors is not. In practice, most donor assistance to districts through the CDF is earmarked to specific districts (and therefore simply uses the mechanism of the CDF). The block grant for sub-national governments, access to Government resources provided through the CDF and allocation of a major proportion of earmarked resources for service delivery, therefore, are (explicitly) formula driven. The remainder of the transfers are allocated according to a transparent criterion (i.e. the total allocation is divided by the total number of districts and allocated to each accordingly). Data from MINECOFIN for the 2007 Budget show that over 80% of earmarked transfers are allocated according to rules based and transparent formulae, with the remainder allocated according to the transparent and rule of dividing the total by the number of districts.
- In *South Africa*, in principle, the local governments only have limited autonomy on local revenue as these only constitute about 3-4% of local budgets and the rest being transfers from central government. EC has not contributed to enhancing powers and functions of LGs but to some degree to increased resources for local governance, services and infrastructure investments. Some smaller municipality structures still weak but improvements have been seen from the administrative reform onwards.

5.4.2 Ind5.4.2 - Evolution of LG Autonomy for HRM (the extent to which LGs can hire and fire and generally manage personnel)

Detailed evidence at indicator level

The EC support to decentralisation has with the exception of the programme in *Sierra Leone* (as part of the IRCBP led by the WB) not explicitly sought to enhance LG autonomy in management of local staff. Although some improvements can be noted in this case, the guidelines that have been developed are not yet effectively implemented.

From the fieldwork, it actually appears that the relative autonomy of LGs in management of local staff in most countries largely has remained unchanged during the evaluation period. Most of the countries had the legal framework for local government HRM established in the 1990s or earlier. Some gradual increase of staff have occurred (see also indicator 5.3.1) just as capacities have been built of LG staff (EQ 6) – but the relative autonomy of LGs in managing local staff has not changed significantly in the countries under review.

Some general trends can be observed:

- In Africa: a distinction can generally be made between Francophone countries where LGs employ very limited share of total public service and some Anglophone with relative many staff – including sector staff (such as health and education). In Africa, from the sample of field and desk countries reviewed, it is only in *Uganda* and *South Africa* where the numbers of staff employed and the autonomy in HRM of local staff have significantly increased. The EC has not supported those aspects of local governments reforms.
- In Latin America, LGs have some autonomy in managing local staff – but the legal framework for this was developed long ago and without EC support,
- The Philippines, represents a very mature decentralised system with significant local autonomy in HRM, but where the legislative framework for local HRM was developed before the EC support (in the health sector).

Box 36 Evolution of LG Autonomy for HRM – the case of Mali

In Mali, while LG have the right to hire and fire staff, actually, in practice, the weakness of their resources makes this autonomy rather theoretical. Most of the locally deployed (sector) staff are managed by central governments and not by the local governments.

Moreover, strengthening of locally delivered services is hampered by low salaries and a quantitative deficit of qualified personnel (nurses, midwives, teachers, etc.). In general, new staff recruited by the communities at local level does not benefit from attractive conditions and have limited guarantees on their jobs. This makes local recruitment almost impossible outside the larger cities.

Only in 2005, did the National Assembly adopt a new special status for officials of local authorities. The recruitments are now contested publicly and specific requirements have been established in order to secure that the skills of administrative secretaries and other officials meet certain levels. The DNCT had to tackle this task as an entirely new experience, without tools, legal and methodological instruments and with little support (including of development partners).

In general, it appears as if LG HRM is a relatively politically sensitive area where external donor support rarely can leverage change. The case of *Tanzania* is in this regard interesting as DP support here failed to hold central government accountable to its own declared policies of devolving HRM (see box below).

Box 37 Evolution of LG Autonomy for HRM – the case of Tanzania

The reforms in *Tanzania* have successfully increased the resources and capacities in LGs, but there has not been much change in the relative degree of autonomy of the local governments. In particular it can be noted that the intended devolution of staff that was declared as government policy in the LG Reform Policy paper of 1998 never has been

enacted. Several DPs expressed concerns over Government's apparent backtracking as indicated in the Public Service Act of 2004 (where some confusion is introduced of who really employs LG staff – and as central government is given mandate to transfer LG staff across LGs).

EC support to decentralisation in Tanzania included only support for the LGDG system. The design of the programme document (jointly financed by various DPs excluding the EU) noted major risks associated with supporting a fiscal modality that assumed local autonomy while the powers over LG staff apparently was centralised. The corresponding "letter of sector policy" issued by the Ministry of Finance assured DPs that action would be taken to devolve staff.

"It is recognised that certain sections of the Act are not compatible with the intentions of the Local Government Reform Policy regarding LG control over staff management issues and the Government is reviewing the Act with the aim of revising the relevant sections in 2004. The revision will ensure that the Public Service Act is fully consistent with the Government's decentralisation policy" (Paragraph 5.5. of "letter of sector policy" signed by Government of Tanzania in relation to the LGDG.)

However, changes in legislation and practice never materialised – on the contrary the Government found it necessary to further centralise the management of staff over the period 2005-2011. This contributed to dissatisfaction of DPs with Government policy coherence in support to decentralisation reforms. The EUD decided however in the period not to take lead in these discussions as various EU member states (The Dutch, German and later Finland and Sweden were appointed as lead DPs in dialogue on decentralisation reforms).

5.4.3 Ind5.4.3 - The role of various layers of government is clearly defined and extent to which LG autonomy is well described in legislation

Detailed evidence at indicator level

Definition of local government responsibilities is a key challenge, in particular in early stages of ambitious local government reforms. For each service (education, health water, agriculture etc) it must be spelled out how functions and responsibilities are assigned to different layers of government. A critical part of this is to define clearly what kind of autonomy LGs have relative to the central government according to the legislation.

The evidence gathered in this evaluation indicates that the EC rarely explicitly has supported work to clarify roles of different tiers of government and their relative autonomy, except in *Mali* (minor efforts in this area have also been recorded in *Benin* and *Nicaragua*).

The EC has only very rudimentary supported definition of local autonomy in legislation with no clear examples from the evaluation of a substantive EC support (except in *Mali*).

The *Mali* case illustrates the challenges in progressing at early stages of decentralisation reforms when the assignments of responsibilities in broad terms are defined in legislation, but where effective transfer of powers and resources do not progress (see box below).

Box 38 *The role of various layers of government in Mali*

The broad division of powers between different levels of local governments is not considered as a major problem. However, the issue of the ownership of public investments made by a higher level local government in the territory of a lower level local government still remains a critical issue in many cases.

In *Mali*, an audit of the missions of public services has led to an inventory of tasks that must remain in the portfolio of the state, specify the level of exercise of its powers (central or decentralised) and identify the function transferred to communities or private sector. The audit, which involved 44 national departments and 16 departments, highlighted a number of findings, including inflated nature of the central government staffing levels. The analysis of tasks and functions of public services, led to proposals for devolution and specific transfer of powers to local government and privatization of certain functions under the disengagement of

the state. The transfer of skills and resources of the state to local governments particularly in the areas of education, health, and water/hydraulics was recommended to proceed not later than June 2005. The implementation has been slow.

Regarding dialogue mechanisms between different layers of government, it is noteworthy that decentralisation to sub-national entities requires new forms of dialogue mechanisms between different layers of government. This can take many forms; one common structure in many countries is the creation of national associations of local governments that advocate the interests of local governments in dialogue with central governments.

Overall, in most of the countries under review, only very few real changes have occurred regarding definition of local governments' powers and autonomy during the evaluation period. In several cases (e.g. *Sierra Leone, Nicaragua, the Philippines* and *Tanzania*), the reforms of legal framework took place before EC really started its support to decentralisation in the respective countries. In other countries, some reforms have taken place during the evaluation period but without direct EC support for that purpose (e.g. *Honduras*) or the national context have made any kind of dialogue of legal aspects of decentralisation reforms unpractical (e.g. *Lebanon*). More details are provided in the field visit country notes (Volume II – annex 11).

6 EQ6: Stakeholders' capacities

Evaluation Question 6: To what extent has EC support to decentralisation contributed to strengthening the **capacities of stakeholders** involved in the decentralisation processes in partner countries?

It is interesting to put in parallel the detailed evidence presented in the indicators under the various JC analysed with the impact of the EC support as perceived by the EUDs. The figure below shows the results of the survey to EUD carried out during the desk phase. For the EUDs surveyed, the EC support has an important impact in relation to:

- the strengthening of local governments' capacities.

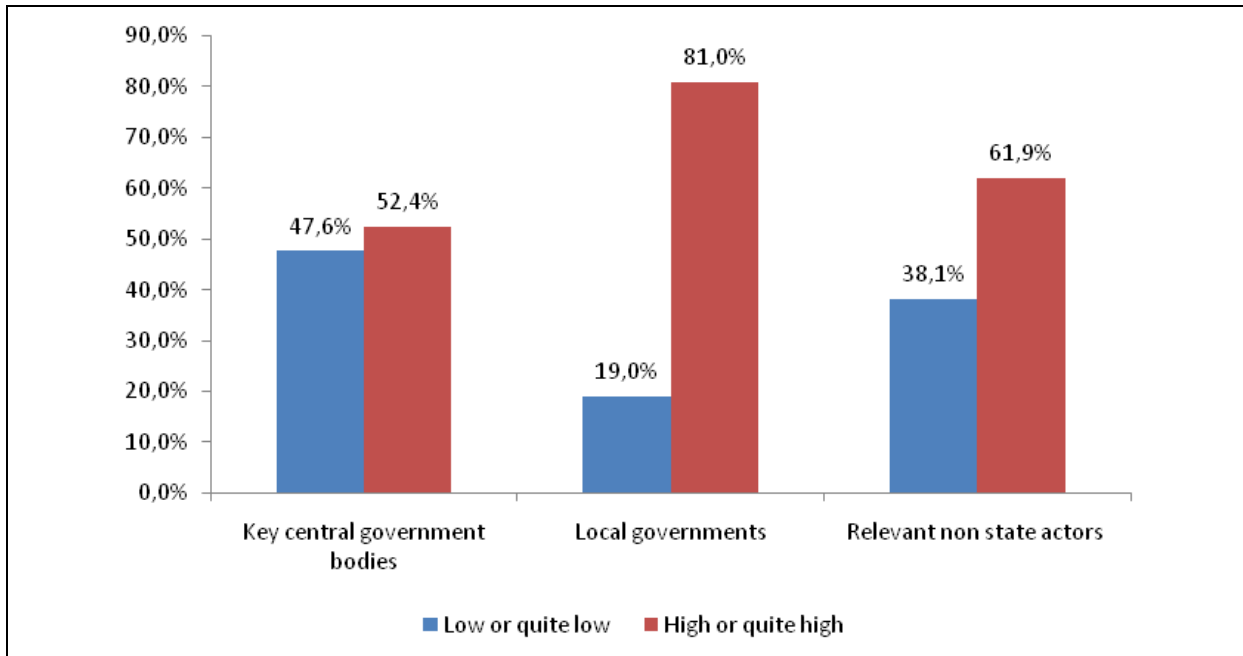
It has also a positive impact on:

- the strengthening of Non-State Actors' capacities.

The results are mixed on:

- the strengthening of central government bodies' capacities.

Figure 21 Impact of support to decentralisation on capacity strengthening, as perceived by the EUDs



Survey to the EU Delegations, Particip analysis

The table below provides a synthetic overview of the evidence gathered during the desk and field phases on the focus and the results of the EC support for the various case study countries for which an in-depth analysis was carried out. The analysis seems to confirm the perception of the EUD, except maybe for the support to the Non-State Actors where the perception of the EUD is more positive. This difference seems to come from the fact that the analysis carried out below covers a variety of Non-State Actors, including local government associations for which the results of the EC support seems rather limited (see details in the sub-sections below).

Table 33 Overview of EC support to stakeholders' capacities (focus of the support & results)

Country \ Criteria	Capacity - central	Capacity - local	Capacity - NSA
Benin	+	≈	≈
Honduras	0	0	≈
Lebanon		≈	≈
Mali	≈	+	0
Peru	0	≈	≈
Philippines		≈	≈
Rwanda		≈	≈
Sierra Leone	+	+	≈
South Africa		+	≈
Tanzania	≈	+	
Overall assessment	≈	+	≈

Legend

Colour	Level of EC support - Scale	Description
	significantly	Interventions' objectives or activities do explicitly at significant degree address the result area and the concerned interventions are of relative significance compared to overall EC support to decentralisation.
	partly	Interventions' objectives or activities only partially or marginally address the result area and/or the concerned interventions are relative small compared to overall EC support to decentralisation.
	not at all	EC support in the country does not at all address the result area.

Symbol	Results - Scale	Description
+	significantly	Results have to a significant degree been achieved (compared to objectives) in this result area.
≈	partly	Results have only partially or marginally been achieved (compared to objectives) in this result area.
0	not at all	Results have not all been achieved (compared to objectives) in this result area.

Detailed analysis and evidence on these aspects are provided in the next sub-sections.

6.1 JC6.1 Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Main findings at JC level

The development of partner governments' capacities and institutional set-up to manage and administer the reform process is widely recognised by international development partners as

a challenging area. In particular, it implies working in a highly political environment, with a variety of actors at central level having sometimes overlapping roles.

The many policy formulation and reform implementation activities undertaken in several countries during the period evaluated, illustrate an overall development of the central government bodies' capacities related to decentralisation in most partner governments. However, the evidence gathered in this evaluation shows that, in many countries, the capacities of key national institutions involved in the decentralisation process still remain weak. The EC has supported the development of these capacities in only half of the countries reviewed, and often focused only on selected aspects of central government capacities.

Except in *Peru* and *Madagascar*, where the EC aimed at contributing to the development of the capacities of the central body in charge of decentralisation via individual activities or projects focussing on certain regions¹³⁷, the EC support took place in the framework of wide programmes supporting the national reform process. This support has been provided via budget support (e.g. in *Mali*, *Benin* and *Honduras*) or via a WB-managed trust fund in the case of *Sierra Leone*. Some limited support has also been provided in *Tanzania* through the multi-donor basket fund.

The evidence gathered during the desk and field phases shows that the EC support has had mixed results in general, and very limited results in some specific areas of support.

In particular, it has proved difficult for the EC to support the development of national M&E systems related to decentralisation. Support was rendered only in a few countries and, in most cases, the systems developed have turned out to be weak and of limited use, or have failed to remain sustainable. In *Mali*, for instance, the use of the national database (OISE¹³⁸), strongly supported by the EC, ceased with the end in 2007 of the Centres de Conseils Communaux – the network of Communal Council Centres established to support local authorities. Some achievements can be noted in *Sierra Leone* and *Tanzania*, where the ministries in charge of local governments have developed systems for functional performance assessments for all local councils (CLOGPAS¹³⁹ in *Sierra Leone* and LGDG assessments in *Tanzania*). Yet, even there, some difficulties are faced in producing up-to-date information. M&E systems that aim at measuring basic service delivery outputs have also proved challenging and the evaluation team found no evidence of functional systems for measuring wider service delivery results.

Efforts to support the development of intergovernmental/interministerial relations in relation to decentralisation were made by the EC in only a few cases and faced significant obstacles. In general, the analysis carried out in the desk and field phases shows that most countries have interministerial coordination mechanisms, but the structures put in place remain weak due to a low status given to them in the governmental framework. The case of *Mali* provides a good illustration of the difficulties development partners face when encountering this situation. The strong support provided by the EC and other DPs to the main bodies in the charge of the decentralisation and state reforms in *Mali* could not compensate for the lack of will at the Prime Minister's Office and Presidency level to develop interministerial initiatives. It is a general finding that the EC works mainly with the ministries responsible for local governments. However, these ministries generally have limited authority for broader government coordination, broader fiscal reform issues, or for working modalities of sector ministries.

There is evidence of some contribution of the EC support to improved management and administrative capacity of key central government bodies in some countries. The analysis

¹³⁷ In Madagascar, although the central government was not the main focus of the programme (which mainly focused on local governments), central government bodies, and especially deconcentrated units, were continuously involved in the implementation of the programme and in the discussion on the future of the activities supported by the EC. The new programme designed in 2007 by the EC and the World Bank clearly aimed at intervening at the both the local governments and national government level. However, the intervention was eventually cancelled because of the political crisis that occurred in 2009.

¹³⁸ Outil Informatisé de Suivi Evaluation.

¹³⁹ Comprehensive Local Government Performance Assessment System.

carried out shows that this is especially the case where the EC has engaged with other development partners in comprehensive programmes supporting the national reform process (e.g. *Benin*, *Mali*, *Sierra Leone* and *Tanzania*), and this has been confirmed by the EUD survey carried out during the desk phase.

As observed in the cases of *Mali* and *Honduras*, it appears that SBS has the potential to create positive conditions to achieve some results in this area, but does not necessarily ensure that the challenges faced by programmes using other implementation modalities are better overcome.

It also emerges from the analysis carried out that the use of long-term technical assistance to accompany national reform processes appears to be a crucial element in contributing to improvements at this level.

Finally, it is noteworthy that an in-depth understanding of the national context is critical, as the sustainability of the results achieved often remains subject to the risks of important political shifts at national level (e.g. *Mali* and *Madagascar*) or to a situation where there is high turnover of staff (e.g. *Peru*).

6.1.1 Ind6.1.1 - Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively

Detailed evidence at indicator level

The EC has provided support to capacity building of central government institutions for decentralisation in several countries studied during the evaluation.

Four countries have been identified (*Sierra Leone*, *Benin*, *Rwanda*, *Tanzania*) with some results of the support, while two (*Mali* and *Madagascar*) had some temporal results, which, in *Madagascar*, vanished with the severe political crises. In *Honduras*, technical Assistance support from the EC given directly to the central body in charge of decentralisation had some effect, but most disappeared with changes in staff and organisational structures from 2010. In *Peru*, the support to the CND (National Decentralisation Committee) and later SdD (Decentralisation Secretariat) was not successful, mainly due to changes in organisational set up and political priorities and the low level of support provided during the evaluation period.

The section below provides some details about the countries where the EC support has been quite successful.

- In *Benin*, the desk review and the interviews carried out during the field visits show that key central government bodies involved in decentralisation policy formulation and implementation have improved capacities over the last five to ten years. This evolution has been supported by EC programmes PRODECOM and PACTE over the past ten years. The formulation/implementation of PONADEC is also an important element in this improvement. Numerous ministerial and inter-ministerial committees are being or have been put in place.
- In *Sierra Leone*, the EC has supported the building and maintaining of capacities at the central level through the IRCBP programme led by the WB. The main beneficiaries have been the staff of the Decentralisation Secretariat (in the MLG&RD) and Local Government Fiscal Commission (in MoF). Evidence gathered during the field phase showed that staff have indeed been well equipped and trained. The key ministry for decentralisation reform, the MLG&RD, is still dependent on external assistance for policy formulation and reform implementation, but during the recent formulation of the National Decentralisation Policy (NDP), it has had a larger importance than previous (in 2003 during the formulation of the LG Act) because of the institutional building by the IRCBP, but also support from UNDP to the formulation of the policy.
- In *Tanzania*, the extent to which central government stakeholders have improved capacities for implementation of decentralisation strategies is somehow debatable (see also indicator 6.1.2). However, in some areas related to the LGDG system, improvements can be observed, for instance, in terms of intergovernmental/inter-

ministerial relations (see also indicator 6.1.3 and 6.1.4 for example of other improvements).

- In *Rwanda*, MINALOC/NDIS staff has been formulating and in control of the RDSF from the beginning and has increased their capacities over the evaluation period considerably. This has also to some degree been supported by EC but not as the main and most active of partners.

The section below provides more detail about the countries where the EC supported interventions have had only **limited results**.

- In *Madagascar*, the EC has supported managers of the MDAT department in formulating policy and strategy. Unfortunately, in addition to weak institutional capacity, a national political crisis since 2009 broke this small capacity.
- In *Mali*, as illustrated by the national policy framework document on decentralisation, it appears that the capacity to formulate policy exists in the national structures in charge of decentralisation (in particular, the DNCT). However, if we look at the wider government level and the issue of inter-ministerial initiatives, it turns out that capacities are actually quite low. In fact, the DNCT (in charge of the "decentralisation reform") and the CDI (in charge of the "state reform") are considered as weak structures to be further strengthened. Through the PARAD and PARADER programmes, the EC has provided substantial support to these two structures. But this support cannot compensate for the lack of will at the Prime Minister's Office and Presidency level to develop "inter-ministerial initiatives" (see also Indicator 6.1.4). In addition, the number of qualified officers is limited at the DNCT (it can be considered that there is a core group of four or five persons). With respect to the CDI: a flowchart has been redefined with an enhanced number of officers to meet the needs of conducting the reform of the state. Unfortunately, some of these positions are still vacant, illustrating the low motivation of the state to develop efficient structures.
- In *Honduras*, the Technical Decentralisation Unit (la Unidad Tecnica de Descentralizacion) in the Ministry of the Interior and Population (SEIP¹⁴⁰) is the responsible unit for decentralisation and the coordination of the reform process. It has produced the Decentralisation Plan 2010-2014 (Decentralisation para el Desarrollo Local, DDL 2010-14) as part of the national development strategy "Marco de la Vision de pais 2038". In 2010, when the new government entered, most senior staff at the SEIP was changed. As a consequence, the institution has not the capacity any more to lead a reform process or formulate policies effectively. For instance, this is seen by the inconsistency within the government policy, where the planning ministry (SEGEPLAN) is developing a regional strategy while SIEP focuses on the further decentralisation to 298 municipalities. The EC with the programme PROADES supported the SEIP (formerly SGJ) within a SBS modality and direct technical assistance 2007 to 2009, but with limited interest from the receiving government as decentralisation was not a high priority. During that period, the establishment of a Tri-Party Forum with the government, development partners and civil society for decentralisation was supported and also in general building up the capacity of the SGJ, but both support activities had little results – in particular as the staff was changed when the new GoH started in 2010. The technical assistance team produced several analyses on decentralisation and papers on how to devolve sectors, but the documents were not applied for sector decentralisation as the government did not prioritise decentralisation and, according to the present staff at the SEIP, the outputs of the technical assistance remained limited.
- In *Peru*, the key state actor for coordination and development of decentralisation was the CND up to 2006 which was replaced by the SdD (attached to the PCM) in 2007 following a reorganisation of the government. All stakeholders interviewed agree that

¹⁴⁰Up to late 2010 the SEIP was called: Ministry of Governance and Justice (Secretaria de Gobernacion y Justicia, SGJ).

the SdD is not an effective institution to carry out the coordination for decentralisation. The former CND was better positioned (with its own minister) in the decentralisation system. The EC supported the CND (and later the SdD) as implementer of the AGORAH programme. And, from 2008, the PCM is supported by the EC funded Modernisation of the State (PCM) Programme. However, this support has remained quite low in terms of size, and overall, due to staff turnover in these key institutions and the low priority finally given by the government, the EC support has not lead to significant results in terms of contribution to the building up of central government's capacity for implementation of decentralisation.

In other countries reviewed, the EC has not provided direct support for capacity building of central government institutions for decentralisation.

- In *South Africa*, sufficient capacities clearly exist within the central government and the EC has naturally not worked on this level with these issues during the evaluation period.
- In *Nicaragua*, the Government approved a Decentralisation Policy in 2006 as a culmination of years with improving framework for policy formulation. This should be transferred into a decentralisation implementation plan, which has not yet been formulated. The current government does not support decentralisation implementation, so few resources are spent on this. The EC has only supported the development of a clearer framework for municipalities' functions in primary and secondary education in the programme PAPSE – this did not include support to central institutions for decentralisation.
- In the *Philippines*, it has until recently not been an area that EC has targeted, but with the new PFM project¹⁴¹ much more emphasis is on LG oversight and reform bodies (see bow below).

The role of the **oversight bodies** with regard to local PFM is further described in the **Joint Memorandum Circular 2007-1** (JMC 2007-1), issued by DILG, National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) and DOF. The JMC 2007-1 clarified the roles of the four oversight bodies in local planning, investment programming, budgeting, expenditure management and revenue administration, while trying to link these activities into an integrated cycle. Furthermore, it also serves as a springboard for reconciling existing and subsequent policies as well as it guides the oversight agencies in providing continuous and coordinated capacity building programs for LGUs.

At the end of 2009, the **Coordinating Committee on Decentralization** (CCD) was created to replace the abandoned JMC 1 committee. The CCD has become the body for policy and programme coordination as well as harmonisation of capacity building among the oversight agencies and the LGU Leagues. The CCD is best described as a collegial body of oversight agencies, consisting of DILG (chair), NEDA, DBM, DOF, the League of Provinces, the League of Cities, the League of Municipalities, the League of Barangays¹⁴², and the Union of Local Authorities¹⁴³. The CCD is meant to enforce the JMC 2007-1 and direct and oversee its implementation to ensure that its intent and purpose are carried on. Currently there is no equivalent coordination forum at regional level which could provide a crucial role in reinforcing coordination and communication between central and local levels.

To interface with the LGUs the oversight bodies rely on their **Regional Offices**¹⁴⁴ (ROs). The mandate of the ROs includes: (i) The provision of policy advisory and support services to the Central Office of their respective Department, Regional Development Councils and other regional policy-making bodies to promote sound PFM; (ii) Monitoring the fiscal, financial and budget performance of LGUs to ensure compliance with the LGC; (iii) Provision of advisory

¹⁴¹ Support to Local Government Units for more effective and accountable Public Finance Management- CRIS reference: DCI-ASIE/2011/022-691

¹⁴² Barangays are the smallest administrative entity with a population of minimum 2000 persons.

¹⁴³ LGU are three-tiers structure: 1) Provinces (81), Independent Component Cities (5) and Highly Urbanized Cities (33), 2) Municipalities (1 511) and Component cities (87) and 3) Barangays (42 008)

¹⁴⁴ The ROs cover the 16 administrative regions with an average of 6 provinces per RO

and technical assistance and support services to LGUs. To date, regional offices have focused mainly on their monitoring function to ensure compliance with the LGC.

Recent efforts/developments in the areas of revenue forecasting, performance based budgeting, Internal Control Systems (ICS)/Internal Audit Services (IAS) and monitoring and evaluation (M&E) are new territory for ROs. If strengthened, ROs could potentially play a crucial role with regard to the roll-out of capacity building programmes, provision of policy advice and back-stopping support to LGUs.

Source: PFM Action Fiche

- In *Lebanon*, it should be observed that none of the past EC projects had explicit objectives within this area: “*capacity building of central stakeholders for decentralisation policy formulation and oversight*”. It is only with the newly formulated municipal finance reform project that this becomes an objective of support. The overall assessment from people met was that the MoIM hardly undertakes a policy and oversight role – however, within the last year this has to some extent changed – partly because of a dynamic Minister (who later resigned in May 2011) and partly because of some donor financed support activities (UN, Italy and World Bank). It is the MoIM that is overall in charge of decentralisation policy support and oversight. To date it can be noted that these functions are only given scant attention by the Ministry that overall is mainly concerned with “Internal Affairs”: security and general central government administration rather than the role of municipalities. The responsible directorate (one directorate dealing with municipalities out of a total 18 directorates in the ministry) of the Ministry has only 30 staff members (compared to 350 intended positions) – and out of these 23 are contractual workers¹⁴⁵. One year ago the MOIM conducted an institutional assessment preparing a new organisational chart (with assistance from UNDP) for an organisation supposedly to deal with regulations, capacity building etc. The ministry currently doesn’t have the capacity – Italy is working with them (and Habitat) to develop curriculum for both staff and politicians at municipalities. Initial focus on larger municipalities and newly elected members. With support from the UNDP 43 TOTs were trained from MOI. The Ministry has done some policy work – e.g. been working on electoral laws – proportional law, women’s quota, redeveloped ballot – this is currently discussed by cabinet and parliament. The MOIM has with the NGO “Common Space” been working on a strategy for decentralisation workshop/dissemination to debate law on decentralisation – this based in part on “book with 100 questions on decentralisation” (supported by Italy) - some eight months from now the MOIM expects an overall proposal based on consultations and studies. The Ministry has also recently – through funds from the World bank – completed a major study on LG finance by the World Bank – all reports from these assignments are on the ministry’s website <http://www.moim.gov.lb/>.

Box 39 *Resignation of the Minister Baroud - Lebanon*

On 26/05/2011, Baroud announced that he would no longer continue his ministerial duties. Baroud’s resignation came after the developing events that occurred on Thursday between the Minister of Telecommunications in Lebanon Charbel Nahas and the Internal Security Forces unit that banned him from entering one of his ministry’s buildings. Baroud asked the personnel to leave the building, but his request remained unfulfilled.

His resignation speech included the following memorable statement: “*Since I no longer want to be a false witness or a caretaker minister with the duty to sign the ministry’s mail, which something an acting minister can do and since I don’t want to violate the constitution despite any political stance, I decided to free myself from my duties.*”

Sources – see http://en.wikipedia.org/wiki/Ziad_Baroud

¹⁴⁵ Interview Rabih El-Chaar, Adviser to the Minister 25th May 2011, Ministry of Interior and Municipalities. The following paragraphs are also based on the same interview.

6.1.2 Ind6.1.2 - Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved

Detailed evidence at indicator level

Overall, in countries where the EC has actively supported the capacities of the central stakeholders for decentralisation, the perception of LGs and CSOs about the evolution of these capacities is mixed. In some cases, the perception has changed during the evaluation period depending on the central governments' attitude to decentralisation and the role of CSOs and LGs.

In some countries (e.g. *Mali* and *Honduras*) the LGs and CSO's perception are quite negative. In only a few countries (e.g. *Rwanda* and *Benin*), the evaluation team has observed that LGs and CSOs see some progress in the central levels' capacity for decentralisation policy formulation and implementation. In many other cases (*Tanzania*, *Sierra Leone* and *Peru*) the appreciation is mixed.

The section below provides some details about the evidence gathered.

- In *Honduras*, civil society organisations, AMHON and local governments do not find that the government institutions for decentralisation (the present SIEP, and former SGJ) have capacity for policy formulation or management of the decentralisation process. This is mainly because of the large staff turnover and the inconsistent support to decentralisation from the GoH during the last ten years.
- In *Mali*, representatives of local authorities and civil society met during the field visit, expressed the fact that there is no doubt that there is little enthusiasm by the government to boost the decentralisation process, hence the limited results in this area.
- In *Rwanda*, the perception of the CSOs and NGOs is that the capacities of central government agencies have improved considerably over the past ten years. This is seen by the development of Decentralisation Strategic Framework and the subsequent Decentralisation Implementation Plans (DIP), that is now in phase 3.
- In *Benin*, the field visit interviews clearly show that it is the impression of most key stakeholders in the DLG process that the key central government bodies involved in decentralisation policy formulation and implementation, have improved capacities over the last years. The formation/implementation of PONADEC is an important element in this improvement. Several ministerial and inter-ministerial committees are being or have been put in place.
- In *Tanzania*, the extent to which central government stakeholders have improved capacities for implementation of decentralisation strategies is somehow debatable, as central government is increasingly being criticised by NGOs, by ALAT and some DPs for being effectively implementing the reform policy. For instance, this is reflected in the critique by CSOs and DPs of Government policy formulations related to the latest LG Act amendments, the Public Service Act sections dealing with LG staff and recent Constituency Development Fund.
- In *Sierra Leone*, the mayors and officials from two LCs met during the field visits agreed that the policy framework and implementation for decentralisation have improved, but there are still many issues left in particular for transfers of remaining functions and finances to LCs.
- In *Peru*, the persons interviewed at the regional level (Ayacucho) did not outline any major problem in the central levels' capacity to coordinate the decentralisation process. However, some of the CSO met highlighted the work done by other donors (such as GIZ or the WB) in terms of decentralisation while the EC support is less recognised. They also pointed out the improvements of capacities at the Ministry of Economy and Finance and the fact that the former CND (and the current SdD in charge of decentralisation) actually have not played any significant role in terms of the

decentralisation process. Moreover, several persons met highlighted the constant problems due to the turnover of staff in government institutions.

- In the *Philippines*, the arrangements for central government oversight and decentralisation policymaking are widely recognised by stakeholders as weak. This was confirmed in the NGO focus group discussion carried out during the field visit.

6.1.3 Ind6.1.3 - Existence and use of M&E system

Detailed evidence at indicator level

The experiences with M&E systems from countries reviewed are contrasted. It is noteworthy that partner countries tend to prefer the development of new systems without really coordinating and evaluating existent systems. Overall, only limited results from the support from development partners and the EC can be identified.

In some countries, like *Honduras* and *Mali*, the desk review and field visits did not reveal any positive results of the EC support for M&E systems related to decentralisation. The EC support has contributed to some results in *Tanzania* and some minor results in *Sierra Leone* and *Benin*.

Other countries (*Philippines*, *South Africa*, which both have not received EC support in this area) have rather well functioning monitoring systems.

The section below provides some details about the evidence gathered.

- In *Mali*, an M&E system (relying mainly on the OISE database) was developed with strong support by the EC. However, since the cessation of the system of CCC ("*Centres de Conseils Communaux*") in 2007, the database is actually no longer functional. Moreover, there was a failure to transfer it to the local authorities. Currently, the DNCT carries out the collection and centralisation of hard copies used for some of the data collection.
- In *Honduras*, a monitoring and evaluation system for the decentralisation process does not exist at central level. The GoH applies only a system for categorisation of the capacities of municipalities but unfortunately criteria shifted in 2006, so the changes in the categories do not give a correct indication of the development.

Table 34 *Municipalities according to category in 2002, 2006 and 2009.*

Category \ Year	2002	2006	2009
A	24	25	23
B	62	50	32
C	123	156	107
D	89	67	136

Source: SEIP

- In *Tanzania*, although central government capacities (or political willingness) for decentralisation policy formulation is by many stakeholders considered weak, improvements can be noticed in some areas related to the LGDG system such as the strengthening of the M&E system by the annual assessment system (which gives an up to date assessment of LG capacities and their adherence to GoT regulations) or the basic reporting system that has been put in place (which monitors fiscal transfers to LGs, their own revenue generation and expenditures)¹⁴⁶.
- In *Sierra Leone*, the MLG&RD has implemented at national level a functional performance assessment system for all local councils (CLOGPAS) measuring their performance in key areas e.g. councils meetings following the LG Act, functioning of planning with proper participation of the citizens, financial management, project management, procurement procedures and followed etc. Assessments exist for 2006

¹⁴⁶ Originally published at www.logintanzania.net and more recently www.pmoralg.go.tz

and 2008, but the progress was very limited. The assessment for 2010 will be published approximately in August 2011. The system is however focused on processes in the LC administration and the MLG&RD with support from UNCDF intends to establish a system with focus on results of the decentralisation process.

- In *Benin*, the overall M&E is generally weak but the annual sector review of decentralisation does concentrate on presenting updated M&E figures on the most relevant capacity building and fiscal decentralisation issues.
- In *Peru*, a systematic M&E system for decentralisation does not exist and the EC provides no support for the development of an M&E system for decentralisation. The only national monitoring is the extensive financial information managed by MEF (<http://ofi.mef.gob.pe/transparencia>).
- In *South Africa*, generally speaking the M&E situation in LGs is much weaker than within the central and provincial governments. However, PFM has improved both centrally and locally over the past ten years and central government M&E of LGs has also strengthened. This work has been supported by the EC but mainly under the PFM support to the National Treasury.
- In *the Philippines*, there have been multiple systems for M&E in existence for many years (see box below). The system has not been well maintained and it is for instance not possible to generate aggregate data trends for the long period it has been working. However, with the introduction of the PBGS it is likely that more attention will be paid to the use of this data, as it will influence fiscal allocations to LGUs.

Box 40 *LG Performance measurement in the Philippines*

The Local Governance Performance Management System (LGPMS) is a self-diagnostic tool allowing LGUs to track their performance in various areas of governance and compare this with other LGUs. In 2009, DILG and BLGF agreed to incorporate 11 out of the 19 Local Government Financial Performance Monitoring System (LGFPM) financial indicators in the LGPMS. Besides the financial indicators, there are currently no other indicators to gauge LGU performance in PFM or to evaluate the linkages between and effectiveness of plans and budgets. The LGPMS has now become one of the bases for decision making on loans granted by the Municipal Development Fund Office (MDFO) and the Performance-Based Grant System. The government also launched the Performance Challenge Fund for LGUs in 2010. This fund aims to recognise good governance performance particularly in the adoption of "good housekeeping" in the areas of planning, budgeting, revenue mobilisation, financial management and budget execution, procurement and resource mobilisation. A new tool, the "Seal of Good Housekeeping", was also launched in 2010.

Source: Action Fiche Support to Local Government Units for more effective and accountable Public Finance Management 2011

6.1.4 Ind6.1.4 - Development of intergovernmental / inter-ministerial relations in support of decentralisation policy

Detailed evidence at indicator level

All countries analysed during the evaluation (except *Lebanon*) have established an inter-ministerial committee (IMC) to support the decentralisation process.

The EC has supported these inter-ministerial mechanisms only in a few cases (*Mali, Sierra Leone, Benin*) and with mixed results. Overall, the evidence gathered during the field phase shows that, the IMCs real value in the decentralisation process remains low since they often do not have the necessary status in the government structure.

- In *Mali*, capacities for inter-ministerial initiatives remain quite low. As already mentioned in Indicator 6.1.1, the DNCT (in charge of the "decentralisation reform") and the CDI (in charge of the "state reform") are considered as weak structures to be further strengthened. Through the PARAD and PARADER programmes, the EC has provided substantial support to these two structures. But this support cannot compensate for the lack of will at the Prime Minister's Office and Presidency level to

develop "inter-ministerial initiatives". The attempt to establish an inter-ministerial commission on the transfer of functions and powers has illustrated the difference of perspectives between the different levels of authority. In particular, because of its insufficient institutional and political weight, the choice to give to the DNCT the responsibility of the inter-ministerial commission could only lead to a failure.

- In *Benin*, several ministerial and inter-ministerial committees are being or have been put in place in some cases with the support of development partners active in the area.
- In *Sierra Leone*, the IMC for coordination of the decentralisation, headed by the Vice President established in 2005, has not been functional and the inter-ministerial coordination is still very weak. Instead the decentralisation has been coordinated by the DecSec in the MLG&RD and the fiscal part by the LGFD in MoFED. As the DecSec will be mainstreamed in the ministry until mid 2011, no strong coordination unit will exist unless the inter-ministerial body takes up its role. The IRCBP has supported the coordination function of the decentralisation secretariat in MLG&RD included its ability to encourage the functioning of the IMC but it has not supported directly the IMC (headed by the vice-president).

The section below details the evidence gathered in countries where the EC has not explicitly supported the development of inter-governmental and inter-ministerial relations.

- In *Rwanda*, as illustrated in the implementation framework for the national decentralisation plan, inter-governmental and inter-ministerial relations have become quite elaborated and significantly improved in recent years.
- In *Peru*, the key state actor for coordination and development of decentralisation was the CND up to 2006, and from 2007 SdD in the PCM. An Inter Ministerial Committee was established in 2007 to coordinate – inter alia – decentralisation and IMCs have also been established in seven line ministries for decentralisation. The committees have had some importance for the coordination internally to the various sectors covered, but not for the overall coordination of the decentralisation process. The EC has not directly supported the inter-ministerial coordination mechanisms.
- In *Tanzania*, intergovernmental/inter-ministerial relations have improved during the evaluation period. These relations have become more rule bound as LGs have been granted formal autonomy in deciding in LGDG utilisation while central Government oversight role has been strengthened and operational through, for instance, the annual assessment system.
- In *Honduras*, the National Committee for Decentralisation (la Comisión Ejecutiva para la Descentralización del Estado, CEDE) was established in 1994. It has however not taken up the role to coordinate the decentralisation process because of the GoH's changing policy to decentralisation and a low priority of the GoH to reinforce the CEDE. Instead, the ongoing dialogue between the central government and the Association of Municipalities of Honduras (AMHON) has helped in the last decade to channel the demands of municipal authorities to the executive and legislative branches and coordinate initiatives from the government and municipal side. The parties signed a "pact" in 2006, which functions as an agreement for the continuation of the decentralisation process – although it has not been respected fully by the GoH.
- In *the Philippines*, the support to the development of intergovernmental/inter-ministerial relations has until recently not been an area that the EC has targeted, but with the new PFM project¹⁴⁷ much more emphasis is on LG oversight and reform bodies (see box below).

¹⁴⁷ Support to Local Government Units for more effective and accountable Public Finance Management- CRIS reference: DCI-ASIE/2011/022-691

Box 41 The support to the development of intergovernmental relations in new EC programmes in the Philippines

The role of the **oversight bodies** with regard to local PFM is further described in the **Joint Memorandum Circular 2007-1** (JMC 2007-1), issued by DILG, National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) and DOF. The JMC 2007-1 clarified the roles of the four oversight bodies in local planning, investment programming, budgeting, expenditure management and revenue administration, while trying to link these activities into an integrated cycle. Furthermore, it also serves as a springboard for reconciling existing and subsequent policies as well as guides the oversight agencies in providing continuous and coordinated capacity building programs for LGUs.

At the end of 2009, the **Coordinating Committee on Decentralization** (CCD) was created to replace the abandoned JMC 1 committee. The CCD has become the body for policy and programme coordination as well as harmonisation of capacity building among the oversight agencies and the LGU Leagues. The CCD is best described as a collegial body of oversight agencies, consisting of DILG (chair), NEDA, DBM, DOF, the League of Provinces, the League of Cities, the League of Municipalities, the League of Barangays¹⁴⁸, and the Union of Local Authorities¹⁴⁹. The CCD is meant to enforce the JMC 2007-1 and direct and oversee its implementation to ensure that its intent and purpose are carried on. Currently there is no equivalent coordination forum at regional level which could provide a crucial role in reinforcing coordination and communication between central and local levels.

To interface with the LGUs the oversight bodies rely on their **Regional Offices**¹⁵⁰ (ROs). The mandate of the ROs includes: (i) The provision of policy advisory and support services to the Central Office of their respective Department, Regional Development Councils and other regional policy-making bodies to promote sound PFM; (ii) Monitoring the fiscal, financial and budget performance of LGUs to ensure compliance with the LGC; (iii) Provision of advisory and technical assistance and support services to LGUs. To date regional offices have focused mainly on their monitoring function to ensure compliance with the LGC.

Recent efforts/developments in the areas of revenue forecasting, performance based budgeting, Internal Control Systems (ICS)/Internal Audit Services (IAS) and monitoring and evaluation (M&E) are new territory for ROs. If strengthened, ROs could potentially play a crucial role with regard to the roll-out of capacity building programmes, provision of policy advice and back-stopping support to LGUs.

Source: PFM Action Fiche

6.2 JC6.2 Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Main findings at JC level

Capacity building of local governments is the area within decentralisation support where the EC is most active. Support programmes in this area have been identified in **almost all countries studied** in this evaluation.

The improvement of local **capacities for planning** is the area where the EC has been most successful, with continuous support in this area over many years in most of the countries reviewed. The support has been provided through a variety of approaches, ranging from specific support related to the implementation of infrastructure programmes financed by the EC (e.g. *Lebanon*) and support provided within the framework of sectoral programmes (e.g. *the Philippines* and *Peru*), to broader support to planning capacities within local governments structures (e.g. *Benin* and *Tanzania*). The use of incentive systems in *Tanzania* has produced particularly interesting results and the system for annual assessments of LG performances gives regular M&E data on the results of the capacity building.

¹⁴⁸ Barangays are the smallest administrative entity with a population of minimum 2000 persons.

¹⁴⁹ LGU are three-tiers structure: 1) Provinces (81), Independent Component Cities (5) and Highly Urbanized Cities (33), 2) Municipalities (1 511) and Component cities (87) and 3) Barangays (42 008)

¹⁵⁰ The ROs cover the 16 administrative regions with an average of 6 provinces per RO

Some positive results have also been identified in a number of countries in terms of **improved financial management** in local governments. However, the impact of this support seems more mixed. In some countries, a major obstacle was the lack of human resources with basic skills; although some improvement can be recorded, decentralised structures remain weak. In several countries, the limited results can also be explained by institutional and fiscal constraints, the difficulty of promoting accountability (in *Benin*, the focus both of local authorities and Non State Actors is more on the service delivery rather than on accountability) and the lack of strong back-up of these efforts by national authorities. The best results appear to occur when incentives for LG performance are provided – as in the case of *Tanzania*. Similar systems for performance-based grant systems are, therefore, also contemplated in many other countries, such as in *Lebanon* at present.

Evidence of **improved HRM** due to EC support is even more limited. This has generally not been a priority area of EC support to decentralisation. Some limited improvements can be noted in countries where the EC, with other development partners, has funded decentralisation programmes of significant size (e.g. *Mali*) or, in specific sectors, where it has also provided wide support (e.g. *the Philippines*).

The EC support to **M&E at local level** has been provided in no more than half of the countries reviewed, with very limited results. In only three countries (*Madagascar*, *Sierra Leone* and *Tanzania*), M&E systems were actually set-up at local level. In these three cases, the use of the systems remains challenging, mainly due to the difficulties of developing a consistent system with reliable information that can be used by all relevant stakeholders. Different sectors, ministries and donors will frequently require LGs to report in separate formats, thus undermining efforts to establish general M&E systems at local level (see *Tanzania*).

Overall, capacity building of local governments has been a major focus area of the EC support to decentralisation during the period evaluated and, combined with efforts from other development partners, it is clear that this external support has made contributions in third countries that have strived to improve the capacities of local governments' staff and politicians. Although some areas remain weak, local governments increasingly have the minimum level of qualified staff and politicians that allows them to operate and perform their basic functions.

The most successful examples of capacity building are in cases where traditional training and other forms of capacity building are combined with additional resources to local governments that allow them to practise new skills and translate these into added outputs of the local governments¹⁵¹.

However, efforts in this area still face a number of challenges. First, it can be observed that overall staff performance is influenced by many factors other than those addressed by EC support (which typically addresses mainly skills gaps), such as low pay, various other disincentives in the public service, and the particular challenges related to staff working in rural and remote LGs. High levels of staff turnover are occasionally mentioned in EC reports as challenges, but these are clearly symptoms of wider problems in the public sector. Second, it can be noted that capacity building covers a wide range of activities and these are often supported by numerous development partners. This requires that coordination should be well organised, if possible in a harmonised framework with a precise division of labour. In some cases, it appears that capacities are undermined by too many uncoordinated capacity building efforts – for instance, when senior staff are constantly involved in workshops, seminars and study tours, making them too busy to work. Related to this is the importance of not disconnecting the support to local governments from the support to deconcentrated structures and, more generally, to national institutions, which ultimately have responsibility for the capacity building systems put in place. As in other areas, the back-up of capacity building activities by national authorities is crucial to sustaining the potential impact achieved.

¹⁵¹ A finding similar to, for instance, the one in page 10 of the OECD 2004: Lessons Learned on Donor Support to Decentralisation and Local Governance (DAC Evaluation Series).

6.2.1 Ind6.2.1 - Evidence of improved financial management in local governments

Detailed evidence at indicator level

Support to PFM is among the priorities of the EC support and, at LG level, several support activities have been identified. The EC support had some results in *Mali*, *Sierra Leone* and *Tanzania*. While the results of support provided in *Cambodia* and *Benin* are less clear. There was no tangible contribution to improved financial management in *Peru* and *Honduras* during the evaluation period.

Examples of cases with some contributions to improved financial management:

- In *Tanzania*, the LGDG has contributed to improvements in areas of improved financial management (clearly reflected in the improved audit reports from Auditor General and annual LG assessments), as well as in improved development planning (increased public participation, more comprehensive plans that are better linked to budgets, as reflected, for instance, in the results of the annual LG assessments).
- In *Sierra Leone*, the IRCBP has worked intensively with capacity building for the LCs, in particular with financial management and revenue collection. The IRCBP has a staff member (coach) in each LC, who is also supporting the councils in the planning process and on M&E. Further, the programme has occasionally financed staff in the LCs, e.g. procurement officers. By 2010-2011 all 19 local councils fulfil the LG Act's requirement for financial accountability and transparency compared to none in 2004 (IRCBP RF indicator 0.1). All councils are able to implement investment projects with satisfactory financial and contractual management compared to 14 in 2008 and only around five in 2005 (IRCBP RF indicator 6.1).
- In *Mali*, local governments and especially rural ones, which form the vast majority, are still very weak when it comes to the PFM issues. The 2011 assessment report on decentralisation¹⁵² points out weaknesses in the capacity of local authorities. Mismanagement of public funds is often cited. The report actually mentions the perception of the citizens about the management capacity of LG and does not present trends in the evolution of local government capacities. Evidence collected during the field phase (in particular interviews with a variety of stakeholders) shows that significant improvements have actually taken place over the period 2005-2010.
- In *Madagascar*, the ACORDS programme has supported local governments through a grant system in the southern regions of the country with some positive results as illustrated by the audits carried out in both supported and not supported LGs during and at the end of the programme. The box below provides further details on the system put in place in the context of the programme.

Examples of cases with mixed results or no strong evidence of positive results:

- In *Benin*, the PRODECOM and PACTE have put an important emphasis on capacity building issues for LGs with some positive results in terms of consolidating the local capacities. In particular, local Government training is carried out through CEFAL (*Centre de Formation pour l'Administration Locale*) and has been underway since 2008. The emphasis on enhancing PFM capacity of national, regional and local level is now a top priority of EC support within the governance sectors. However, decentralised structures have remained weak. For instance, the results of the PEFA carried out in 2007 show that the general PFM is very poor. Fund utilisation and accounting of these, under the FADeC and other sector resources at LG level, are very weak. There have thus been some results but the overall level of the capacities at local level remains low.
- In *Cambodia*, financial management in LGs is still considered very weak and large amounts of local spending is channelled in parallel to LG structures. The EC has supported a range of broad capacity building interventions - thousands of Commune Councillors, central, provincial and district officials, and representatives from the

¹⁵² Etude sur le bilan et les perspectives de la décentralisation au Mali (2011).

NLC/S and the 24 PAC/S have benefited from capacity development activities and attended specific trainings including advocacy, conflict resolution, gender, project planning, M&E, financial management, and the Organic Law on sub-national administration – the exact impact of training is not documented in the available literature.

- In *South Africa*, the Delegation (with support of an international team of experts) initiated and implemented jointly with National Treasury a PEFA assessment in 2008. Weaknesses were identified in relation to public procurement, accounting for tax arrears and reporting from front-line service providers and especially at LG levels. In addition, the report highlighted the poor predictability of donor flows and weaknesses in mutual accountability. The PEFA initiative furthermore served as a platform for the re-launch of focused dialogue between the Government and donors going beyond PFM. High quality PFM is a key determinant in delivery of cost-effective social services. A MTR of the ongoing PFM improvement programme found that the programme is delivering good results in terms of the development of diagnostic tools and capacity building in areas such as budgeting, internal control and risk management. Pilots have also been conducted with a view to rolling out PFM improvements in provinces and municipalities. Human resource capacity weaknesses, particularly at the lower levels of Government, present a formidable challenge. Government has now embarked on a “clean audit 2014” campaign so as to focus attention on the task ahead.

Examples of cases with **limited results**:

- In *Peru*, apart from some activities in the regional programme AGORAH, the EC has not supported financial management in regional or local governments during the evaluation period. Interviews with the regional administration in Ayacucho and former project staff show that the AGORAH programme has not lead to any significant results regarding the capacities of the regional governments (in particular in terms of PFM) as the programme mostly dealt with execution of infrastructure investments with little involvement of the regional administration and LGs.
- In *Honduras*, there is little evidence of improvement of municipal financial management. The Court of Accounts (*Tribunal Superior de Cuentas, TSC*) has in recent years only been able to audit 44 municipalities each year (15%), although their ambition is to carry out an audit in each municipality every second year. There is no systematic follow up of the recommendations generated by the audit. TSC, SEIP and AMHON agree on the problems with financial management and arrange together numerous capacity development activities, but apparently without a good assessment of the needs according to some participants met during the field visit. The EC has not supported directly financial management in municipalities.

Results of **sectoral support** – the case of the *Philippines*:

- In *the Philippines*, it can be observed that LGUs have been granted significant autonomy in the management of their affairs and that they are established with significant different structures and resource endowments. LGU capacity variations therefore are of great magnitude. In addition, it can be observed that Central Government supervision and monitoring of LGUs is restricted to the Provinces (80), which in turn are supposed to undertake some monitoring of municipalities (1,496), which in turn have some oversight of the Barangays (around 42,000). The EC support has primarily focussed on PFM within the health sector at provincial levels. There are no comprehensive benchmarking or e.g. Public Expenditure and Financial Accountability Assessment (PEFA) scores of LGUs over time that would allow a systematic assessment of financial management practices across the many LGUs in the *Philippines*. But the impact of the support on overall PFM in LGUs appears to date to have been limited as illustrated, for instance in the 2009 MTR of the Health Sector Policy Support Programme (see extracts below). It appears as if the Health Sector Support to PFM was constrained by wider PFM issues within the LG sector that could not easily be dealt with in a health sector programme – like the overall budget

constraints of the LGUs (the MTR notes “the LGU’s need for focused assistance in developing their capabilities for revenues generation to support increased investments was likewise apparent”) and wider institutional and fiscal constraints for e.g. creating an LGU internal audit unit, which the MTR notes is “*neither financially nor operationally feasible, given resource and institutional constraints, which restrict most LGUs from legally setting-up a new office with the desired personnel complement and attendant operational budget support, when they have already reached or exceeded the mandated ratio of personal services budget to total budget*”.

Further information on two cases (*Madagascar and the Philippines*).

Box 42 The ACORDS programme and the related grant system for LG put in place in Madagascar

The ACORDS programme adopted a principle which could be summarised as follows: “*Put the money at the centre of the approach*” and which is well documented in the project documentation available. Instead of building capacities first and then transfer the money, the approach adopted in the ACORDS programme is, in a certain way, reverse: the money is put in place (into the municipal budget) at the outset. This is supposed to bring about:

- a capacity building effect based on “**learning on the job**”;
- a significant change in the **role of the Implementation Unit** in charge of the programme, which had to evolve towards becoming an adviser and facilitator of this learning by doing process.

Moreover, the “rules of the game” were designed so as to activate linkages and joint work among institutions involved in public service delivery (fostering of inter-institution cooperation) and avoid ad-hoc support mechanisms disconnected from the overall framework in which evolves the LG.

The programme covered nine regions in the south of *Madagascar* and took place in **two major phases**:

- **Phase 1:** this phase aimed at linking the **selection** of the LG for the grant systems as well as the funding of intermunicipal objectives to a wide **dialogue** involving the various categories of local actors (e.g. regional authorities, consultation bodies - GTDR¹⁵³, LG, target population). This process led to the selection of 267 eligible LG for the grant system (via two rounds of call for proposals) and the identification of 172 groups of eligible intermunicipal objectives to be further assessed for financial support.
- **Phase 2:** this phase aimed at accompanying the **implementation** of the eligible LG's three-year investment plans (“Plan d’Investissement Trisannuel” - PAT)¹⁵⁴ and the selection process, and ultimately the implementation, of 35 intermunicipal actions.

LG were selected for the financial support to the implementation of PAT according to **four types of criteria**:

- **Financial and operational capacity of the LG:** this is to assess the following capacity of the LG: 1. Experience in project management; 2. Technical experience; 3. Management capacity (e.g., in terms of personnel, equipment, ability to handle the budget of the action and the information provided in the original 2005 budget and the 2004 administrative accounts); 4. The availability of funding sources other than the state subsidy presented by the LG as a contribution to the PAT.
- **Relevance:** This is to assess to what extent the PAT responds to the concern of improving access to basic services. Particular attention was paid to possible synergies between the actions in the framework of the PAT and the ones of the clusters to which

¹⁵³ Groupes de Travail pour le Développement Rural.

¹⁵⁴ The implementation of the PAT actually followed a five step process: 1/ identification of the planned actions; 2/ Formal submission of a grant proposal; 3/ Approval (by the various bodies involved in the call for proposals Committee) and Financing (supervised by ACORDS Programme Implementation Unit); 4/ Actual implementation of the investment plans (following a structured process in sub-phases); 5/ Financial and Technical audit.

the LG belongs and that were set in place for the contribution to the creation of a pool of development.

- **Methodology:** The aim is to evaluate the involvement of the target population in the design and implementation of the PAT, the transparency in the overall management of the LG, etc.
- **Sustainability:** This is devaluing the extent to which organisational and management practices tested in the implementation of PAT, may be appropriate by the commune and applied outside the programme ACORDS.

In particular, the ACORDS programme aimed at **strengthening public financial management** at LG level through different mechanisms:

- As a precondition for receiving funds, a requirement was to have a “*Secrétaire Trésorier Comptable*”.
- Capacity building based on a “learned on the job” approach: Practical learning about “how to do” what “needs to be done” “at the right time”.
- The need to respect the deadlines in the preparation of budgets & accounts, their approbation by the Municipal Council and their publication.
- The development of procurement guidelines tailored to rural communities (the guidelines were eventually adapted and used at national level).
- Implementation of technical and financial annual audits.
- Linkages between municipalities and territorial administration were developed in order to assure: Funds management (municipalities); Internal control (Council); External control (“*Contrôle de légalité*”) and financial and accountable backup (District).
- Public discussions of audits results including executive municipal board, population.

Box 43 PFM at LG level in the Philippines - Extract from MTR 2009

HSPSP extends support to DOH, DBM and Provincial Local Government Units (PLGUs) for the improvement of overall public finance management (PFM) with health sector development as the initial focus or entry point. Sector budget support at the local level is a new development financing approach introduced by the EC aimed at boosting the sector wide development for health in accordance with the national F1 agenda....

At the local level, PFM activities were determined in consideration of the PLGUs’ different levels of development, resource availability, absorptive capacity and competence. Specific interventions are defined in line with the devolution concept and the sector development approach to health (SDAH) and spelled out in a Memorandum of Agreement (MOA) and Service Level Agreement (SLA) between the Department of Health and the concerned PLGU.

There was an observed general increase (from a low of 3% to a high of about 7%) in participating PLGUs’ annual budgets for health from 2007 to 2008. These increases were on top of the HSPSP budget support to the provinces. Local Chief Executives (LCEs) appeared encouraged to step up local investments on health as a result of the programme. However, the LGU’s need for focused assistance in developing their capabilities for revenues generation to support increased investments was likewise apparent.

Tremendous delays in initial fund releases were experienced due to the following: a) circuitous and lengthy processes involved in complying with the requirements for programme fund disbursements; and b) an observed lack of levelling of understanding of the programme implementation operational procedures. In addition, insufficient attention was given to tap and develop the potentials of the CHDs and DOH Reps in programme coordination and monitoring. As a result, the desired PFM and PFM-related intermediate results were not realised within the time frame specified in the Financing Agreement. The dampened enthusiasm and support of LCEs and other programme stakeholders was likewise observed. (from MTR 2009, executive summary)

6.2.2 Ind6.2.2 - Evidence of improved planning in local governments

Detailed evidence at indicator level

Local planning and, in particular the participative and consultative dimensions, has been supported by numerous development partners including the EC and CSOs for many years within decentralisation programmes and sector programmes.

The present evaluation reveals contribution from the EC in all countries studied. The situation has improved substantially in five countries (*Mali, Sierra Leone, Senegal, Tanzania* and *South Africa*) and in some extent in three countries (*Benin, Rwanda* and *Lebanon*). EC support to sectoral programmes has also improved local planning as illustrated in *the Philippines* (support to the health sector) and in *Peru* (PASA support to agriculture and rural development).

- In *Tanzania*, the planning exercises have over the last ten years become more comprehensive, more consultative, more oriented to development, increased public participation and with better linkages between budgets and plans. The incentives in-built in LGDG (supported by EC) is widely recognised as having contributed to this. The improvements are e.g. reflected in the results of the annual LG assessments.
- In *Mali*, planning from district to local government levels has improved over the past ten years with development plans being drawn up and coordinated between various levels of local government (although planning seems to remain however a very bureaucratic and technical process). The national local government investment fund (ANICT) infrastructure projects now involve more the local communities in planning and decision-making surrounding the planning process. All LGs have their "plan de développement économique et social". In most "Communes", specific support has been provided by various organisations to design these plans. Results have been heterogeneous, depending on the capacity of the consultancy or the NGO involved. In many cases, involved organisations substituted for LG in the design of these plans instead of accompanying them in this work.
- In *Sierra Leone*, the IRCBP has worked intensively with capacity building for the LCs in particular with financial management and revenue collection. The IRCBP has a staff member (coach) in each LC, who is also supporting the councils in the planning process and on M&E. Further, the programme has occasionally financed staff in the LCs, e.g. procurement officers. Most councils were in 2010 able to prepare their three years development plan following the official guidelines and with involvements of councils and wards development committees (WDCs). Before 2004 local development plans did not exist, as district councils were not established and cities were managed with centrally appointed management committees.
- In *Senegal*, the EC programmes have had a positive role in local development planning. The development of Local Development Plans is done in a participatory manner. Some of the LGs already had their Development Plan (PDL) but others did not. Many of the rural communes (38) were supported in designing these plans. Other rural communes were supported in preparing their Local Investment Plan (LIP) and Annual Investment Plan (AIP). The various communities are to a large degree involved in this process.
- In *South Africa*, the EC and other donors have put a lot of attention on increased capacity at local level in planning and especially through the LED programmes. Municipalities are required by law to produce annual IDPs. Release of funding is contingent on these plans. These now include local economic development plans. The EC has supported the development of this planning capacity through the Education and Training Unit (ETU) Local Government Toolkit, the Capacity Building Grant (CBP) Ward Committee capacity development. The three provincial LED programmes provided support for the development of IDPs, LED plans, and other planning initiatives at local government level.

- In *Benin*, increased local development planning was an objective of PRODECOM. The priority under PACTE has been to further develop capacities at national and local level. Basically all municipalities have development plans today but since the relationship between plan and budget and the level of budget execution is still very low it is a sign of very serious capacity problems in terms of planning.
- In *Rwanda*, local planning has improved over the past years by becoming more participatory and more comprehensive. This has been supported by the EC through the DPRPR both through the district support and through Ubudehe. The Rwandan model emphasises a strong mobilisation of the population in planning and accountability, which has the effect that the administration must react to ad-hoc requests for information, participation of leaders in government meetings and the need for multiple explanations or defence of administrative decisions. However, the participatory approach has put strain on the administration staff, which simply doesn't have time and resources to respond to the aforementioned requirements. But the administrations of a district with its small number of staff (part of the personnel are under the control of central Government) is not able to ensure effective administration and at the same time contribute to achieve a broad and deep participation of the people at all levels.

Box 44 *The Ubudehe Fund Allocation and Utilisation Process*

The training of trainers was conducted at different administrative levels (Umudugudu/village, sector, district and national level). These trainers are responsible for monitoring, while the population led by trainers at the village level analysis of poverty situation of the village, is a prioritisation of needs, identifies and categorises the poor. This is done using a social map of the village using local symbols. These maps are plotted on tissue stored in the coordinator of the village.

After the participatory analysis of problems of the village, village members are developing a community project at the village level where the document contains a list of households and their categories of poverty and housing, prioritisation of development projects for the village, the details of the logical framework and budget showing the local contribution to priority projects.

Aware of this process, the population also chooses the poorest household, but having the ability to move from one category below the poverty category. Supported by village-level trainers, this household is also developing a project using the methodology mentioned above. The programme finances the subproject Ubudehe household on condition that they promise to the village a real contribution in economic development activities at village level.

After this process, funds are disbursed from the account at the BNR Ubudehe to accounts of the districts, which, in turn, transfer them to open accounts in the villages for this purpose in the local credit unions. The amount given to the various villages and poor households is the same throughout the country (respectively nearly 1.000 EUR and 100 EUR).

The village council elects a committee for financial and technical management. This committee is responsible for tracking the use of these funds to the village and report to the executive committee of the sector that sends these reports to the district with a letter. The reports outline areas for districts are developed by trainers across sectors (agricultural sector) that are responsible for monitoring and other technical Ubudehe in all villages in the area, through the Community Development Committee (CDC) sectors and cells.

In the follow-up, trainers provide training areas at village level by grouping cells especially with regard to monitoring data updates villages. There are also briefings, at the sector/district, on the use of funds.

- In *Lebanon*, the EC has through its support sought to build capacities for local planning in various ways. However, the support has been limited to interventions leading up to implementation of the intended local EC supported infrastructures/project – rather than broader and general development of planning

capacities within the local government structures. One of the key components of the support under LOGO project was the establishment of the 12 regional development offices – these were intended to form the basis for the LG clusters planning for project interventions as well as a long term planning capacity. However, virtually none of these offices are operative today. Some stakeholders argued that the project set-up and methods of contracting out responsibility for “capacity development” delivered poorly – see box below.

Box 45 Results of the capacity development component

The EC had ideas about the development office functions that were not clearly supported by law or coherent with it. The supported project built offices, established one local planner, tourist maps (atlas cartographique¹⁵⁵) office equipment, communication strategy (TV spot, news paper article) and establishment of links with European cities.

Assistance for the Rehabilitation of the Lebanese Administration (ARAL) prepared LOGO I, this included support to 12 clusters of municipalities, 12 development offices and support to one project per cluster. LOGO II supports the implementation of the projects – there was significant time lack between the different phases (from planning to implementation) and communities and municipalities didn't clearly see the linkages.

Implementation on the ground was in practice not corresponding the overall philosophy of the project.

The development office concept indicated “partnerships with communities and municipalities”, however, when the project started, they realised that Municipal Councils (MCs) were not involved in the design. Their assumed contributions and responsibilities were not sufficiently anchored in realistic assessment of the MCs capacities. In execution stage no effective involvement of “platforms” – contractual issues always took priority over concepts. These problems are not clearly stated in M&E reports but my own reflections. These types of reflections were not encouraged as the EU stuck to bureaucratic reporting requirements. (Interview Adviser, Ministry of Administrative Reform, LOGO)

In contrast, the ESFD evaluation suggest that the ESFD was (more) successful in establishing participatory planning – most likely because the ambition was more modest: to use the existing municipalities for planning and delivery of projects – rather than seek to establish “clusters” of local governments for planning more “strategic” projects as under LOGO.

Community Development interventions built a sophisticated and sustainable participative methodology able to achieve notable results in term of needs analysis, problems definition and planning. The ESFD strategy for community development has been based on working through municipal councils rather than the common pattern of through NGOs. This was a new strategy for the *Lebanon*. As Municipalities have legitimacy with the population. The process of local development planning and preparation of the Community Development sub-projects was based on an intensive process of mobilisation, preparation and formulation involving both local municipal councils and beneficiary communities. A participatory approach to needs assessment was applied by ESFD involving the beneficiaries in the preparation of projects, and which they perceived as of benefit to them. The field visit and consultations confirmed that the process was followed although it took considerably longer than planned by ESFD. (ESFD Evaluation page 18)

- In *Peru*, most stakeholders observe that, in general, the planning mechanism and its implementation have improved. The EC funded programme PASA has supported the participative planning mechanism at the local level in three regions (Ayacucho, Huancavelica and Apurimac) and may have contributed to improving capacities in this regards. But overall impact during the evaluation period seems rather limited. Apart from activities in AGORAH, the EC has not supported financial management,

¹⁵⁵ ARAL: Preparation de projet d'action municipale dans un cadre planifie de developement local

planning, HRD/M or M&E in regional or local governments directly during the evaluation period. Interviews with the regional administration in Ayacucho and former project staff showed that the AGORAH did not lead to any significant results regarding the capacities of the regional governments in terms of PFM, HRD and M&E, as the programme mostly dealt with execution of infrastructure investments with little involvement of the regional administration and LGs.

6.2.3 Ind6.2.3 - Evidence of improved HRM in local governments

Detailed evidence at indicator level

Evidence on improved HRM is limited. Only one clear case (*Sierra Leone*), where the EC has provided direct support (actually via a WB-managed trust fund) and HRM/D has improved, has been identified. Some minor improvements are also seen in *South Africa*, in *Mali* and to some extent in *Philippines* through the health sector programme. Apart from these countries, the EC has not supported HRM/D in countries analysed during the evaluation.

The case of Sierra Leone

In *Sierra Leone*, the IRCBP has worked intensively with capacity building for the LCs in particular with financial management and revenue collection. The IRCBP has a staff member (coach) in each LC, who is also supporting the councils in the planning process and on M&E. Further, the programme has occasionally financed staff in the LCs, e.g. procurement officers. The core staff of local governments (chief administrator, finance officer, accountant, planning officer, procurement officer, monitoring and evaluation officer, engineer, etc.) are still paid by the central government ministries, but they are now accountable to the councils instead of the line-ministries they responded to before the devolution. But most important the programme has also strengthened the role of the chief administrator as HRD/M manager.

The case of South Africa

In *South Africa*, the availability of suitable skilled and qualified personnel at local level is a continuing problem. There are HR systems, procedures and guidelines. Annual Auditor-General audits monitor HR appointments as well as financial matters. The effectiveness of HRM may not be monitored. While the EC has not worked directly with HRM issues at local government level there has been support to HR issues both through training of councillors at ward level and through larger sector programmes, which were not reviewed during the mission. EC support has meant training at LG level for planning, LED and other issues – concepts and procedures in terms of participation, planning and management of the collective and individual initiatives.

The case of Mali

Interviews with resource persons from organisations who have been supporting the LG for several years, gave a mixed picture. Although the rotation of elected officials is a reality, it seems that there is a significant improvement in the capacity of the elected officials who are in their second term.

The level of human resources has been significantly improved with the LG civil service ("*fonction publique territoriale*"). But this shift of status from LG employee to civil servant has been accompanied by an improvement in their remuneration and benefits without the resources of LG being increased. Consequently, the share of the operating budget for salaries increased at the expense of other budget lines, e.g. operations and investments.

Overall, although weaknesses remain, LG have the minimum level of staff that allows them to operate and assume their basic functions: administration and overall management of the institution, services related to the civil status, monitoring of investments.

The capacity of LG also depends on support available, support supposed to balance the weaknesses of their human resources. The system "*Centres de Conseils Communaux*" (CCC) was established when the "*Communes*" were created (in 2000), mainly with funding from the EU. This system was intended to be temporary (three years), the time that elected

representatives and local administration got used to their new functions and define a suitable and sustainable way of working.

But the CCC was maintained until 2007 and the phasing out from the CCC system was not sufficiently prepared. The development of "pools of decentralized technical units" (available upon request of LG) does not work.

Several reasons may explain this situation. First of all, efforts in this area are hampered by the low motivation of central government officers. For these officers, support to LG is not an obligation and it is a way to request high fees for their services at a level which is often prohibitive for LG. This brings us back to the issue of the low commitment of the central government to accompany the decentralisation process and the weak coordination between the central government bodies and the various stakeholders at the decentralised level. The second factor is the low capacity of the deconcentrated services' staff itself which is not prepared to play this role of support and advice to LG. Finally, LGs need to prepare a three-year plan of their need in terms of support and technical advice. This plan is required to obtain a Provision for Technical Support (managed by the ANICT) which enables them to pay for specific technical support. Few LGs manage to produce these plans, and they appear more like a series of training rather than a real plan for capacity building with an analysis of the needs of these LGs to improve their action.

A self-assessment system had been introduced in the early years of the decentralisation process. This system allows LGs to measure their strengths and weaknesses and identify actions to strengthen their implementation capacity. This tool, developed by SNV and other partners, has been well used in the LG supported by the DPs. Unfortunately, it seems no longer used.

An interesting action for capacity development of LG has been the establishment of the Training Centre for Local Authorities, the CFCT ("Centre de Formation des Collectivités Territoriales"). The centre has been supported by Germany and the EU. It provides an essential response to capacity development as a sustainable tool for basic training and refresher courses for LG staff and elected officials. However, it has faced several problems: it is designed to train "category C" employees. Management officers, "category B" and "category A", are trained at the ENA, the national school of administration. The partners had asked before starting financing the CFCT that this issue should be solved so that the CFCT could form all types of LG employees. An agreement was reached, but only for three years: the problem will thus appear again. Another issue is that the funding of the CFCT depends on the ANICT. The CFCT should have an autonomous budget and not depend on the goodwill of the management of the ANICT to finance its operations. It is important to underline that the ANICT depends essentially on external funding.

The case of the Philippines

In general, it can be observed that LGUs in the *Philippines* have been granted significant autonomy in management of their affairs and that they are established with significant different structures and resource endowments. LGU capacity variations therefore are of great magnitude. In addition, it can be observed that Central Government supervision and monitoring of LGUs is restricted to the Provinces (80), which in turn are supposed to undertake some monitoring of municipalities (1496), which in turn have some oversight of the Barangays (around 42,000). Central Government institutions for LGU oversight are furthermore rather weak and consolidated statistical indicators on LGU performance are therefore very scanty. Most of the academic literature on LGUs is therefore also based on case studies rather than aggregate data.

In the following sections we explore key areas of LGU capacities with particular emphasis on areas where the EC, through the health sector interventions (incl PFM) and SPF, has sought to address capacity issues.

HRM is almost fully devolved in the *Philippines*: LGUs have full responsibility for hiring and firing etc, although Central Government maintains a significant role in e.g. setting overall service conditions. LGUs face several key challenges regarding their HRM, this includes

evidence of relative overstaffing (compared to fiscal resources available), problems related to payment of the stipulated health staff incentives (The Magna Carta for health workers) and special challenges for poorer and more marginalised LGUs in attracting and retaining sufficient skilled health staff. The EC has, through its support, supported HRM through training and capacity building but not addressed the above broader and more fundamental challenges, as that is beyond what can be done within a health sector specific intervention.

Box 46 *General HRM issues in LGUs in the Philippines*

The World Bank notes that, as a rule of thumb, when the expenses for personal services (PS) of the public sector rises over 25% of total spending, governments risk reducing their effectiveness by cutting down expenditure for nonwage costs such as those for goods and services, maintenance, and capital expenditure. In the *Philippines*, PS accounted for an average of 45% of total LGU spending in 2000-2007 while Maintenance and Other Operating Expenses (MOOE) and (Capital Outlays) CO accounted for 37% and 18%, respectively. The budget share of PS was highest for municipalities (53%), followed by provinces (46%) and cities (41%). Lower income class municipalities tend to have higher PS spending. The situation is worse in LGUs which use job order hirees (who are charged against MOOE) to work on tasks that would normally be assigned to regular employees in order to avoid exceeding the PS cap. Section 325 of the Local Government Code (LGC) provides that 1st to 3rd income class LGUs should not budget more than 45% of its total annual income from regular sources in the preceding fiscal year on PS. For 4th to 6th class LGUs, the limit is 55%. Many LGUs fail to comply with the PS cap. 58% of provinces, 40% of cities and 75% of municipalities exceeded the PS cap prior to the application of the waivers in 2007 on certain PS expenditure items from the computations to measure compliance with the PS cap. Regardless of level of local government, the percentage of LGUs that are not able to meet the PS cap requirement tends to be higher for LGUs belonging to the lower income categories than for those belonging to the higher income categories (ADB TA Report 2010, Paper on “Efficient and Effective Mobilization and Management of Resources by LGUs” page 8)

Box 47 *Specific health sector HRM issues in the Philippines*

There are shortages in the availability of physicians and nurses despite the fact that the *Philippines* is one of the largest exporters of health personnel in the world. The Magna Carta for health workers, which was created to provide incentives for health workers, has reduced financing flexibility for LGUs, and created inequities vis-à-vis both national and LGU levels and distorted incentives for health and other local workers. Dual practice of public physicians and balanced billing impacts on public sector access, efficiency and overall health system and OOP costs. (WB 2010, page 83)

ADB 2010 TA Report¹⁵⁶:

Under the Magna Carta of Public Health Workers (Republic Act 7305), PHWs are granted subsistence allowance, laundry allowance, night-shift differential, hazard pay, and longevity pay. These benefits being substantial, many LGUs have not been giving them all and/or in full. Less than 50% of provinces, cities and municipalities gave the subsistence and the laundry allowance at the prescribed rates in 2007. The number of LGUs giving the hazard pay at the correct rates is even smaller.

The Magna Carta of PHW is an especially sensitive matter at the local level as it creates conflict between the LCE and other officials, on one hand, and the PHWs, on the other, when the Magna Carta allowances are not granted in full or not granted at all. There are many reports of cases filed in the courts or Ombudsman against LCEs and other officials by PHWs due to non-implementation of the Magna Carta benefits.

¹⁵⁶ paper on “Efficient and Effective Mobilization and Management of Resources by LGUs” 2010, page 11.

6.2.4 Ind6.2.4 - Existence of monitoring and evaluation system and evidence on the use of information produced at local level

Detailed evidence at indicator level

EC support to M&E at local level has been provided in five of the countries reviewed with limited results.

Support for M&E at local level is provided with other DPs in *Madagascar*, *Sierra Leone* and *Tanzania*. Direct support to M&E systems is provided from the EC in *the Philippines* and *Honduras* as part of the support to the health sector and as technical assistance in the PROADES, respectively. In *Mali*, a national M&E system was developed with the EC support and was meant to be used at local level, but the database is no longer functioning since 2007.

South Africa has built a system for M&E without EC support, which functions for some of the larger and urban municipalities, but not the smaller.

The evidence gathered thus shows that the support so far has actually contributed to successfully setting up of only three systems (*Madagascar*, *Sierra Leone* and *Tanzania*). Information gathered also shows that these systems are actually not really used and the system in the second country is incomplete.

It appears that several conditions have to be in place for such systems to work at local level, in particular: systematisation of data collection, availability of disaggregated data, qualified staff as well as willingness of the staff (incl. mayor and councillors) to apply the system.

- In *Madagascar*, the ACORDS programme had established an M&E for the programme and also allowed to monitor the programme's impact on sector policies. This tool has been implemented in the regions and departments but it has so far not been used because of instability particularly in the regions.
- In *Sierra Leone*, the IRCBP has a staff member (coach) in each LC, who is also supporting the councils in the planning process and on M&E. An M&E system for the local councils planning system exists and training is ongoing for its use but it has not yet been implemented with data and for information use.
- In *Tanzania* the development of proper M&E tools has been challenging. A so-called LGMD is established for M&E of services, a PLAN-REP system for M&E of planned inputs/outputs. However, there are significant challenges in making consistent use of the systems and in making the information usable at both local and central level. Another weak area is development of consistent local M&E systems. Several systems have been introduced – most frequently through sector specific initiatives and frequently in an uncoordinated manner at LG levels. The quality of local data on many key issues is weak and not used in a systematic manner for decision making – the LGDG however did not explicitly target this area for support, although it included it as one of its annual performance criteria (see box below) and in this manner provided some incentives for LGs to use M&E systems.

The PMO-RALG guidelines require LGs continuously use the Local Government Monitoring Database (LGMD) in monitoring development outcomes so as to inform decision making and policy formulation at all levels. In FY 2008/09, 105 (83.7%) effectively used the system while 27 (16.2%) did not. It was reported in most LGs that the LGMD system had broken down and was hence not functional.

Source: Annual Assessment Synthesis Report, PMORALG 2010, page 21

- In *Mali*, the OISE database (national M&E system supported by the EC) was theoretically intended to provide information to LG and not just to the national level. However, during the period when it was functional, LG were asked to feed the database but no information was returned to them. In 2007, the end of the system of "Centres de Conseil Communaux" lead to the end of the national M&E system.
- In the *Philippines*, central Government supervision and monitoring of LGUs is restricted to the Provinces (80), which in turn are supposed to undertake some

monitoring of municipalities (1496), which in turn have some oversight of the Barangays (around 42,000). Central Government institutions for LGU oversight are furthermore rather weak and consolidated statistical indicators on LGU performance are therefore very scanty. Most of the academic literature on LGUs is therefore also based on case studies rather than aggregate data. The relevant EC support is the health sector interventions (incl. PFM) and SPF have sought to address capacity issues. Information and data management systems are in place at the LGU, hospital and Rural Health Unit (RHU) levels (Hospital Management Information System (HOMIS), Community Health Information Tracking System (CHITS). According to the WB a very serious deficit exists in the available information for monitoring the performance of the service delivery system, which impacts the capacity of DOH in policy formulation in this important area. The information which is collected is not shared, analysed and used effectively.

- In *Honduras*, no monitoring and evaluation system exists to generate information for use at central or local levels on decentralisation. As part of the technical assistance the PROADES facilitated to SEIP (at that time SGJ) a conceptual design for a system was proposed, which apparently is still under discussion in SEIP.
- In *South Africa*, "Municipal IQ" is a national monitoring system for local government which provides high level indicators of municipal performance and flags vulnerable municipalities. At local level the collection and analysis of data for monitoring and evaluation purposes is often weak. Such systems exist in the metropolitan areas and in some of the larger municipalities. Within the smaller and rural municipalities such systems are often entirely lacking. No EC support on this subject was found.

6.3 JC6.3 Improved capacities of relevant non state actors (LG associations, etc)

Main findings at JC level

The EC has provided some support to the establishment or development of local government associations in several countries. Where it has not provided direct support to them, the EC has usually involved local government associations in the dialogue initiatives related to the area of decentralisation. However, overall, the EC support in this area shows contrasted results. In most cases, local government associations remain weak. They are often characterised by very limited internal resources and highly politicised processes that make it difficult for them to voice their concern in a strong manner at national level. Unlike other development partners, the EC has not provided general budget support to local government associations, but has financed only a few selected activities.

In most of the countries reviewed, the EC has worked extensively with local NGOs and community-based organisations for the improvement of service delivery. However, examples remain limited of support to promote joint work between NGOs and local authorities on local governance issues at a larger scale. The EC support to NGOs often takes the form of small stand-alone projects that are not well linked to wider issues related to national decentralisation processes or wider programmes carried out by the EC or other development partners in this area. This illustrates a lack of a strategic approach to involving NGOs and other NSA in the support to decentralisation. The case of *Madagascar*, where the EC has continuously involved a variety of Non State Actors in the decentralisation and local governance activities, is a notable exception.

EC support to research in decentralisation and local government issues could be identified in only four of the countries reviewed (*Honduras*, *Rwanda*, *South Africa* and *Peru*). These activities often relate to rather small research projects. When the support reaches a significant level, as in *the Philippines*, it remains rather scattered and not connected to a wider strategic approach to develop knowledge and capacities in the area of decentralisation.

6.3.1 Ind6.3.1 - Establishment and improvement of performance of local government associations

Detailed evidence at indicator level

The EC has supported the capacity building of local government associations in a number of countries but with contrasted results.

Where it has not provided direct support to them, the EC has usually involved LGA in the dialogue related to decentralisation or some specific activities.

Examples of direct support to LGA:

- In *Cambodia*, the ten year National Programme for Sub-national Democratic Development acknowledges the importance of downward accountability and the need for dialogue between the various tiers of national and sub-national administration. This is a key area of EU/UN support: (i) The National League of Commune/Sangkat (NLC/S), representing all 1,621 communes and sangkats, was established in 2006; (ii) Provincial Associations of Commune/ Sangkat have been established in all 23 provinces and the capital. The NLC/S is a permanent member of sub-committees of the National Committee for Democratic Development at Sub-national Level and plays an important role in the policy dialogue and reform process on decentralisation and local governance.
- In *Sierra Leone*, the Local Council Association Sierra Leone (LoCASL) was founded in 2004 and given a limited support by the IRCBP mostly in 2005, before the EC joined the funding of the programme. The local councils are represented by the councils' chairmen and the mayor of Freetown. The chairman for LoCASL is elected for a two years period and is from 2011 to 2012 the chairman of Porto Loko. The LoCASL is supposed to meet monthly but the frequency of meetings with all chairmen present has been irregular depending on funding and events (funded by other organisations or the government). Most interviewed staff agreed that it seems like the LoCASL has been addressing the interest of the chairmen more than the councils. "*The LoCASL has turned into a Mayors Club*" commented a representative from a development partner. Some councillors started to establish the councillors' association as well as some chief administrators. The LoCASL is now working on how to integrate councillors and chief administrators (CAs) as well and set up different sections within the organisation. The IRCBP supported the drafting of the LoCASL's constitution and financed some of its meetings.
- In *Mali*, an association of Municipalities of Mali (AMM) and an association of "Cercles et Regions" have been created. The latter was eventually split into two distinct groups: one for the "Cercles" administrative division and one for the "Regions". These associations (and especially the AMM) received support from several donors (including the EC). They are involved actively in advocacy and facilitation of the debate on decentralisation. The High Council of Local Governments regularly organises regional consultations with all stakeholders in decentralisation, including the presidents of regional assemblies, the presidents of the circle, the mayors of the municipalities, governors of regions, Prefects of circles, and representatives of civil society. These discussions centre round the problems and preoccupations of local authorities. These consultations are used to create a truly dynamic partnership between the High Council and local government. The main aim of the consultations is to discuss central government laws and regulations and assist in drawing up new legislation. In recent years, the associations have not been successful in defending the interests of LGs as the head of these associations are also members of the ruling party.
- In *Benin*, the EC PACTE programme was working closely with the national association of local governments (ANCB). Although it plays an increasingly more strategic role in the analysis of the decentralisation process, it hasn't been able to manifest itself properly till date and has remained a very weak organisation. The ANCB is basically a mirror image of the municipalities meaning that it exists on very

limited own source funding and is forced to seek project funds for basic activities. This does not further a strong and independent minded organisation.

Examples of involvement of LGA in EC-financed interventions supporting decentralisation

- A strong national association for municipalities exists in *Honduras* (AMHON). It has been strengthened as project implementer for the development partners. It was established in the mid 1960s and was revitalised in the early 1990s, with the new Law of Municipalities. It has played a role to represent municipalities vis-à-vis central government and it is well acknowledged. It has recently played an important role for the increased transfer to municipalities and the new law on the administrative municipal carrier. The PROADES supported AMHON by supporting the establishment of the tri-party forum (*El Foro Tripartido, EFT*), which was set up in 2005 with participation of the GoH, AMHON, civil society and development partners. The EFT is a forum for dialogue on decentralisation. The programme was implemented in a SBS modality for decentralisation (and separate TA) and two of the indicators for the fixed tranches were the EFTs permanent functioning and the EFT's "positive appreciation of the implementation of PRODEL (the national decentralisation programme". Municipal corporations (*mancomunidades*) have also been established as a solution to issues, which go beyond the borders of the individual municipality. This initiative has been strongly promoted by the development partners, including the EC.
- In *Rwanda*, the association RALGA was established in the early 2000s and has developed into an organisation with increased staff and resources. They are playing more and more a strategic role in the analytical work being done especially in terms of capacity building strategies for LGs. They are also part of the evolving international and regional local government association structures. The EC has supported RALGA under the "Non-State Actors and Local Authorities in Development" Thematic Programme (NSA-LA).
- In *South Africa*, SALGA is a well functioning and quite large association with capacity to work in a unified and concerted way to advocate for DLG issues. It is however dominated by ANC and therefore doesn't have a clear independent profile in political terms. EC has been working with SALGA in terms of the LED strategy and implementation issues but not through a formalised support programme. SALGA has technical assistance (TA) from German Development Assistance (GIZ) among others.
- The Association of Municipalities *Nicaragua* (AMUNIC) was established 1993. It has played a role to represent municipalities vis-a-vis central government. It has, however, often (and also presently) not been able to conduct a real representative role for the members because of its relations to the leading political parties. Examples of good regional municipal associations exist. The EC-financed PRODELSA strengthened regional associations by positioning programme coordinators in two regional associations (AMUNSE and AMUPNOR).
- *The Philippines* has a complex organisation of inter-local government associations in the form of the local government leagues – the League of Provinces of the Philippines (LPP), the League of Cities of the Philippines (LCP), the League of Municipalities of the Philippines (LMP), the Liga ng mga Barangay (LnB), and Union of Local Authorities of the Philippines. EC is supporting various inter-LGU collaborations in the health sector and various NGOs are working with local governance under the SPF, but the EC does not provide direct support to the LG associations.
- In *Lebanon*, the EC has not directly supported capacity building of local government associations or research institutions working with local governance issues. However, the EC has actively engaged in dialogue/conferences with such institutions. There is no formal local government association established in *Lebanon* – the local office of the United Cities and Local Governments acts in a way as an official local

government association. It legally isn't constituted as a governance body representing all local governments in the country¹⁵⁷. The formal governance body hasn't been established because stakeholders fear it being split into political factions¹⁵⁸. The organisation is liaising with several larger European municipalities for twinning arrangements with local governments in *Lebanon*. The organisation has also played a lead role in establishing a major conference (October 2009 in Tripoli) on local government policy reforms attended by the President. Subsequently it has worked on "100 questions on decentralisation" and a consultative process nationwide on future direction of reforms.

Examples of countries where the EC has not directly involved LGA in its support to decentralisation

- Four associations of municipalities exist in *Peru*. The EC has not supported the establishment or functioning of national Local Government Associations (LGAs). The most acknowledged associations are the AMPE and REMURPE, while FEMULP and MUNIRED have fewer members, less support and contacts. All associations have their functioning homepage. The existence of four associations has created an unstable situation where municipal associations discuss internally instead of directing their activities to the central government and their members. At regional level many associations exist as well and some of these are linked up to the national system. In Ayacucho exists e.g. the Rural Association of Municipalities (la Red de Municipalidades Rurales de Ayacucho).
- In *Tanzania*, improvement of NSA was not an objective of LGDG or other EC support to decentralisation. Other DPs have been more active in this area and a fairly strong network of NGOs working with LGs has been created under the NGO Policy Forum.

6.3.2 Ind6.3.2 - Increase in number and quality of NGOs working with local governments for service delivery and improved local governance

Detailed evidence at indicator level

The EC has worked with NGOs for service delivery in many partner countries. However, this support has been directly related to the decentralisation process only in a limited number of cases and the involvement of national NGOs supported by the EC in the improvement of local governance remains rather limited. This illustrates a lack of strategic approach in the way of involving NGOs and other NSA in the support to decentralisation. The case of *Madagascar*, where the EC has continuously involved a variety of Non State Actors in the decentralisation and local governance activities, is a notable exception.

- The programme ACORDS in *Madagascar* has helped through the harmonisation of UADEL (Common Support Unit, headed by NGOs). This has led to a better understanding of the role of NGOs in the municipality and its prerogatives. In the water sector, there was a task force of NGOs to define how to meet project management from such municipal experiments under ACORDS. To note a contradictory attitude of donors: they go through NGOs for actions by municipalities, including the management of funds. NGOs cannot reassign these funds to municipalities. The substantive issue is the changing role of NGOs in support of municipalities. ACORDS helped clarify things but, to some extent, it has also created some unsustainable channelling of funds for local development.
- In *Peru*, some efforts have been made to work with local NGOs in the area of local governance. A number of projects with NGOs are now financed through the NSA-LA programme. But the link with wider efforts related to decentralisation is not evident.
- In *Benin*, the NGOs working with advocacy and information around decentralisation were very few and far between. Most NGOs supported by the EC have actually

¹⁵⁷ See <http://www.euromedalex.org/node/3385>

¹⁵⁸ Interview M. Béchir ODEIMI, Resident representative and Director of UCLG.

focused on service delivery issues in the sectors health, education and water and sanitation.

- In *Mali*, the support has taken into account community-based organisations working with the "Communes" for service delivery and local governance and efforts have been made in areas such as education and health where users' associations are now more empowered and their relationship with the "Communes" are rather well defined. Yet, regarding local governance, the evaluation team has not identified cases showing the involvement of NGOs supported by the EC in the long run.
- In *the Philippines*, the EC support through the SPF works primarily with NGOs working with local governments for service delivery and improved local governance.
- In *Tanzania*, improvement of NSA was not an objective of LGDG or other EC support to decentralisation. Other DPs have been more active in this area and a fairly strong network of NGOs working with LGs has been created under the NGO Policy Forum. The EC support to NSA has not had "decentralisation" of "local governance" as a strategic focus but has supported a number of NGOs working with local service delivery issues.
- Governance is a very broad description of a number of different sub-sectors – human rights and democracy, legislatures and representation justice, safety and security. In *South Africa*, current EC programmes focus on the first areas, involving government/state institutions as well as civil society actors. For the future it is intended to continue in these fields and to this end the modalities and methods of working are under discussion. In the 2009, the EUD itself noted: *"Negative sentiments about EC aid were provoked as a consequence of major recovery orders against both public entities (critical press coverage) and CSO's (EC procedures perceived as anti-developmental). While it should be said that the major recovery orders have in the main been issued against older projects designed pre-2000 and to a lesser extent pre-2005, it is becoming urgent to restore the EC's image notably with civil society. The Delegation will devise capacity building initiatives for, inter alia, civil society organizations and engage in more regular coaching of partners, for example, on procurement and financial reporting issues, as soon as the Finance and Contract section of the Delegation has been strengthened."*¹⁵⁹
- In *Rwanda*, interviews carried out during the field visit with various partners show that CSOs do not understand their mandate as representatives of citizens. They also have weak organisational capacities and maintain limited linkages with other CSOs. In addition, the majority of CSOs are faith-based organisations that are interested in service delivery rather than engaging in governance and civic participation. Furthermore, civil society organisations have no structured engagement mechanisms with which to interact with citizens in their constituencies. It was also recognised that CSOs in *Rwanda* do not have the skills or information for meaningful engagement in the budget and other development issues. They also have limited skills or structured processes to inform citizens and engage in advocacy. Generally, the concept of civic participation and holding the government accountable appears to be a new concept in the Rwandan society. The CSOs were found, however, to assist local authorities in areas such as citizen information campaigns and education as well as data collection processes. The EC has supported this area through a variety of activities mainly focusing on community actions.

6.3.3 Ind6.3.3 - Improvements in quantity and quality of research in local government issues

Detailed evidence at indicator level

EC support to research in local government issues could be identified in only four of the countries reviewed (*Honduras, Rwanda, South Africa and Peru*). These activities often

¹⁵⁹ External Assistance Management Report (EAMR) 2009.

correspond to rather small research projects. And when the support reaches a significant size as in *the Philippines*, it remains rather scattered and not connected to a wider strategic approach.

The list below provides more details from some of the countries reviewed:

- In *the Philippines*, many separate interesting initiatives are being supported by the EC. However, it is difficult to see the “strategic outlook” – there is no substantive local oversight (e.g. in the form of an NGO umbrella organisation) - the activities supported are relative disconnected. Several government and NGO organisations conduct research into local government issues. The SPF supports e.g. the Local Government Academy and the University of the Philippines – however, the support is in the form of short and limited interventions that don't form part of a clear long term strategy.
- In *Peru*, several national organisations deal with research in local government issues and two recognised institutions are "*Servicios Educativos Rurales*" and "*Consortium de Investigation Economico y Social*", which were both visited by the mission. Only the second is supported by the EC in the framework of a NSA-LA project.
- *South Africa* has a very active and vibrant research community (especially a number of first class universities) also supported by the EC. Historically, much of the findings based on local research have been directed at national level in an effort to influence national policy.
- The number of research institutions in *Rwanda* has increased and these institutions have done considerable analysis on issues of local governance. The EC has, through its local grants for governance, accountability and research, tried to create an interface between NGOs/CSOs/LGs (JADF) and small project funds (2007-2009: 1mEUR) meaning that different partners worked together to develop local collaboration.
- In *Honduras*, some limited research exists on the issue of local governments. The AMHON has played a role to generating technical documents and systematising experiences with support from development partners. The EUD is currently preparing a publication on decentralisation in *Honduras* to be published in 2011.
- In *Lebanon*, the EC has not directly supported research institutions working with local governance issues. However, the EC has actively engaged in dialogue/conferences with such institutions.
- In *Mali*, there are no systematised research studies carried out on issues related to local governance. There are occasional, very specific and small analyses carried out by certain NGOs.
- In *Tanzania*, some DPs (in particular NORAD) have strengthened local research capacities (at REPOA) for research on LG issues. The programme (formative research on local government reforms) has published extensively and built local capacities for research on local government reform issues (<http://www.repoa.or.tz/content/blogcategory/22/49/>). The EC has not been active in this area.

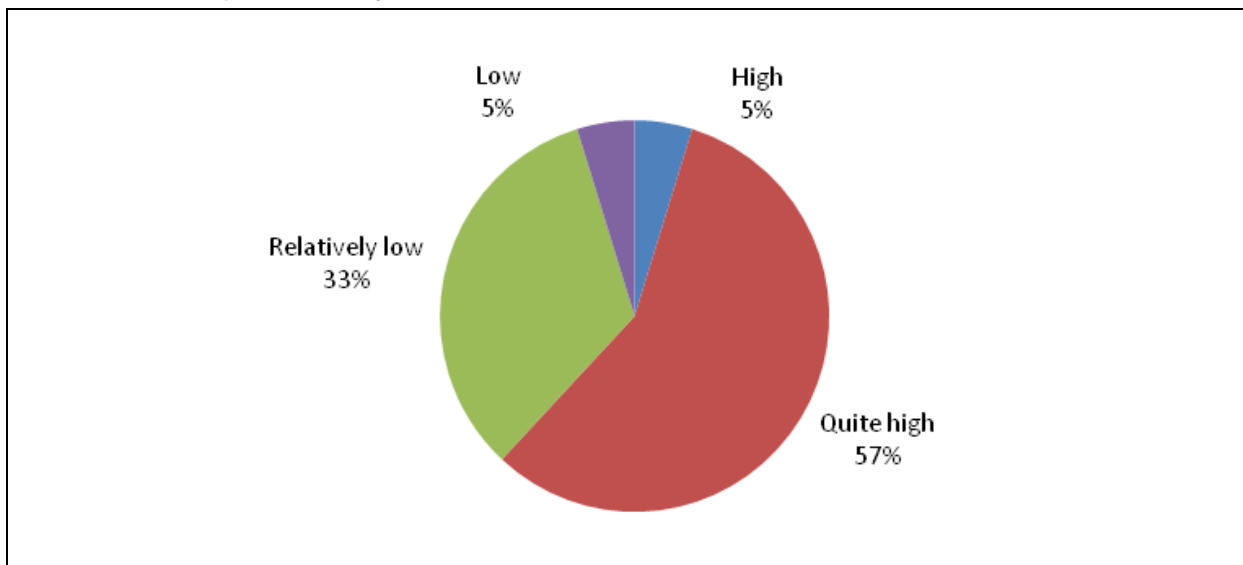
7 EQ7: Local governance

Evaluation Question 7: To what extent has EC support to decentralisation processes contributed to improving **local governance**, especially regarding participation, accountability and transparency?

It is interesting to put in parallel the detailed evidence presented in the indicators under the various JC analysed with the impact of the EC support as perceived by the EUDs. The figure below shows the results of the survey to EUDs carried out during the desk phase.

The majority of respondents from the EUDs voted that local governance has significantly improved as a result of the support rendered to decentralisation (62% high or quite high). However, nearly 40% are still rather sceptical about the level of impact these interventions have had on improving local governance (38% low or quite low).

Figure 22 Impact of support to decentralisation on improving local governance, as perceived by the EUDs



Survey to the EU Delegations, Particip analysis

The table below provides a synthesised overview of the evidence gathered during the desk and field phases on the focus and the results of the EC support for the various case study countries for which an in-depth analysis was carried out.

The analysis leads to more mixed results compared to the EUDs perception.

Table 35 Overview of EC support to local governance (focus of the support & results)

	<i>Participation</i>	<i>Accountability</i>	<i>Transparency</i>
Benin	≈	0	≈
Honduras	≈	0	0
Lebanon			
Mali	≈	≈	≈
Peru	≈	0	0
Philippines		≈	
Rwanda	≈		≈
Sierra Leone	+	+	+
South Africa	≈		
Tanzania	+	+	+
Overall assessment	+	≈	≈

Legend

<i>Colour</i>	<i>Level of EC support - Scale</i>	<i>Description</i>
	significantly	Interventions' objectives or activities do explicitly at significant degree address the result area and the concerned interventions are of relative significance compared to overall EC support to decentralisation.
	partly	Interventions' objectives or activities only partially or marginally address the result area and/or the concerned interventions are relative small compared to overall EC support to decentralisation.
	not at all	EC support in the country does not at all address the result area.

<i>Symbol</i>	<i>Results - Scale</i>	<i>Description</i>
+	significantly	Results have to a significant degree been achieved (compared to objectives) in this result area.
≈	partly	Results have only partially or marginally been achieved (compared to objectives) in this result area.
0	not at all	Results have not all been achieved (compared to objectives) in this result area.

Detailed analysis and evidence on these aspects are provided in the next sub-sections.

7.1 JC7.1. Increased local participation in local government affairs

Main findings at JC level

Over the past 10 years, local elections for district and municipal councillors have become the order of the day, more and more often in a multi-party democratic fashion. Local elections have been held in all the 10 case study countries over the evaluation period, and they are increasingly becoming more democratic in nature.

The desk review and field visits show that the EC has only directly supported local elections in *Mali* and *Benin* but that in the other countries this is carried out with assistance from other donors or mostly by the country itself as in the case of *South Africa*, *Peru*, *the Philippines*, *Lebanon* and *Tanzania*. These countries illustrate more independent approaches to organising local elections. However, support to national election commissions is often carried out by the EC through more indirect interventions and, for instance, support through other programmes within the justice, law and order sector or as one-off funding for the commissions. This has not been reviewed during the field phase as it fell outside the parameters of this evaluation but shows that indirect support for local elections has taken place.

The participation in local government affairs has received significant attention from the EC in most of the countries reviewed. Despite the fact that some limitations remain, the use of such mechanisms seem to have increased, especially where the EC (often together with other development partners) have provided its support through a wide national decentralisation programme (e.g. in *Benin*, *Mali*, *Madagascar*, *Rwanda* and *Tanzania*), wide sector programmes (e.g. in *Peru* and *Nicaragua*) or area based programmes of important size (e.g. *South Africa*).

However, it is important to note that local planning is often done in isolation from any existing national strategic development frameworks through local strategic plans. Hence, they often result in local processes that are rich in community participation but having weak links with national priorities, government agencies and national funding sources, and thus have limited prospects for sustainability.

7.1.1 Ind7.1.1 - Introduction of or improvement in local elections

Detailed evidence at indicator level

Over the past 10 years, local elections for district and municipal councillors have become the order of the day, more and more often in a multi-party democratic fashion. Local elections have been held in all of the 10 case study countries over the evaluation period, and they are increasingly becoming more and more democratic in nature.

The desk review and field visits show that the EC has only directly supported local elections in *Mali* and *Benin* but that in the other countries this is carried out with assistance from other donors or mostly by the country itself as in the case of *South Africa*, *Peru*, *the Philippines*, *Lebanon* and *Tanzania*. These countries illustrate more independent approaches to organising local elections.

Evidence from countries with direct support to local elections from the EC:

Mali has experienced three local elections: 2000, 2004 and 2008 (which were supported by the EU). The elections went well and showed the maturity of the country in this area (44% of participation at the last election). A potential illustration of the interest of citizens in these elections is the high turnover of elected officials with a lot of "votes sanctions" against teams considered to be failing in their management. The decentralisation reform has introduced for the first time a sense that officials in local authorities can be held accountable for their decisions. For this reason during the first mandate of the local councils a big part of the population has been more critical and voiced their criticisms. Consequently, local elections voter participation has increased and voters have massively exchanged councillors with whom they weren't satisfied at almost each election.

In *Benin*, local elections have improved over the past 10 years from the first local elections held in 2003 and another election held in 2008. All the local elections have been supported by the EC. The first allowed, in addition to the introduction of municipalities, the emergence of the National Association of Municipalities of Benin (ANCB). The second election saw the renewal of up to 80% of elected councillors. Recent support from the EC has been implemented through LEPI, attempting to make computerised voter lists available at local level.

Other countries:

In *Cambodia* local elections have been held for Communes/Sangkat Councils in 2002 and 2009. These have to a large extent formed the basis for an accompanying programme of decentralisation across Cambodia. Apparently, EC support has not been directed to LG elections.

In *Lebanon*, elections for local governments had for a long time been abolished (1963-1998) because of political situation and civil war. They were re-introduced in 1998. During the post-1998 period, the country witnessed a gradual devolution of local development to newly elected municipalities - two elections followed – the latest in 2010. But the EC did not directly support these. The last general elections of 2004, 2007 (presidential and legislative) and 2008 (local) were deemed satisfactory by observers. Political pluralism has been confirmed with a National Assembly renewed in 2007 and composed of 147 elected members from 13 parties.

In *Tanzania*, multi party elections were introduced in 1994 in LGs, one year prior to national elections. The elections have been undertaken with five years intervals in 1999, 2004, and the latest in 2009. Elections for the District councils are managed through the same institutional arrangements as the national elections (through the National Electoral Commission) and are fairly well managed. However, elections for the lower tiers of local governments (Villages and “mitaa” etc) are managed by PMO-RALG and availability of electoral results and processes are far less comprehensive. As further discussed in the field visit country note, the electoral system has remained largely the same since 1994, although reform measures have been suggested in order to reform the system. Currently the ruling national party (CCM) dominates local elections because of the electoral rules (that inter alia prevent independent candidates). The various donor-funded interventions (such as LGRP and LGDG) have failed to put electoral reform on the agenda¹⁶⁰.

Free municipal elections have been held in *Nicaragua* in 2004, while Government and National Election Commissions manipulated elections in 2008. EC observers and other donors, as well as NGOs, reported direct frauds in many municipalities. Observers agree that the results of the municipal election were manipulated by frauds in approximately 37-40 municipalities (of 144). After this incident the EC has suspended all kinds of budget support to Nicaragua.

In *Honduras*, during the evaluation period the procedures for the local elections have not been changed. National and local elections were executed at the same days in late 2001, 2005 and 2009. Observations agree that these three elections have been held in fair conditions and without any fraud. Although national and local politicians are elected separately, many stakeholders agree that the election is mainly seen as a national election. Therefore, the AMHON in particular argues that the local elections should be separated from the national elections to give the local level more importance. There is significant progress in terms of political decentralization, allowing independent candidates for presidential elections, municipal and national congress to run.

In *Peru*, the EC has not supported the development of local elections. Elections for local government have been carried out every third year since 1980 and from 2002 (with the new Organic Municipal Act) every fourth year. The regional governments had their first election in 2006 and again in 2010. In 2010 the system was different as the president of the regions was elected separately from the regional councillors giving him a status similar to the president at the national level.

In *the Philippines*, local government elections are held every three-year in cycles that correspond to the six year national elections for the President. Every 3 years, the LG elections also coincide with elections of half of the senators (12). The elections have been held regularly since the introduction of the LG Code and broadly follow the same patterns of

¹⁶⁰ The issue was discussed in 1994 prior to development of the LGR Policy but the Government rejected reform measures (personal communication with Ole Therkildsen, Civil Service Reform Advisor in 1994). Later years political dialogue and development assistance has focused mainly on national electoral issues.

participation. The EC support has not attempted to support activities in relation to this (such as civic education for LG elections etc). The EC has not supported LG elections directly.

In *Rwanda*, local elections have taken place but due to the process of reconciliation after the 1994 genocide the local elections are not yet fully democratic and are not based on the principle of full democratic representation. The local election process has not been supported by the EC.

In *Sierra Leone*, the second local council election in 2008 was carried out without any irregularities and the candidates were better prepared than in 2004. According to stakeholders met, citizens are now more active in local decision-making and are also critical towards councillors' actions. IRCBP was not directly involved in the election process, but its focus on planning processes and local accountability has certainly helped improving the set-up for elections.

In *South Africa*, local government elections exist since 1994 and are supported by EC through overall election support. However, the most recent elections in May 2011 highlighted service delivery problems. Elections are held under the jurisdiction of the Independent Elections Commission (IEC) and have been deemed to be free and fair.

7.1.2 Ind7.1.2 - Existence and use of mechanisms for direct participation for all phases of local government planning cycle

Detailed evidence at indicator level

The participation in local government affairs has received significant attention from the EC in most of the countries reviewed. Despite the fact that some limitations remain, the use of such mechanisms seem to have increased, especially where the EC (often together with other development partners) have provided its support through a wide national decentralisation programme (e.g. in *Benin*, *Mali*, *Madagascar*, *Rwanda* and *Tanzania*), wide sector programmes (e.g. in *Peru* and *Nicaragua*) or area based programmes of important size (e.g. *South Africa*). However, it is noteworthy that local planning is often done in isolation from any existing national strategic development frameworks through local strategic plans. Hence, they often result in local processes that are rich in community participation but having weak links with national priorities, government agencies and national funding sources, and thus have limited prospects for sustainability.

In *Mali*, the situation remains heterogeneous, depending on who provides support for the development of the PDESC (local development plans). Some remain at a purely technical level paying little attention to participation. A recent citizens' perception survey reveals that the vast majority of them feel that they are not involved in decision-making and are misinformed. However, the desk review and the field visits show that the planning process is quite participatory. The EC has supported with other development partners the elaboration of local development plan procedures and through the "*Centres for local advice*" (CCC – "*centres de conseil communaux*") the preparation and implementation of local development plans. Participation of different citizen groups in *Mali* (youth, women) and local stakeholder (NGOs, associations) has been foreseen in the adopted procedures for the elaboration of local development plans (PDESC) and is practiced widely in the municipalities. Non-elected citizens can be invited and do participate in local municipal commissions.

In *Madagascar*, the programme ACORDS has been assisting in the implementation of a number of measures to promote transparency of local governance: display of decisions, presentation of accounts, and promoting the consultation of key user groups.

In *Benin* effective participation in local affairs has been enhanced through encouraging better involvement of civil society in local affairs by having a coordinated communication plan in the municipalities and also encouraged them to have set up a steering committee for the council development plan (PDC).

In *Tanzania*, citizens' direct participation in local government affairs has received significant attention from various DP funded initiatives – in particular support for "participatory development planning". This has in recent years been institutionalised by PMO-RALG and rolled out as "Opportunities and Obstacles to Development (O&OD) approach to participatory

planning. Several DPs have also supported CSOs to engage with LGs for deepening local accountability. The EC has, through the LGDG, boosted the effectiveness of such initiatives as the LGDG provided discretionary funding that effectively enabled LGs to budget according to local priorities, and thus, has brought the participatory planning beyond simply a wish list.

In *Rwanda*, the EC support to increased local participation in local development planning was clearly an aim of UBUDEHE support and has to some degree been achieved, as the priority of DPRPR was to further develop capacities at local level for planning and budgeting as well as PFM related issues. This means that the EC support has been important for the relationship between local development planning, community development and strengthened collaboration between district administrations and communities as emphasised by the UBUDEHE approach, and what the Joint Action Development Forum (JADF) should be working with (see also box below).

Box 48 Focus on the Joint Action Development Forum in Rwanda

The Ministerial Instruction No. 04/2007 established the JADF at the district and sector levels. The Forum is meant to be a consultative body for information dissemination and promotion of cooperation among actors supporting local socio-economic development and social welfare of the population. The Forum aims at coordinating activities of all development actors so as to promote coordination of efforts and efficiency, as well as avoid duplication of efforts in development actions. In addition to its main responsibilities, the JADF is a vehicle for implementing the DIP. By its nature, the JADF is made up of diverse local organizations, capacities, and personalities. In order to ensure participation and effectiveness in the implementation of the DIP, the JADFs may organize themselves into task teams which will contribute to specific activities implemented by the DIP at LG levels. The councillors are directly elected by citizens and are expected to represent the views and opinions of the electorate.

However, discussions with key stakeholders during the field visits revealed that councillors at district level have limited knowledge and skills to engage in effective planning and effective discussions (despite this situation, they are mandated, through established commissions, to discuss and act as legislators and approve district budget). Furthermore, it was highlighted that some district councillors tend to be incorporated in the LG authorities' activities instead of passing accountability duties on to the citizens. At sector level, it was indicated that councillors participate in identification of the imihigo activities without participation in prioritization and planning processes. Generally, district and sectors councillors have limited resources available to facilitate citizens' engagement and participation.

In *Sierra Leone*, the local government planning system is of a bottom-up type with full involvement of the ward level, where councillors are elected¹⁶¹. Almost all councils have prepared development plans following the national guidelines in 2010 according to the DecSec in MRD&LG. This is a result of the efforts of the IRCBP capacity development activities and the direct support of a staff member from the IRCBP (coach) located in each council administration. A large number of actors, including NGOs, GTZ, JICA and UNCDF are also active at district level to support planning and public participation.

In *South Africa*, the EC has been supporting a ward capacity building project over the recent years focusing on increased transparency, accountability and participatory planning processes. EC support to increased local participation in local development planning was clearly an aim of ABMDP support. There is often a tension between planning on the part of officials, and participation. Political interference on the part of elected (and paid) party councillors is a feature of municipal life. The fact that Ward Committee members are paid a stipend in an environment where resources are scarce may also contribute to the upkeep of a party patronage system.

In *Nicaragua* the municipal planning process is regulated by the law on participation with a good involvement of all actors. From 2008 with the CG's establishment of People's Councils

¹⁶¹ The ward is the constituency of each councillor and he/she is the chairperson of the WDC.

(Consejos de Poder Ciudadana) the Municipal Development Committees has been partly sidelined in the planning process and planning has become more controlled by the PCs. The PCs were consulted in the national consultation process in 2010. PRODELSA supported development of municipal development plans in 15 municipalities and PAPSA supported municipalities' participative planning within education.

In *Peru*, the regional and local planning process includes that the governments shall invite all citizens for meetings to discuss the municipal development plan, the budget and the budgets execution in a participatory manner. A study¹⁶² shows that about 36% of all investments in rural municipalities ("*distritos*") are identified in the participatory planning process. The EC has given some limited support to the participatory planning process in three regions (Ayacucho, Huancavelica and Apurimac) in the PASA programme, where investments for economic development were identified by the Participatory Planning (PP) mechanism in local governments. Information received during the mission illustrates different impressions on how the PP is functioning and the level of participation. According to a study presented below financed by USAID, participation has declined from 1998 to 2010 as only 11,6% in 2010 responded that they have participated in a council or public meeting while 20,6% responded positively to this in 1998.

Table 10: Citizens' Participation in Local Governments Activities, pct.

	1998	2006	2010
Participation in a municipal council meeting or public meeting (session municipal o cabildo abierto)	20,6	14,7	11,6
Willingness to pay more taxes	19,7	14	18,5
Participation in the preparation of the municipal budget		4,3	5,0

Source: Source: USAID (2010), *Cultura Política en la Democracia de Peru*¹⁶³

In *Honduras*, the planning system is a bottom up type with communities expressing their needs to the local councils and the development of a municipal development plan. Municipalities should also arrange open meetings (*cabildos abiertos*) with the public at least twice a year. Some people interviewed during the field visits, expressed that it is likely that only half of the municipalities execute their planning with public participation. Planning is also disturbed by other agencies having parallel system to that of the local government with direct intervention at the community level, for instance the Social Investment Fund (*Fondo Hondureño de Inversión Social, FHIS*). A survey financed by USAID¹⁶⁴ shows that the citizens in general participate less than before in local issues: 18.5% of the population participated in 2006 in a municipal council meeting and only 8.8% participated in a council meeting in 2010. Similarly only 6.5% asked for assistance in the municipality compared to 12.3% in 2004 and the participation in community organisations has also declined from 24.8% in 2004 to 12.8% in 2010 (see below).

¹⁶² Banco Mundial (WB, 2011), Evaluación del Presupuesto Participativo y su relación con el presupuesto por resultados.

¹⁶³ <http://www.vanderbilt.edu/atoz/tagged.php?id=research>

¹⁶⁴ USAID (2010), *Cultura Política de la Democracia en Honduras*. About 1,500 Hondurans participated in the survey.

Table 36 Citizens' Participation in Local Government Activities

	2004	2006	2008	2010
Participation in municipal council meeting (<i>session municipal o cabildo abierto</i>)	15.1%	18.5%	10.3%	8.8%
Request for assistance from the municipality	12.3%	13.5%	7.8%	6.5%
Participation in community organisations	24.8%	18.7%	11.9%	12.8%

Source: USAID (2010) *Cultura Política de la Democracia en Honduras*¹⁶⁵

In *the Philippines*, the SPF supports various initiatives for increased local participation – supporting selected smaller LGUs. However, it is not clear how the rather small micro interventions can be up-scaled. EC support to health sector planning has not stressed local participation (see also Indicator 6.2.2.).

In *Lebanon*, public participation in local governments is not well studied. EC support has been limited to support to improve local government planning discussed earlier.

7.2 JC7.2 Improved local accountability of local governments/ decentralised units

Main findings at JC level

Some countries, such as *Rwanda, Tanzania, South Africa, Peru* and *the Philippines*, do have systems for disclosure of local budgets, citizen scorecards, performance contracts, and extensive information workshops with NGO/CSOs. The EC has supported some of these activities, but not systemically (often through small projects involving a limited number of local authorities) and not as a priority. The EC has contributed to some improvements in terms of audits at local government level in only very few cases, such as in *Madagascar*, where the ACORDS programme has promoted the implementation of financial and technical audits. Overall, almost all the case studies show that local accountability has not been a major aspect of the EC-supported interventions.

In several countries, such as *South Africa, Philippines, Tanzania* and *Rwanda*, the EC has supported large PFM programmes focusing on improving government's overall ability to perform quality accountability and budgeting. These large PFM programmes do also focus on PFM issues and training at the local level. However, a key factor in these programmes is that support interventions always start at central government level, and often take a long time to trickle down to LGs.

7.2.1 Ind7.2.1 - Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards etc)

Detailed evidence at indicator level

A major objective in decentralisation reforms is that responsibility for most service delivery is allocated to local government level. At present, many sector and donor-financed programmes continue to be implemented in an uncoordinated and parallel fashion (see also JC5.2). This significantly increases the demands on limited LG staff and overstretches the already low capacity. The diverse planning, monitoring and reporting guidelines for different programmes impose acute pressure on LGs. This pressure on local governments to implement good planning and accountability routines means that the focus of a decentralisation reform is often on PFM issues and upward accountability (see also JC6.2). Consequently, this often leads to less emphasis being put on downward accountability from the LGs to the citizens/CSOs.

¹⁶⁵ <http://www.vanderbilt.edu/atoz/tagged.php?id=research>

While there is a relatively clear system of accountability in many local governments, the performance of accountability mechanisms remains problematic (see examples below). Several reasons are usually cited to explain the poor accountability and governance that takes place in LG. These include: poor access to information which is in turn caused by unfavourable attitude of the council staff, poor working tools and infrastructure, technocratic procedures and formats for releasing information and lack of a culture of transparency. Poor representation of the citizens by their councillors in the decision-making processes and the lack of participation in these processes contribute to further undermine accountability.

Moreover, and with regard to the relationship of horizontal accountability between local politicians and local administrations, tools to measure the performance of the latter are frequently under-developed. In those cases where they do exist, there have been relatively few incentives to apply and take them seriously, as funds will flow in any case without any adjustments. In many cases, elected councillors are not aware of the absolute and comparative performance of local civil servants, and lack the necessary tools to measure this performance. An additional problem in many countries is the dual subordination of the sector staff, which often reports to both, the local councils and to their parent line ministries in a system of dual sub-ordination with unclear responsibilities.

The section below provides some more details from the cases reviewed.

In *Benin*, local accountability of local governments has remained weak. The planning system is constrained by the lack of availability of financial information on the municipalities and the lack of appropriate mechanisms for greater public participation. Despite the institutional arrangements described under the laws of decentralisation and implementation of citizen oversight where some interesting experiments are conducted by some NGOs, people's participation and downward accountability of local elected officials remain low and weak. It seems that NGO and CSO involvement in this area is very weak as most are focused on service delivery and not advocacy. The evaluation team could not verify this directly at LG level but it seems that issues of this nature have been addressed under the various donor-funded programmes and also the PRODECOM and PACTE, however, very little concrete evidence could be found.

In *Mali*, the accountability of elected officials towards their citizens is not granted. While the council meetings are open to the public, little advertising is given and few incentives are provided for such participation. Some argue that cultural factors should be taken into account, as it is not usual to hold the chief accountable. Nevertheless, efforts have been made to advertise budgets and publish the results of assemblies' discussions on signboards in town halls. Unfortunately, this is not done in a systematic manner across the country. The 2011 assessment report on decentralisation notes that public debate has not become a common practice yet.

In *Sierra Leone*, the WDC headed by a councillor, functions as the inter-link between the council and the grass root level. Democracy has spread out and citizens are much more active and involved according to most people met. The IRCBP includes activities in planning and public participation and supported this together with other development partners (see also indicator 7.1.2 above).

In *Tanzania*, the EC-funded LGDG includes as part of its annual performance criteria indicators regarding the extent to which LGs publicize their annual budgets and accounts through use of notice boards. As a result, the majority of LGs today publicize budgets and accounts. Likewise, other DPs than EC have in recent years supported NGOs to strengthen community capacities for improved local accountability through use of citizen score cards, local public expenditure tracking, etc.

In *the Philippines*, feedback mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc) has not been systematically promoted by the health sector programme but piloted in various ways by the SPF. There have been many official initiatives over the years to strengthen the role of (the relative strong) NGO sector in local governance (see box below).

Box 49 Local Government relations with NGOs and Civil Society in the Philippines

Our consultations have shown that local governance is constantly being redefined at the local level with the participation of civil society in the process of local governance as enabled by the Local Government Code. However, not all local governments have active civil society groups to enable them to fulfil the ¼ requirement in the local development council. It was frequently suggested that such a requirement must therefore be eased. Congruent issues on local governance across the consultative workshops include a weak local bureaucracy due to the presence of various overlapping developing councils, too many LGU institutions, ineffective composition of the LFC and other Special Bodies. Furthermore, it was conveyed that the lack of public awareness about decentralization, as well as the absence or lack of mechanisms for people participation, inhibits true participatory governance. Across the workshops, a desire for a more accountable and responsive local government administration was consistently expressed.

SBN 1252 filed on July 18, 2007 proposes the strengthening of the Local Development Council by compelling the local chief executives to convene their respective LDCs, as well as to mandate the leagues of LGU's, in order to ensure improved compliance via monitoring and submitting periodic reports to Congress through the Oversight Committee. Furthermore, SBN 1156 filed on July 4, 2007 by Aquilino Pimentel proposes the inclusion of Senior Citizens, Parents'-Teachers' Association, and War Veterans in the local health board and the local development councils in the different local government units, as well as the addition of public agricultural as members of the provincial and local development councils.

Source: Brilliantes et al 2009: Decentralisation In Depth Study, page 49-50.

In *Honduras*, the system for communication and use of feed back mechanisms with the citizens is mainly organised through the bottom-up planning system and the semi annually meetings, where the municipal budget and its execution are presented respectively. The EC has not supported systems for citizens' dialogue with the municipality through PROADES, but the EC has financed some projects through the NSA-LA programmes.

In *Peru*, accountability mechanisms are established in the planning cycle (as described in indicator 7.1.2 above) via the arrangement of regional and local councils' meetings with the citizens to discuss the budget's implementation and the development plan. The watch committees (Comite de Vigilancia), which are elected from the citizens at meetings to monitor the work of the councils to give the citizens access to all information about all public finances, the information for all local and regional governments can be found on the MEF homepage: <http://ofi.mef.gob.pe/transparencia> - called "*consulta amigable*" - user friendly consultation¹⁶⁶. This is a very comprehensive and rather user-friendly page and all financial data in the present report has been retrieved from the MEF page. The EC has not supported the development of more transparency at local level except in a few projects with local NGOs but this has not been done in a systematic manner and is not linked to a wider approach at national level.

In *Rwanda*, JADF is a great platform to engage district stakeholders in the decision-making, planning and budgeting processes. There has been no specific support from the EC to the JADF's, but members of JADFs have been able to access funds under the NSA local authorities support funding from the EC. The action and role of the JADF is further detailed in Indicator 7.1.2. Although the Ministry of Finance has explained that full budget documentation can be obtained on demand by interested parties, local financial institutions stated that they were unable to obtain the documentation at the time of the budget and, therefore, relied on media coverage of the budget speech for analysis of budget decisions. Full media coverage of the Minister of Finances budget presentation and the plenary discussion of budget documents does take place and some of this information is also posted on the government website. A complete set of budget documents has, however, not been available to the general public at the point of their submission to the legislature. The mission was not informed of the use of notice boards at district level for budget transfer information.

However, in principle the Imihigo system of accountability does have service delivery targets to which the Mayor/Councils have to live up. These are fixed targets, which are reported annually to the public and especially to the President.

In *Lebanon*, feed back mechanisms and procedures for dialogue with citizens are generally poorly developed. This is clearly related to the relative limited role of local governments in service delivery. This area has not been supported by EC.

South Africa experiments with various service delivery and accountability mechanisms such as citizen report cards and Service Charters. Obviously the press in South Africa is more free and fair than in many other parts of Africa, and an active reporting on service delivery riots and misuse of local funds is reported and analysed.

There is very little or no evidence of improvements in audits at local government level in any of the reviewed countries.

In *Tanzania* reports from the auditor generally indicate a clear trend of improvements over the last ten years. The incentives in-built in LGDG (supported by EC) is widely recognised as having contributed to this. Tanzania has seen a relative improvement in this area over the past 5-6 years. For instance, significant improvement in quality of LG accounts has been seen there. The number of adverse audit opinions has decreased from 45% in 2000 to less than 5% today.

In *Madagascar* there are two types of audits being implemented by ACORD: Financial Audits that are carried out mainly by private companies and technical/performance audits. These audits have revealed many problems related to poor infrastructure design and many major problems, which are not necessarily related to embezzlement, but rather caused by a lack of understanding of exact rules and responsibilities, plus ordinary mistakes. They have served as the basis for regular updating of relevant stakeholders and also adjusting procedures at local level. The technical audits have highlighted the weakness of the design offices and other infrastructure and that there is lack of supervision from the municipalities.

7.3 JC7.3 Increased transparency in fund allocation and utilisation

Overall introduction

Over the past 10-15 years many developing countries have implemented local grant schemes that have led to an increase in the transparency and utilisation of local grants. Local grant systems vary considerably from country to country and a review of international experiences¹⁶⁷ regarding allocation criteria for intergovernmental fiscal transfers show that most of the countries (see the table below for overview of relevant countries for this evaluation) are using measures of expenditure needs, and the size of the local government's population as the main, if not only, criteria.

Some countries are using various proxies for costs of the service provision, like the density of the population/land area - low density is often compensated as it is calculated or assumed that it causes higher costs of service provision – (e.g. *Uganda*, *Tanzania* and *the Philippines*, which use a land factor) or various cost indexes (like *Nepal*).

Some countries are also using various poverty indices and measures for the backwardness of certain areas (e.g. *Uganda*, *Tanzania*, *Cambodia* and *Nepal*).

Finally, an increasing number of countries have introduced performance related measures in the allocation of capital development grants, e.g. *Uganda*, *Tanzania*, *Bangladesh* and *Nepal*.

As an example *Tanzania* has elaborated a capital development grant system where the LG performance in key generic areas like planning, budgeting, financial management and good governance has an impact on allocation of the grants. Some countries, like *Ghana*, *Pakistan*, *Rwanda* and *Nicaragua* have included tax effort as a criterion in the allocation of grants (*Uganda* and *Tanzania* also make use of some incentives on the LG tax efforts in the allocation of capital grants as well). Other countries are planning to introduce a link between

¹⁶⁷ Jesper Steffensen: Introduction to the Principle for Design of Intergovernmental Fiscal Transfer Systems – an international comparison of allocation criteria and modalities, May 2007.

the size of the transfers and the administrative/financial performance of the LGs in order to provide stronger incentives to improve on administration and service provision (e.g. *Sudan*, the *Philippines* and *Ghana*).

Most developing countries make use of relatively few criteria (often 1-4 criteria for the major grants) due to lack of data and administrative capacity and a wish to keep the system transparent and simple. Allocation criteria have been reformed and/or are being reformed in a great number of countries, typically after a period of testing and gathering of experiences, and there is a positive move towards more transparent, formula-based systems in many countries.

Table 37 Overview of Local Government Grant Systems in Selected Case Countries¹⁶⁸

Country	Main Transfer Schemes	Allocation Criteria	Objectives and other features	Comments and coming reforms
Examples from Africa				
Tanzania (2005)	<p>1) Conditional grants with little flexibility</p> <p>2) Various basket funds and road maintenance funds</p> <p>3) Non-sectoral capital development grants (from 2004) and capacity building grants</p>	<p>1) Typically one grant with formulae per sector. A reform is ongoing to establish clear transparent allocation criteria based on expenditure needs instead of available infrastructure. An example of this is <u>health sector grants</u>, which use the following criteria: A) Population (70 %), B) Poverty count (10 %), C) Vehicle route mileage/distance (10%) and D) infant mortality rate (10%).</p> <p>2) Earmarked to boost service delivery in these sectors (Education, Health and Roads) - Formula based formulas.</p> <p>3) Clear formula-based: Criteria: a) Population (70%), b) Land /size of the LG territory (10%) and c) poverty count (20 %), d) adjustment (+/- 20%) for LG <u>performance</u> in key generic areas like financial management and good governance (upwards and downwards).</p> <p>The Capacity Building Grant is based on a transparent allocation formula reflecting the needs of various districts.</p>	<p>The conditional grants are the most important sources for local government funding. They fill up the fiscal gap in the expenditure and revenue assignments.</p> <p>Support service delivery in specific sectors.</p> <p>Support development projects and minor capital investments + provide good incentives to improve performance in planning, budgeting, financial management, procurement and good governance.</p>	<p>A comprehensive reform is ongoing to improve the allocation criteria for all recurrent grants, establish <u>needs and formula based</u> criteria for allocation, starting with Health and Education. The reform will be introduced gradually. Abolition of certain local taxes have been compensated through new grants. A new performance based capital development grants scheme has being rolled out to all districts in the country to promote capital investments and to ensure LG planning processes and performance.</p>
Rwanda (2007)	<p>1) Block grants for recurrent administrative expenditures</p>	<p>1) A new allocation formula was adopted in 2006 with the following criteria: Size of the population (20 %), Poverty measured by inverse of revenue collected (20%), size of the area</p>	<p>Fiscal gap between expenditure needs and revenue collected</p>	<p>The criteria are transparent but tend to move in opposite directions.</p>

¹⁶⁸ This table is a slightly modified version of the original table from: Jesper Steffensen: Introduction to the Principle for Design of Intergovernmental Fiscal Transfer Systems – an international comparison of allocation criteria and modalities, May 2007.

Country	Main Transfer Schemes	Allocation Criteria	Objectives and other features	Comments and coming reforms
	<p>2) Various sector grants</p> <p>3) Various programmes, particularly the Common Development Fund (CDF) for capital investments</p>	<p>(10%), bonus for tax effort (10%), and finance gap between administration cost and collected revenues (40%).</p> <p>2) Allocation criteria varies greatly, some using equal shares, others are based on clients, while others on estimated expenditure needs.</p> <p>3) Allocation formula with population, coverage of water/sanitation infrastructure, and other factors</p>	<p>Fiscal gap and to promote specific decentralization sector reforms</p> <p>Promote small scale infrastructure</p>	<p>The criteria are being reviewed as part of the sector dialogue. There is a need for a strong guidance of the sectors.</p> <p>The formulae for CDF may create disincentives to improve. The capital grant system is project specific and all investments have to be improved beforehand.</p> <p>There are multiple smaller grants and one-off budget funding schemes, each with their own modalities.</p>
South Africa	<p>Equitable share grant</p> <p>Specific purpose grants</p>	<p>Fiscal capacity and expenditure criteria: Number of poor households and the relative difference between the number of poor individuals and number of non-poor individuals, the costs of an estimated basket of basic services per households, population size, historical distribution in no. of staff, household with services backlogs.</p> <p>E.g. grants for capacity building and Infrastructure grants</p>	<p>Fiscal gap and equalization</p> <p>Specific services and purposes</p>	<p>Ongoing reform to streamline and consolidate (reduce the number of grants) the system and criteria.</p>
Examples from Asia				
Cambodia (2003)	<p>General purpose grant for the commune/sangkats- the so-called C/S Fund, which is divided in an administration and a local development component (2003)</p>	<p>The allocation formulas vary for the administrative and the development components:</p> <p>1) The General Administration Component cannot be more than 1/3 of the total distributable resources of the CSF. This is distributed to Commune Councils in proportion to its number of councillors.</p> <p>2) The Local Development Component, which cannot be less than 2/3 of the total distributable resources of the CSF. This component is</p>	<p>The objective is to support small -scale investments in infrastructure, service delivery and cover the costs of general administrative functions.</p> <p>The scheme is also put in place to enhance the legitimacy of the local authorities and support learning processes in planning, budgeting and financial management (new innovative and</p>	<p>The size of the funds is set by a certain percentage, approximately 2.5-2.6% of the total domestic revenues.</p> <p>Most of the funds have been spent on roads and smaller infrastructure projects like bridges.</p>

Country	Main Transfer Schemes	Allocation Criteria	Objectives and other features	Comments and coming reforms
		allocated by three shares (criteria): 1) an equal share, 2) a share proportional to the size of the population in the Commune, 3) and a share proportional to a poverty index, weighted by the population of the commune. For the poverty assessment, a Commune database with data on social indicators, by village, is used to produce a poverty ranking of the Communes. E.g. the FY2002 allocation formula, used weights for the equal shares, population, and poverty components, respectively, of 50, 30 and 20 percent.	decentralised service delivery.	
Philippines (as of 2005)	<p>One major scheme, the Internal Revenue Allotment (IRA)</p> <p>The size of this is set as a fixed percentage, which is 40% of the national internal revenues three years prior to the current Fiscal Year.</p> <p>Small number of capital transfers (typical project specific)</p>	The allocation is distributed among the different tiers of local governments as follows: Provinces (23%), Cities (23%), Municipalities (34%), Barangays (20%). The resulting amount is further divided among the LG at each level with the use of the following formula: 1) Population (50%), 2) land area (25%), and 3) equal sharing (25%).	Fill the fiscal gap between expenditure and revenue assignments, particularly after the devolution of task from 1991.	<p>The equal share component has been questioned and there are various proposals (2005) to improve on the formulae.</p> <p>There is an ongoing review of the system and it is considered to introduce a more performance based allocation system, which should provide better incentives for the LGs to improve the performance.</p>
Example from Central America				
Nicaragua (2001)	Development grants	Matching grant. The collected tax revenue is matched by a Stimulus Development Fund on a dollar to dollar basis (since 2001)	Contribute to the general sources for development and support incentives to collect taxes (tax effort)	Previously (1997-2000) the system was based on the LGs' utilisation of the tax potential, and LGs with a high utilisation rate received more grants. This system was rejected as it was seen by everybody to be too complicated).
Examples from the Middle East				
Jordan (2005)	The system of transfers	The assignment of quotas to different municipalities is based	The transfers cover almost 60% of local	A national committee is

Country	Main Transfer Schemes	Allocation Criteria	Objectives and other features	Comments and coming reforms
	depends on fuel tax as the main source of the transfer pool. The system distributes the pool on specific number of quotas that are assigned to the municipalities.	<p>on the following criteria: The special nature of the municipality (tourism, commercial, boarder, administrative centre....etc.), population size, and minimum limit of quotas that each municipality should receive.</p> <p>The decisions on the number of quotas assigned to each come as shared decisions between the Ministry of Municipalities Affairs and the Ministry of Planning, while the Ministry of Finance plays a major role in deciding the quota's monetary amount.</p>	<p>expenditures. During the 1990s, the transfer pool experienced stagnation, while the local autonomous revenue shrank.</p> <p>The system is not transparent and not balancing.</p>	constituted to review the current transfer system. The committee is in the process of replacing the current system by a formula-based one. The committee is thinking of different factors to shape the formula including: the current transfer, per capita, population size, salary and wages expenditures, dept service, property tax revenues, and other autonomous local revenues.

Main findings at JC level

The EC has supported grant allocation mechanism in *Mali* and *Benin* and to a lesser degree in *Tanzania* through the Performance Based Grants to LGs.

In terms of support in the various countries to wider provision of information to the general public on budgets and allocations for local governments, it appears that some aspects of this have been supported, but because the main focus of support is on large PFM reform, it often originates from the PFM platform, rather than the local government reform platform. However, many of the evaluated countries do have ministry websites (like MOF and MOLG and specific agencies websites) in e.g. *Rwanda*, *South Africa*, *Tanzania*, *Peru* and *The Philippines* and through the national media. LGs are also increasingly being encouraged to make a full disclosure of their budgets to local CSOs, NGOs and media for wider dissemination to the public.

7.3.1 Ind7.3.1 - Evolution of budget allocation procedures: use of formula based grants, etc.

Detailed evidence at indicator level

The EC has supported formula based grant systems in some of the case countries. Countries like *Tanzania*, *Benin* and *Mali* have formula based grants. In *Tanzania* even a very advanced system of local development grants exist. The EC has not supported this work to a great extent in *Tanzania* except contributing to a general development block grant. In *Tanzania*, an increasing share of LG budgets has over the decade been allocated on a transparent basis through the use of simple and objective formula. The EC supported LGDG has in particular contributed to more transparent allocation of development funds that previously was allocated through various DP projects

In both *Benin* and *Mali* where there are specific centrally based investment agencies for local government investments, the EC has been instrumental in setting these agencies up and in developing the formulas for dispersing the funds among the local governments.

The system in *Mali* is presented in more detail in Indicator 8.1.1.

In *Benin*, increased transparency in fund allocation is evident in terms of the FADeC and local budgets. The FADeC funds are either conditional or "un-conditional". For un-conditional funds there is free choice of the sector, projects and / or activities to be funded. This is based on the reason that the funds are in addition to the municipalities own revenues to be subject to local planning. In addition, FADEC is sending funds made available to municipalities for sectoral activities. The funds for these sectoral activities are only related to this sector. Often, resources are allocated for specific activities, but this is not binding. Indeed, there is a wide range of options - for example, for investments, illustrated at a situation where the Ministry of Education has already identified the sites for the classroom location or a ministry that provides resources for 'infrastructure sector' without consulting the LGs. FADeC is working on increasing the un-conditional part of the investment grant to municipalities. This interest is understandable because it would increase the investment budget for the municipalities own priorities and the donors would develop a mechanism to support the communes in the whole country (replacing the geographical support, but taking into account the equalization criteria) through the national system. In this regard some progress has been made for the FADeC budget line for unconditional investment grants. While donors have hesitated to start co-financing, the GoB took a decision to commit funds (although this was helped by the GBS support, especially including from the EC). Since 2008, municipalities have actually received investment resources to finance priority actions according to their CDPs. With the increase in transfers of investments, the amount invested is increased similarly (although transfers seem to have replaced the use of own resources for local investments). The FADeC grant formula is based on a combination of a fixed amount (called "endowment structure"), variables representing spending needs, the variables being proxy (a proxy) for the ability to generate (other) revenues (collectively called equalization grants), and a premium to boost performance.

In *Tanzania*, the government has since 2003 begun to introduce a more transparent and equitable formula based system for allocation of fiscal resources among LGs. The system has been most successful for allocation of development funds – spearheaded by the LGDG. Funds for allocation of LGDG and related “sector windows” of the LGDG are all shared among LGs according to simple formula based allocations (typically based on population and adjusted to poverty, land area etc). A similar system has since 2004 attempted to be introduced for recurrent funding streams (salaries/PE and other charges/OC). As discussed further in Annex 5 of the field visit country note, this has in practice never been effectively implemented because GoT has resisted further devolution of staff management which in turn makes fiscal allocation of PE on formula meaningless. Fund transfers are today to a large degree published in newspapers – especially funds from the LGDG system. The dissemination is however not yet systematic, although LGDG has set a good example. Similarly, the PMO-RALG has established a website with overview of both transfers and expenditures at LG level¹⁶⁹.

In *Madagascar*, the EC supported ACORDS programme (more than 65mEUR were committed for the intervention under the 9th EDF) has allowed the experimentation with a performance based system to finance local governments (through call for proposals) which inspired the development of a national intergovernmental fiscal transfer mechanism in 2008 (Fonds de développement local) supported by both the EC and the World Bank (see Indicator 6.2.1 for more details on the ACORDS programme).

In *Sierra Leone*, as part of the IRCBP, the LGFD has developed formulae for tied sector grants to local councils and a council development grant. Grants are conditional and no flexibility exists for their local sector allocation. The development of grants for sectors started in 2005 when the first functions were devolved from ministries to LCs. The principle is that the same finance formerly used at central level shall be transferred to the LC- followed transparent and fair formulae. The system is generally well accepted by stakeholders.

In *Honduras*, the EC has not supported the development of transfer systems.

¹⁶⁹ <http://www.logintanzania.net/index.htm> and www.pmoralg.go.tz

In *Lebanon*, the main transfers from central government to local governments in Lebanon are made through the Independent Municipal Fund. But the EC support has not sought to further develop or reform this arrangement during the evaluation period, but it is a key priority in the newly formulated municipal finance project. This system has recently been thoroughly analysed (MOIM 2011 op city) and key conclusions are that the current system is in transparent and with problematic allocation criteria (although with elements of formula based allocations).

The revenues of the taxes and fees that constitute the Independent Municipal Fund are not publicly available. The lack of transparency of data, confounded with withdrawals and deductions taking place without the consultation of municipalities (see next section), has created an environment of mistrust between central and local governments;

As previously mentioned, the distribution criteria are set in a Decree rather than a Law. This has given the government the right to change the allocation of the revenues as it sees fit. Consequently, this has made the distribution to municipalities unpredictable with an adverse impact on the ability of municipalities to effectively plan; - The government has regularly altered the criteria for distribution that effectively changed the municipalities' share of the Independent Municipal Fund. Between 1993 and 2007, the government has adopted 4 different versions for distributing the Independent Municipal Fund revenues. This further introduces uncertainty and instability to the municipalities' budgeting and planning processes;

Source: MoIM 2011 op. cit

In *Peru*, the EC has not supported the development of the transfer system to regional and local governments, however some indirect support is given by the application of the official system for transfers, through MEF to three regions (Ayacucho, Huancavelica and Apurimac) in different programmes (PASA, AMARES y EURO-PAN).

The Philippines has for long had a formula based LG grant system in place in the form of the IRA (see below) – over the years since 1991, this has not been reformed significantly although it creates some imbalances by not considering fiscal equalisation and by creation of incentives for LGUs to strive to change LG status (see annex 5 of the field visit country note). ADB and JICA have supported various analytical works with the aim of reforming the IRA – EC has not supported this area.

Box 50 Main features of the IRA

Section 284 of the LGC indicates that 40% of the central government's gross internal revenue in the third preceding fiscal year be transferred to the LGUs as IRA. Provinces and cities receive 23% each from the total transfer, municipalities 34%, and Barangays 20%. The share of each province, city, and municipality is computed using the horizontal distribution formula composed of three determinants namely, population: 50%, land area: 25%, and equal sharing: 25%. This IRA distribution formula is considered too simple to respond to the already existing imbalances in the fiscal capacity among the LGUs. Thus, there is a clamour to revise it to achieve a better fiscal balance at the local level. In other words, the current formula needs to be revised in order that the IRA distribution is based on an accurate estimate of the financial needs and revenue potential of local government as well as on the disparity in development situation.

Source: From JICA 2009

The law provides avenues for citizen access to financial information at LGU levels, but LGUs have not always been very forthcoming with information. The government has recently introduced a new system that may strengthen LGU adherence to good local governance. The *Performance Based Incentive Policy (PBIP)* is an incentive framework to rationalize National Government (NG) intergovernmental fiscal transfers to LGUs towards improving overall LGU performance in governance (including their disclosure of LG finance information). On 20 February 2009, the Development Budget Coordinating Committee approved the above-mentioned policy to be implemented to Investment Coordination Committee (ICC) approved projects with Performance Based Grant System (PBGS) component. Donors have generally encouraged this initiative – and the WB financed

analytical work in support of this PBGS back in 2005 – however, results have only recently been taken up by Government and are entirely funded by government. Similar systems have been introduced in the health sector (with EC support) – however, the PBGS in the health sector appears to approach the financing instrument, in a way that it seems that health is largely being delegated rather than devolved to LGU responsibility (see below).

Box 51 Implementation of Performance-Based Financing Approaches in the Philippines

In F1, performance based financing (PBF) means that budget allocations and releases will be conditioned on the achievement of performance targets. F1 aims to install a performance-based budgeting system for hospitals, public health facilities, and regulatory agencies that necessitates reforms in the respective agencies' management and procurement system and implementation of a performance audit and review system. DOH is now shifting to contractual mode of dealing with LGUs. It enters into service-level agreement with LGUs when it provides resources to implement a component of the Province-wide Investment Plan for Health. The agreement specifies the rights and responsibilities of the DOH and LGU and the performance benchmarks to be used to measure compliance. This approach is in contrast to the previous unconditional provision of drugs and other inputs. DOH contracting of leptospirosis cases with a number of private hospitals also exemplifies the use of PBF in a public/private partnership arrangement.

Source: World Bank 2010, p.35

In *South Africa*, the emphasis on enhancing PFM capacity of national, regional and local level is a priority of EC support within the governance sectors (PFM capacity remains weak at local level). Local accountability of local governments still remains weak. Likewise involvement in this area is very weak as most is focused on service delivery and not advocacy. Increased transparency in fund allocation is evident in terms of SBS and contributions to local budgets. How much the wider public shares this, is not clear. Fund utilisation and accounting of these has increased considerably over the evaluation period also driven by EC rules and regulations. The National Treasury is a very strong and powerful organisation that – supported by Department for International Development (DFID) and EC – is very active in setting formula for transfers to provincial and local governments.

7.3.2 Ind7.3.2 - Financial information (esp. on transfers from government and their allocation) provided to the citizens

Detailed evidence at indicator level

In terms of support in the various countries to wider provision of information to the general public on budgets and allocations for local governments, it appears that some aspects of this have been supported, but because the main focus of support is on large PFM reform, it often originates from the PFM platform, rather than the local government reform platform. However, many of the evaluated countries do have ministry websites (like MOF and MOLG and specific agencies websites, for instance in *Rwanda, South Africa, Tanzania, Peru* and the *Philippines*) and through the national media. LGs are also increasingly being encouraged to make a full disclosure of their budgets to local CSOs, NGOs and media for wider dissemination to the public. In *Tanzania, Mali* and *Benin* where formula based transfers exist and supported by EC, financial information (esp. regarding the official communication on the planned budget) is indeed provided to the citizens (see also previous indicators).

In *Nicaragua* the law on transfer to municipalities (2003) defines a gradual increase of the total central government budget to municipalities from 3% in 2003 to 10% in 2010. Distribution to municipalities follows a formula with population, fiscal capacity, revenue collection and actual use of CG transfers as criteria. Some government funds are however transferred to investments in municipalities parallel to this system included some from PAPSE for O&M of education.

8 EQ8: Service delivery

Evaluation Question 8: To what extent has EC support to decentralisation processes contributed to enhancing and sustaining **service delivery** at local level?

8.1 JC8.1 Increased financial resources and improved allocation of resources for local service provision.

Main findings at JC level

In virtually all the countries under review, local governments have experienced an overall increase in their budgets, both in total figures and as a share of overall public expenditure. (see also JC 5.3).

However, only in four of the countries has the EC support considered “increased financial resources for local governments through sustainable systems of local government transfers” to a significant degree as a key objective of the support (e.g. *Benin, Mali, Sierra Leone* and *Tanzania*). For all these countries, it can be concluded that EC support has led to increased fiscal resources available for local governments’ delivery of services. Furthermore, the support has led to the establishment of systems, in the form of local government grant modalities/reforms of the IGFT systems, that lay the foundations for sustainable levels of local government financing. In these countries, the EC support has also sought to make the fund allocation more transparent, objective and needs-based by introducing systems of formula-based allocations.

In some of the other countries reviewed, the EC has made very significant contributions to local development projects implemented within local governments in various project modalities without the use of local government grant (IGFT) modalities. These may contribute to improved services in the specific localities, but they do not contribute to wider governance reforms that include issues such as how local governments generally are financed.

In several countries, the EC has also sought to enhance Private-Public Partnerships (PPPs) at local government level to further enhance the likelihood of improved service delivery by LGs. Positive examples include the Philippines (PPPs in the health sector) and South Africa. However, the South Africa case also illustrates the risks of promoting PPPs without sufficient local stakeholder consultations.

8.1.1 Ind8.1.1 - Total increase in funds allocated for service delivery (as opposed to administration) in local governments

Detailed evidence at indicator level

Fiscal resources available for development in local governments have in all countries under review increased (see also indicator 5.3.2) – and these have largely been allocated for service delivery. The relative share of “administration” as overall share of LG budgets is very hard to determine, but seems from available data to have remained constant.

The significance of these increases and the relative role of EC support differ significantly (see table below). Furthermore, it can be observed that the EC has made financial contributions for “local service delivery” in two significantly different ways that lead to very different kinds of “governance reform outcomes” although they both may contribute to service delivery improvements:

- In some countries (e.g. *Benin, Mali, Sierra Leone, Tanzania*), the EC has provided funds to local governments for service delivery (typically small scale capital investments) through various forms of Intergovernmental Fiscal Transfer (IGFT) systems – typically a kind of “Local Government Development Grant”, which not only increases funds available for local service delivery in local governments, but does so in a manner that lays the foundations for a stronger and sustainable system for financing services at local government levels.
- The EC has in several countries (e.g. *South Africa* and *Lebanon*) provided funds through more specific “project modalities” for various local projects implemented

within specific local governments. This (as discussed in JC 8.3) may lead to significant improvements in local services, although wider intergovernmental fiscal relations remain unchanged.

Table 38 Overview of LG Financial Resources and EC Contributions during the evaluation period

Country	Latest figure on LG share of public expenditures ¹⁷⁰	Significant increases in overall levels of LG budgets over evaluation period? ¹⁷¹	Relative importance of EC contributions to such overall increases?	Direct EC contributions for decentralisation (million € - commitments)	Financed through IGFTs/ building sustainable modalities for LG services/ financing?
Benin	7%	No	N.a.	22.5	Yes
Honduras	7%	Yes	Minimal	34.0	No
Lebanon	6%	No	N.a.	13.2	No
The Philippines	25%	No	N.a.	2.1 (+28mEUR of sector support)	No
Rwanda	12%	No	N.a.	35.2	No
Mali	3%	Yes	Significant	118.9	Yes (partly) ¹⁷²
Peru	20%	Yes	Minimal	13.3	No
Sierra Leone	N.i.	N.i.	N.i.	9.1	Yes
South Africa	58%	No	N.a.	7.6 (+110mEUR of various LED support)	No
Tanzania	26%	Yes	Medium	23.4	Yes

In *Benin*, local governments manage less than 2% of total public expenditure – the importance of relative increases in local government allocations on service delivery is therefore modest as explanation of possible service delivery improvements. The local government spending in 2008 totalled 3,374 FCFA per capita, against 2,530 FCFA in 2007, an increase of 33%. This increase was attributable to an improved level of collection of own resources by the municipalities from 2007 to 2008 from 16.0 to 19.1 billion FCFA (19% increase) and the increase in transfers of the GoB, whose share of the total general budget expenditure of the state increased from 1.5% to 1.9% between 2007 and 2008. The trend continued in 2009 with a budget transfer for investment (FADeC) of 7,436 billion FCFA against 5,436 in 2008. This has been supported by the EC both through GBS but also especially through SBS for decentralisation. If we look at 2008, own resources of municipalities for recurrent costs stood at an average of 53% of total resources. This share increases with the size of the town, between 20% and 56% for municipalities with over 90,000 inhabitants. The capital, Cotonou, stands out with an own revenue source for recurrent costs of about 80%. The share of investment expenditure in total expenditure in turn decreases with the size of the municipality by 49% to 24% to an average of 33%. This shows that the resource poor and rural municipalities have difficulty in meeting both recurrent and investment needs. This is the background for the work that the EC spearheads with other DPs in terms of securing an equitable and more demand driven transfer system through FADeC. The central government transfers to municipalities have increased sharply since 2006 (up 14% in 2007, up 42% in 2008 compared to 2007). In 2008, a total of 10.3 billion FCFA have been paid to the municipalities, of which 53% allocated to investment and from the FADeC. So while the service delivery improvements can only be called tentative at

¹⁷⁰ See table “indicator 5.3.2” for details.

¹⁷¹ Defined as more than 20% relative increase.

¹⁷² The ANCIT is not entirely a normal IGFT but established the basis for such.

most the EC has been instrumental in securing increased funding for LGs for key functional needs and for local investments. Actual figures on service delivery in the municipalities are hard to come by but as the table below demonstrates there is a very large gap between annual planned budgets at LG level and actual expenditures. This is normally an indication of poor capacity to transfer, manage and implementation funds for investment in service delivery improvements – an area that the EC and other partners have concentrated on in larger sector programmes and also for investment purposes through the FADeC in the last three to four years. But with only 5% (PER 2010) of the national budget being spent through LGs the issue of decentralised service delivery is clearly more a centrally sector driven prerogative than a local development planning one.

Table 39 Average % expenditure against budget 2004-2009

	2004	2005	2006	2007	2008	2009	Average 2004-2009
Administration/Functions	75	64	76	125	60	67	78
Investments	41	30	48	42	88	76	54
Total Expenditure	58	47	62	83	67	70	65

In *Mali*, funds for LG investments are channelled through ANICT. The evolution of these amounts is described in details in EQ5. It is noteworthy that, over the period 2001-2010, 147 billion FCFA (223mEUR) were allocated to and mobilised by LG. Between 2002 and 2006, the average was 10 billion FCFA/year (15mEUR). From 2007 onwards, the average increased with the shift to sector fund in education and health up to 25 billion FCFA/year (38mEUR). On average, this corresponds to 50,000 EUR per LG but, as explained before, there are actually huge disparities between LG. The box below provides complementary details on the system put in place for the contribution of the EC to this system.

Box 52 EC contributions to IGFT via the ANICT/FICT system in Mali

In the 2001-2010 period, the contribution of the EC amounted to 76mEUR ("Droit de Tirage"). This represents 34% of the funds raised via ANICT. The contribution of other donors during this period accounts for 55% of the funds and the central government for 11%. It is important to note that the contribution of the EC has been instrumental in the first FICT ("*Fonds d'Investissement des Collectivités Territoriales*") managed by the ANICT. During the 2001-2005 period, this contribution amounted to 70% of the funds. Without the EC support, the FICT would not have reached a substantial level and would not have covered the whole country. The ratio was then reversed with the introduction of specific sector "drawing counters" ("*guichets sectoriels*") in 2007. Today, thanks to the EC budget support and the fact that the EDF funds for ANICT are not targeted, a minimum of equalisation can continue.

LG which do not receive targeted funds can benefit from a minimum level of drawing rights. It is noteworthy that there is no consolidated data to assess the share of investment excluding ANICT funds. A qualitative study in 2004 (PADC feasibility financed by the AFD) was carried out on a limited sample of LG and revealed that 72% of funding registered as "LG investment" in the period 2001-2004 came from the ANICT. Yet, when all actual investment projects carried out in the administrative division were considered, only 40% of the investments had been funded by the ANICT. This fact was explained by the investments for which funding did not go through the LG budget. These investments actually often reflected the dynamism of the Mayor to raise funds from other sources. There is no evidence whether this situation has prevailed in subsequent years.

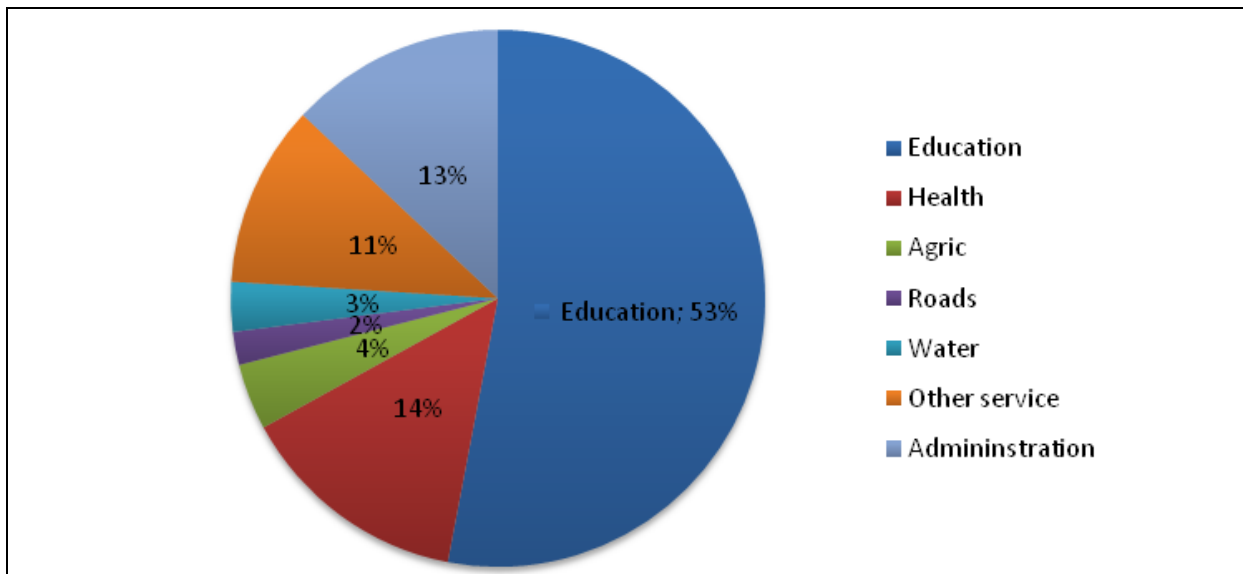
The transfer mechanism of ANICT in *Mali* is based on financial resources of the state and external resources available. The funds for local investment of local authorities (FICT) are 95% for the investment in infrastructure and 5% for the operating costs of ANICT. The Board of Directors determine ANICT regional envelope available. The Regional Council then determines the drawing rights of each circle (district) and each municipality. From 2004 the contribution rate has been adjusted in order to facilitate investment in certain sectors: NRM

and Environment 5%; Water 10%; Education, Health Facilities 50%; Markets, Slaughterhouses, Bus stations, Parks 15%; Infrastructure (town hall, access roads) 20%.

In *Sierra Leone*, the total revenues of the local councils have increased in real terms with 148% from 2005 to 2009 to 68.4 bill Le (app. 13.4mEUR), and the expenditures follow the same pattern according to LGFD. The figure shows clearly a substantial increase in LCs expenditure, which indicates that more services are provided¹⁷³. The EC has contributed to this development through the Institutional Reform and Capacity Building Programme, which has financed the local development grant to local councils and also provided support to local councils' revenue generation.

In *Tanzania*, LG budgets have increased significantly. JC 5.3 describes in detail the amazingly extensive overall increase in LG budgets: an incredible ten fold increase over ten years (from 0.2 billion TZS in 2000 to 2.2 billion TZS in 2009). This increase has largely been in the form of earmarked central government transfers for key services under local government responsibility such as: education, health, agriculture, roads and (to a lesser extent) water. Reliable data on details of LG expenditures for the entire ten-year period under review are not readily available. However, it is evident that most of budget increases have been earmarked for priority sectors (not least because almost 80% of the funds have been earmarked central government transfers for these sectors). Annex 6 of the field visit country note (see Volume II – Annex 11) provides a detailed overview: LGs would typically spend more than 50% on education services, some 14% on health with lesser allocations to various other sectors. Costs for administration (the political council and various non sector specific staff such as accountants, tax collectors, and administrative officers including village executives, ward executives etc.) were about 13%.

Figure 23 LG Expenditure Patterns (the case of Tanzania)



Most of the increased LGs resources come from fiscal transfers – in particular earmarked fiscal transfers for education and health, so the above expenditure patterns come as no surprise. The particular EC contributions to these developments have foremost been the EC contribution to the LGDG (total 20mEUR) just as GBS (to which EC contributes) has been a significant (but not sole) source enabling the GoT to increase its budgetary allocations for services such as education and health through LGs.

In *Honduras*, the EC has not directly supported the building up or transfer of more resources at municipal level via PROADES. Municipal expenses for operations have increased with

¹⁷³ The exact figures for service delivery can however not be presented due to limitations in the statistics from MoFED.

51% from 2002 to 2009 in constant prices indicating, that more funds are available for service delivery. Expenses for service delivery cannot be separated.

Table 40 *Municipal Expenditures in Honduras from 2002 to 2009*

Year	All expenses (egresos totales)	Operacional costs (gastos de funcionamiento)
2002	100	100
2003	114	110
2004	124	107
2005	75	76
2006	96	117
2007	211	197
2008	137	114
2009	167	151

Source: Ministry of the Interior and Population (SEIP) - see detailed calculations in annex 7 of the country note (Volume II). constant prices index 2002=100

In *Lebanon*, local governments have throughout the evaluation period only managed a rather small part of total public expenditures (around 6% throughout the period). For local governments generally, there is no evidence of increased financial resources and improved allocation of resources for local service provision (reform of Internal Municipal Fund or similar). The EUD has in the evaluation period not sought to reform local government finance in a systematic way but mainly tried to deliver local projects “through local governments” by project specific financing (a new programme in support of municipal fiscal reforms was developed during the evaluation period not yet effectively started). However, such project specific funding has been substantive and in the case of EU been provided for funding of a range of service delivery improvements. The EC has supported establishment of local development projects in municipalities and unions of an estimated value of 52mEUR. This is a significant investment in the concerned communities that only constitute a sample of the municipalities in *Lebanon*. The investments include a wide range of support:

- Eco-tourist plans and related paths,
- Rural parks,
- Municipal centres,
- Roads,
- Solid waste,
- Rural health, education,
- Improved farming.

In *Peru*, the expenditures for regional and local governments have increased during the last year in constant prices, which indicates that local services are better than before. The EC has only supported this indirectly through sector programmes. During the evaluation period the expenditures of the regional and the local governments have increased substantially as shown below.

Table 41 Total expenditures of the Public Sector (Peru)

	2001	2004	2007	2010
Central Government	42,643	49,337	43,731	54,148
Local Governments	n/a	n/a	6,898	17,707
Regional Governments	n/a	9,158	12,776	16,177
Total	42,643	58,495	63,405	88,032

Source: www.ofi.mef.gob.pe & consultant's own calculations - for details, see Annex 8 of the country note (Volume II)

Note: 2010 constant price; in million Soles.

The EC has not supported decentralisation programmes with funds for regional or local governments' expenditures. EC Sector programmes (PASA, EURO-PAN and AMARES) and Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion en las Regiones de Ayacucho y Huancavelica, AGORAH in the three priority regions (Ayacucho, Huancavelica y Apurimac) have however supported this indirectly by providing support to LGs, regional governments and ministries at regional level.

In *the Philippines*, it is concluded from recent policy review (see extract below) that public resources allocated for health only have increased marginally – and mainly driven by increased DOH resources rather than added resources by the LGUs. However, it should be noted that fiscal data on aggregate LGU spending is very poor. Some initiatives – such as the special congressional funds for health have leveraged additional LGU allocations (see box below). During the field visit to Negros Occidental, it was found that Provincial health allocations generally had increased and currently constituted 40-50% of total provincial expenditures (different figures were quoted during interviews). EC support for fiscal aspects of the health reforms have focused on the wider aspects of general sector financing – especially the health insurance scheme, rather than e.g. explored use of conditional grants for local governments health services.

Box 53 Health Financing in the Philippines - Extracts from Health Sector Policy Review 2010

Low levels, Fragmentation and Inequity in Health Financing

In 2005 at the beginning of F1, the *Philippines* spent only 3% of its GDP on the health sector while other Southeast Asian countries spent, on average, about 4-5%. This number has grown very slowly (there has been slight increase in national government financing for DOH) but the shares (percentages) between government, social insurance, private insurance and private OOP have hardly changed. In fact, as the review points out, private OOP spending is growing in the *Philippines*.

Fiscal Space and Health Spending. The low levels of public spending on health are partly related to fiscal space issues in the *Philippines*. Fiscal space for health refers to the ability of a country to increase public spending for health without jeopardising the government's long-term fiscal sustainability (Heller 2006). From a *macro-fiscal perspective*, the prospects of availability of additional public resources for health in the *Philippines* have been traditionally low. As Chapter 2 showed, the revenue to GDP ratio in the *Philippines* is below the average for other middle-income countries, including in East Asia, and the health sector has not been traditionally accorded a high priority – as indicated by the elasticity of public spending on health. Moreover, with almost 50% of the population of the country working in the informal sectors, it has been hard to mobilise resources from this group through the PHIC's Individual Program. In most LMICs such as the *Philippines*, achieving universal coverage has required long periods of time, and substantial dependence on general budget revenues to finance universal health insurance coverage (Langenbrunner and Somanathan, 2010, Gottret and Schieber 2006).

Overall trends in DOH, LGU and PHIC Financing: After declining in real terms for nearly a decade, the DOH budget has increased its spending on health as a percentage of

government expenditures. As a result, government expenditures on health have increased from 6% in 2002 to 6.8% in 2007. In particular, spending for public health interventions such as vaccines, anti-tuberculosis drugs, and the upgrading of government health facilities to provide emergency obstetric care has increased in the past two years. However, the increase has largely been limited to central government expenditures, while LGU expenditures on health have declined in real terms. Also, PHIC's share of health expenditures has hardly grown since it was established in 1995 (this is discussed in greater details in the next section).

Inequity in LGU Financing and Absorption Capacities – LGUs are at different states of natural endowments, economic development, and institutional capacities. This impacts their revenue-raising capacities as well as the ability to absorb resources. Moreover, the inequity in the internal revenue allotment (IRA) among provinces, cities, and municipalities translates into highly variable health services. Changes in the IRA are beyond the control of the DOH and require intervention at a higher level of government. Wide regional and provincial variation in LGU health spending occur mainly because of LGUs' heavy reliance on IRA, which does not take account of health needs. The inequities in LGU allocation are exacerbated by the fact that highly urban cities can generate additional resources from their large tax base (property and business taxes) while poor, rural municipalities and provinces cannot do the same. Because the IRA allocation favors cities, there has been a flurry of municipalities wanting to be cities. The proportion of the IRA going to health is not nearly enough to fund the cost of devolved health functions, a situation that has left many health facilities in a poor state of repair.

Fragmentation in Financing – Devolution has led to the fragmentation of service delivery as public health functions and primary care (the responsibility of municipalities) were de-linked from primary and secondary hospitals (the responsibility of provinces) which were in turn de-linked from tertiary and national referral hospitals (the responsibility of DOH). The lack of inter-jurisdictional payment system for referrals, the mobility of patients, and frequent bypassing of primary care and district hospitals to start with, has led to the fraying of the financing and delivery system, manifest in overcrowded provincial and DOH hospitals, and underutilised health centres and district hospitals. The "network model" that existed prior to devolution – based on the district catchment area and district health structure that responds to it – has all but disappeared.

Recent efforts under F1 – Formula 1 carried out several initiatives to correct some of the inherent weaknesses of devolution. To ease the problems of service fragmentation, lumpiness of investment, and externalities (spill-over effects), some municipalities have organised themselves into inter-local health zones (ILHZs) so that they can share resources and benefits together. As of end-2009, as many as 274 ILHZs have been organised in 72 provinces for various reasons, although little has been done to empirically evaluate their effectiveness, impact and sustainability.

Until recently, there was little planning capacity for health in LGUs. This problem is being addressed with the roll-out of the Province-wide Investment Plans for Health (PIPH). The PIPH has become the principal instrument to coordinate and consolidate the fragmented strands of resource mobilisation by the province as it lays out the multi-year investment plan based on needs identified and the various financing sources (IRA, commodity self-reliance plans relying mostly on locally-generated revenues, reimbursements from PhilHealth, additional central government grants, LGU's own loans, commodity and in-kind support, and external assistance, if any). Lower-level localities are also undertaking their own city and municipal investment plans for health. It remains to be seen how far these local health investment planning initiatives can generate additional resources for health, allocate them properly, and result in a rationalised efficient service delivery system. To measure provincial health expenditures, Local Health Accounts are also being piloted in 11 provinces.

Source: World Bank – Health Sector Policy Review 2010- pp 75

Special Congressional funds for health

Since 2007, the National Government through the DOH has leveraged LGUs to provide resources to specific public health programmes through specially grant allocations. In 2007, Congress appropriated 150mPHP to be used by LGUs for family planning and reproductive health services. In the following year, Congress also appropriated 2 billion PHP to be used by LGUs for Maternal, Neonatal and Child Health And Nutrition (MNCHN) services. In both cases, the governing rules require that the LGU should first show that it has spent some of its own resources to these programmes before it can access the Congressional grants, to indicate that the LGU does consider these programmes as a priority. As a result, the annual budgetary appropriations to the DOH have ballooned in recent years. This is an important development for it reinstates the DOH and the regional Centers for Health Development (CHDs) as key players in local health financing, an influence DOH lost with devolution.

Source: World Bank – Health Sector Policy Review 2010- pp 33

In *Rwanda*, LG budgets have grown in total numbers, especially after 2006 (see table below) but LG share of national budget is constant 12% over the period 2006 to 2011 and is not projected to grow either in the near future, as projections for 2012/13 it remains at the same level. This does not necessarily mean that the administrative budget versus the service delivery budget has grown since most services are delivered through line ministry budgets but it does show that LGs do not have much control over the service delivery budget as such.

Figure 24 National versus District Total Budgets

M CFW	2006	2007	2008	2009/10	2010/11	2011/12	2012/13
Districts	34,703,770	68,154,550	84,660,910	134,737,526	110,059,002	128,532,235	137,023,702
Nat. budget total	281,539,806	419,701,400	521,135,190	988,304,673	984,022,047	1,068,684,952	1,141,509,690
District % share	12%	16%	16%	14%	11%	12%	12%

Source: MINECOFIN

Service delivery improvements at LG level are more centrally driven than locally – earmarking and programme approach in sectors. Improved and sustained economic growth averaging 10% p.a in the recent years - has encouraged socio-cultural development and significantly reduced poverty. Baseline surveys that informed development of the EDPRS 2008-2012 give background evidence that national statistics (trends) justify the engendered impact of decentralisation during the period (2001-2009) in form of reduced unemployment rate¹⁷⁴; improved GDP¹⁷⁵, increased access and utilisation of land (agricultural production). Rates of poverty reduction since 2000 have been modest (though not fast enough to meet either the targets set in Vision 2020 or the MDGs)¹⁷⁶.

In *South Africa*, eliminating backlogs in basic service and infrastructure delivery is a South African national priority. While much has been achieved, many remain without basic municipal services in water and sanitation, solid waste removal, electricity connection, and provision of housing. Improved governance has increased the availability of government and

¹⁷⁴ According to the EICV 2007 results, levels of declared unemployment are very low in Rwanda but under-employment is high. There has been diversification of household income sources as the proportion of the employed labour force engaged in agricultural occupations fell by 9% nationally to 80% between 2000/01 and 2005/06, with most of the decline occurring among men. The share of the labour force working in formal employment increased from 5% to 10% over the same period or an estimated 1.25 million people of working age (15 to 70). Young people and women more often perform unpaid work than men.

¹⁷⁵ GDP grew from an average of 6.4% in 2006 to about 10% p.a in 2009

¹⁷⁶ Average poor person's consumption is at about RWF 150 per day, increased by over 2% since 2001.

donor funding. There are three broad streams of national transfers to local government: the equitable share as well as infrastructure and current transfers (conditional grants). According to Treasury's 2005 Medium Term Budget Policy Statement the equitable share in 2005/06 comprised R10578 million, infrastructure grants R6130 million and capacity building and restructuring grants R749 million. The percentage of transfers in total municipal budgets (or rather: the dependency rates) varies enormously: from 92% in Bohlabela/Bushbuckridge (Limpopo) to 3% in Cape Town (Western Cape). The EC did not directly contribute to these fiscal transfers. The EC contributions for local service delivery were earmarked for projects in selected local governments (four provinces) with a total budget of approximately 100 million EUR.

In *Cambodia*, it was noted during the desk phase that EC support has been restricted to a special fund. Each year 1,8 mUSD is granted through the Inter-Commune Co-operation fund for projects that straddle commune boundaries. Since 2006 more than 260 projects have been implemented across 12 provinces and 54 districts. In rural areas, inter-commune roads and small bridges have been built, helping local residents and farmers better connect to markets and services. In remote areas, school dormitories have been built for indigenous young people to attend schools. Service projects have also been implemented to respond to women's concerns, environmental issues, eco-tourism and farmers' training needs.

8.1.2 Ind8.1.2 - Improved targeting of resources through e.g. need based formula based allocations

Detailed evidence at indicator level

Procedures for improved targeting of fiscal resources have improved in several of the countries. This includes efforts for improved planning procedures (see also EQ6) and efforts for more transparent and need based allocation of central government funding for local governments through establishment of formula based local government grants as part of IGFTs (this was also discussed in EQ7/JC7.3).

The EC has in particular made contributions to development of such formula based grant systems in *Benin*, *Mali*, *Sierra Leone* and *Tanzania*.

In *Benin*, decentralisation started with elections for the 77 Municipal Councils in 2004. The municipalities were given a number of tasks mandated by law, amongst others the construction and maintenance of rural roads, primary schools and rural water supply. The municipalities were similarly assigned a number of revenues, amongst others tax de voirie, sales tax etc., however their most important source of income from the outset was transfers from the central government. With only about 5% of the national budget being spent through the municipalities this remains extremely low also in comparison with other developing countries. Benin has in recent years taken further steps in promoting decentralisation. In 2007, a Decentralisation Ministry (MDGLAAT) was established, and in 2008 elections for the second generation Municipal Councils were held. 2008 further saw the creation of FADeC (*Fond d'Appui au Developpement Communale*), a block grant (formula based) for the municipalities, and CONAFIL (*Commission Nationale des Finances Locales*), a policy advisory body, which provides oversight of the allocation of FADeC funds. Finally, in late 2009, a National Decentralisation Policy PONADEC was adopted as a guide for the decentralisation process in a 10-year perspective. All of this has been supported actively by the EC. The proposed formula-based grant for investment purposes is described above under Ind 7.3.1.

In *Mali*, the following criteria are used to calculate the drawing right (DT) of each LG: Population, Remoteness and Level of equipment. During the first period (FICT1), small LG were clearly favoured, it was to compensate for their under-equipped situation. A fourth index was been considered and corresponded to the rate of recovery of the "TDRL" (tax per capita, the main financial resource of the LG). This index was not applied during the FICT1 and its use during the FICT2 has encountered some difficulties. In fact, there is no pre-determined formula to allocate budget to LG. Each year, the Board (based on a proposal of the DG of the

ANICT) decides the weight to be attributed to each of these criteria. A formula was proposed for the FICT 2 (2004 ANICT study)¹⁷⁷. It seems that this formula could not be applied because of the difficulty in calculating the indices, the multiplication of drawing counters ("*guichets*") and the fact that funds became targeted sectorally and / or geographically. In general, the development partners now complain about the lack of transparency in the current method of calculation. The EC support had limited influence on the choice of the method to calculate the drawing rights although through its programmes it has supported efforts of national partners in this area.

In *Sierra Leone*, the economic principle behind the devolution process is that local councils should be given the amount that the centre formerly has allocated for the functions (vertical distribution) and the amount should be divided between the councils (horizontal distribution) following need based formulae based on population, age distribution, number of installation, enrolment rates, etc. This has already taken place since 2005 and should imply a better use of resources, more targeting and more local involvement. The IRCBP has supported the development of the formulae for transfers and also their size by financing the development grant.

In *Tanzania*, the EC has contributed to the LGDG that has served as model for establishing an overall system for transfer of formula based allocations of development funds to LGs. Development funds for LGs are today almost entirely transferred on a formula basis. The general formula for LGDG is based on population, land area and poverty patterns. The annual allocations are furthermore adjusted annually in accordance to the performance of past years. Development funds for sectors are typically adjusted with inclusion of sector specific data (child mortality in health sector, number of farmers etc in agricultural development grants, number of school going children in education sector etc).

8.1.3 Ind8.1.3 - Existence of public-private partnerships in the delivery of services

Detailed evidence at indicator level

Public Private Partnerships have generally been strengthened in all the countries reviewed. This has typically taken place as a broad transformation where EU has been one among several external donors to support the process.

The EC contributions to changes have been most significant in three countries where interventions have been of very different character:

- *Lebanon*: the EC in various ways have sought to improve public – private partnerships; partly in the establishment of waste management services and partly by development of the “eco-plans” in the clusters of municipalities supported under LOGO. It is too early to determine if establishment of such partnerships will be successful.
- *The Philippines*: in the health sector, the EC has supported innovations regarding enhanced hospital autonomy and reforms and strengthening of the health insurance system whereby private resources for health services are mobilised and utilised (and retained) by semi autonomous hospitals under the local governments (the provincial hospitals). The systems are perceived by stakeholders as sustainable and leading to improved services (ref health Sector Policy Review of 2010 – see also box below).
- *South Africa*: the national Treasury produced detailed guidelines and procedures for the establishment of Public-Private Partnerships. These were aimed at large partnerships, were onerous and meant that such partnerships were slow to emerge. National policies on PPPs were only slowly emerging at local levels. However, the EC support for local economic development programmes (in Limpopo, KwaZulu-Natal

¹⁷⁷ "La détermination des droits de tirage de chaque collectivité territoriale résulterait de l'application de la formule suivante:

• Droit de tirage = droit de tirage pour l'ensemble de la région x (indice synthétique de la collectivité / □ indices synthétiques de toutes les collectivités de la région);
 • Indice synthétique = Indice population + indice éloignement + indice équipement + (recettes TDRL recouvrées / prévisions de recettes TDRL)."

and the Eastern Cape) made funding available contingent on the establishment of such partnerships. Consequently partnerships were imposed on beneficiaries; often these proved to be flags of convenience to secure funding, while the weaker partner did not always benefit. It has not been possible to quantify the extent to which weaker partners have been empowered. Many partnerships did not appear sustainable. However, in some instances where such partnerships were established (e.g. with the sugar industry in KwaZulu-Natal), they have yielded positive results, mainly in job creation and the sustaining of small enterprises.¹⁷⁸

Box 54

PPP in the Philippines - Extracts from Health Sector Policy Review 2010

Hospital bed capacity in the Philippines is below the average for East Asian countries and below the rates of other MICs such as China and Thailand. The capacity gaps are most prevalent in rural and hard to reach areas, which means that the gaps in service delivery most affect poor families that live in these areas. Few new hospitals and hospital beds are being added, and the hospital system is being over-run by population growth, the rise of non-communicable diseases, the frequency of accidents, other trauma and an aging population. Public-private partnerships are often limited to medical imaging. Inequity and variance is growing between the well-endowed private sector and autonomous government hospitals that are able to pass the highest levels of global accreditation and ill-endowed public and private hospitals.

The majority of the public hospitals systems (with the exception of a few DOH managed centres of excellence in Manila) have not undergone systematic investment and upgrading since before devolution, even though the population has grown and the role of hospitals has changed substantially in the past 25-30 years. Under "Formula 1", provinces have received financing to upgrade parts of their hospitals. In most provinces, funds available for investment are limited, and upgrading has focused mainly on minimum standards for emergency obstetric services. Provinces have been asked to prepare rationalization plans for the hospitals in their area as a pre-requisite for investment; in an attempt to ensure new investment is consistent with efficient, sustainable operation of hospitals. But the available investment resources are too limited to finance major expansion and upgrading of hospital capacity in areas that need increased capacity. In spite of DOH efforts to insist on rational investment criteria, external intervention in hospital investment continues to undermine these efforts, leading to a non-sustainable investment that is not consistent with a high quality, modern hospital system. There is a need for nationwide analysis of the gaps in hospital capacity and planning for how to fill these – through a combination of public and private sector investment.

With regards to hospital autonomy, Some central hospitals have Maternal, Neonatal and Child Health And Nutrition (GOCC) status. DOH retained hospitals were given some fiscal autonomy since 2004. But an accountability framework for GOCC hospitals and fiscally autonomous DOH hospitals was not put in place before they were given autonomy. Many LGU hospitals do not have fiscal autonomy and are not able to retain PhilHealth revenues. The hospital autonomy framework is not comprehensive: there are gaps in relation to autonomy over personnel and capital investment, gaps in relation to information systems for performance monitoring, weak accountability framework and gaps in policies for financing social functions of the hospital more explicitly. The DOH has begun to develop some of the building blocks for increasing the accountability of hospitals through attempts to develop a hospital score card. However, because of the lack of robust hospital information systems in most hospitals, the basic foundations for a hospital score card are not yet in place.

Private hospital capacity is concentrated in Metro Manila and other major metropolitan areas. A substantial share of private hospital beds is found in very small hospitals. Many if not most of these are probably not functioning at the standards usually expected for secondary care hospitals. However, "inflation" of the categories of hospital license has occurred to such an extent that it is difficult to assess how much private hospital capacity exists at secondary and

¹⁷⁸ Interview with key LED focal points in KwaZulu Natal Province.

tertiary levels in the Philippines, in the sense in which secondary and tertiary levels are understood internationally. Inflation in the categorization of hospitals is motivated by in part by the payment system used by PhilHealth (and Health Maintenance Organization (HMOs)/private health insurers) which pays at higher rates for tertiary level hospitals, even for the same procedure. The fact that PHIC (and HMOs/private health insurers) only cover drugs and diagnostic tests for inpatients may be driving unnecessary hospital admissions in low-level hospital facilities for patients who could be diagnosed and treated in outpatient settings. The fact that PhilHealth sets reimbursement ceilings per hospitalization and permits hospitals to balance-bill means that patients are not protected from catastrophic costs. It also means that hospitals are not subject to pressures to minimize costs and increase efficiency. Patient choice is not an effective driver of hospital efficiency, because patients have limited scope to compare prices for hospital treatment. There is good evidence that PhilHealth reimbursement leads to inflation in private hospital costs.

As is the case in many countries, patients routinely bypass first –contact care to seek care in more expensive hospital settings. First-contact (primary care) in the Philippines is largely perceived to be providing public and preventive, rather than curative, services and therefore patients prefer to seek care at the next levels. (World Bank 2010 op cit page 82-83)

Source: World Bank – Health Sector Policy Review 2010- pp 33

In other countries reviewed in this evaluation, the EC has not played a significant role in this area:

- In *Tanzania*, PPPs are developing in all sectors, although private sector participation in some sectors has been under significant competition from a rapidly expanding public sector (in particular in health and education sector). In the agricultural sector more emphasis is paid to PPPs in current agricultural policies compared to former socialist Ujama policies. For all infrastructure development, LGs have over the last 15 years largely abandoned past practices of direct implementation and instead outsourced construction works to the private sectors. The LGDG requires all LGs to outsource construction work. The drive towards enhancing PPPs is pervasive and broadly supported by all development partners in all sectors. Specifically in the local government sector, this was to a large extent initiated in 1999 when the basket funded Local Government reform Programme took off (and EC was not part of the basket). The EC participated marginally in the design of the LGDG where PPP modalities were encouraged.
- In *Benin*, there are examples of public-private partnerships in delivery of services in Benin. Through 15 years of concerted effort initiated in Cotonou, the system of pre-collection of solid waste by NGOs working at the household level has been well conceived and implemented. In the main urban areas, the NGO's serve from 60-85% of establishments of their zones and receive payments regularly and adequately for their efforts. This high level of service is based on a high level of commercial establishment participation, offsetting the lower household level of participation. Cotonou has precise pre-collection zones and the pre-collectors work with official authorization. The authorization specifies performance criteria and appends a terms of reference and is given annually. The NGO's then enter annual contracts with each household they serve. The fee for service in Cotonou is based on the city's tariff structure, which takes affordability into consideration for each area and enables extra charges for additional volumes collected per source of generation. This is an area especially supported by the WB and not so much by the EC.
- In *Mali*, there is no real public-private partnership for the delivery of basic public services in Mali. The system that prevails is more a system of co-management with the users. For example in the health sector, they are user groups that manage community health centres (CSCOM – "*Centres de Santé Communautaire*") and a "partnership framework" has been established between these associations, LG and the deconcentrated health services. Regarding schools, a management committee involves the school principal, the parents and a representative of the LG.

- In *Peru*, the EC has not supported the establishment of public private partnership as part of the support to decentralisation.
- PPP are a developing issue in *Rwanda* but not one that the mission could find a lot of evidence on. However, as stated before volunteers deliver many services especially within health. The GoR encourages this as part of the wider civic duties of the citizens in Rwanda. Once a month all citizens are asked to participate in cleaning their neighbourhood and working for environmental improvements.
- In *Sierra Leone*, PPP related to the delivery of social services have not been developed according to the stakeholders met during the mission. The IRCBP has not supported this.

8.2 JC8.2 Improved operation and maintenance of locally provided services

Main findings at JC level

Systematic data on O&M of local facilities are rarely available and have not been systematically supported by the EC in its decentralisation support but more frequently analysed as part of sector specific support (health, education etc). Where undertaken, general user satisfaction surveys indicate that only marginal (if any) improvements have taken place.

EC support has to a large extent focused on broader policy and capacity development with support for service delivery at local level mainly in the form of increased capital investments with limited focus on operation and maintenance issues. In several of the programmes, the basic premise is that since local authorities are permanent institutions with some recurrent annual budgets, then it is by definition at least more sustainable to support local investments under responsibilities of such local governments rather than simply (as typically in the past) support local investments with loosely defined “community” responsibilities for operation and maintenance.

In several of the countries reviewed, it is reported that there are substantive problems with O&M of facilities (e.g. in countries as different as *Mali*, *Lebanon* and *South Africa*). In *Tanzania* it is found that road maintenance has improved – which almost entirely can be ascribed to the establishment of the Road Fund and related systems and financing arrangements of local governments road maintenance – developed as part of road sector support rather than as part of general local government reform/decentralisation support (the EU contributed to the general establishment of the Road Fund, whereas other DPs were relative more active on the particular aspects related to LGs use of the Road Fund).

Wherever data is available on O&M budgets it is most commonly noted that allocations are “insufficient” and significant maintenance problems are pointed out in for instance Lebanon, Mali, Sierra Leone and South Africa.

In several countries, it can be noted that the responsibility for O&M is shared between central governments and local governments and successful O&M hinges on well-defined (and resourced) intergovernmental arrangements.

The case of the Road Fund in *Tanzania* is illustrative as it provided a stable source of O&M funding as well as clear modalities for sharing these among local governments and guidance for their utilisation. The arrangements for the road fund were supported by several development partners in *Tanzania* (including the EU) as part of their infrastructure development support (thus it didn't grow out of efforts for local government reforms/decentralisation support). Road funds are now common in many developing countries, but the extent to which this also includes windows for local government revenue sharing varies.

8.2.1 Ind8.2.1 - Allocations for operation and maintenance in local budgets and assessments of their adequacy

Detailed evidence at indicator level

Data on operation and maintenance budget allocations are scarce in all countries reviewed. EC support to decentralisation has in general not paid much attention to these issues. EC support has to a large extent mainly focused on broader policy and capacity development with support for service delivery at local level mainly in the form of increased capital investments with limited focus on operation and maintenance issues. In several of the programmes, the basic premise is that since local authorities are permanent institutions with some recurrent annual budgets, then it is by definition at least more sustainable to support local investments under responsibilities of such local governments rather than simply (as typically in the past) support local investments with loosely defined “community” responsibilities for operation and maintenance.

Wherever data is available on O&M budgets it is most commonly noted that allocations are “insufficient” and significant maintenance problems are pointed out in for instance *Lebanon, Mali, Sierra Leone* and *South Africa*.

In several countries, it can be noted that the responsibility for O&M is shared between central governments and local governments and successful O&M hinges on well-defined (and resourced) intergovernmental arrangements. The case of the Road Fund in *Tanzania* is illustrative (see box below) as it provided a stable source of O&M funding as well as clear modalities for sharing these among local governments and guidance for their utilisation. The arrangements for the road fund were supported by several development partners in Tanzania (including the EU) as part of their infrastructure development support (thus it didn't grow out of efforts for local government reforms/decentralisation support). Road funds are now common in many developing countries, but the extent to which this also includes windows for local government revenue sharing varies.

Box 55 Arrangements for financing road local governments road maintenance in Tanzania

Parliament of the United Republic of Tanzania enacted the Roads Tolls Act in December 1998, establishing the Road Fund and the Road Fund Board. The main source of funding is the fuel levy – 30% of the income is distributed to local governments as a conditional grant for maintenance of roads under their responsibility (local urban roads as well as district feeder roads) whereas the remaining 70% is for maintenance of national roads (trunk roads, highways etc). The funds are shared among the approximate 140 local governments according to a formula based on existing stock of roads eligible for maintenance. The funds are transferred to local government as earmarked for maintenance and local governments have to report on a quarterly basis on use of the funds.¹⁷⁹

In several countries, arrangements for O&M of local services, is largely seen as “community responsibilities” where local water communities, school, committees is given the main responsibility for maintenance with often vaguely defined roles for backup from local governments.

Local governments are in some countries (e.g. *Mali*) given general guidelines regarding e.g. “ earmark minimum 15% of your revenue for O&M” – these broad guidelines appear difficult to adhere to, difficult to monitor and overall insufficient in the absence of well defined sector specific arrangements that specifies in details the responsibilities of central government, local government and users for O&M with related clear financing modalities.

¹⁷⁹ For details see <http://www.roadfundtz.org/web/index.asp> - it should be noted that the roads often constitute the bulk of local maintenance costs frequently followed by water sector. However, whereas the water sector in most countries relies significantly on user contributions; road maintenance is general public sector (local government) responsibility.

The information collected during the field phase is presented below.

In *Mali*, it turned out to actually be very difficult to assess any contribution of the EC to the improvement of local infrastructures maintenance, especially given the fact that the aid was delivered in the form of budget support. The EC has indeed supported the CCC ("Centres de Conseils Communaux") which played an active role in this area providing specific guidance for the improvement of LG maintenance system. Overall, it appears that maintenance of local infrastructures is still a major problem in *Mali*. The central government formulated a directive in order to oblige LG to allocate 15% of their budgets for maintenance operations. This seems however difficult to be applied given the limited budgets of LG (which is largely used to pay salaries and to cover the financial requirements for new investments). There is no consolidated study giving the exact share of LG budget for maintenance. Recent qualitative studies indicate either an absence of expenditures for maintenance or a very low level of expenditures. In *Mali*, LG generally consider that the responsibilities for maintenance of buildings and equipments lies at the level of the management committees and that costs should be covered by the budget of these committees (e.g. school management committee, health facilities users associations).

In *Benin*, the Evaluation Team while could not make a full analysis of the question of operation and maintenance budgets at local level. Normally municipalities have been using their own small revenue sources for O&M budgets, but these have fallen considerably over the past 5 years. Only the larger municipalities of Cotonou and other cities have some local revenue sources that allow for some meagre O&M budgets. The FADeC unconditional grants will have a degree of operation and maintenance built in to them.

In *Sierra Leone*, according to the LGFD, MLG&RD and some LCs budgets revised in 2010 by the team, the amounts in the councils' budgets for maintenance are very small and local revenues are for districts mainly used for administrative purposes while cities have implemented a few investments in infrastructure. The phenomenon of preferring new constructions instead of maintenance of the existing¹⁸⁰ is still prevailing. IRCBP has supported councils' financial management and budgeting.

In *South Africa*, in 2002 the Institution of Municipal Engineering of Southern Africa (IMESA) undertook a survey of municipal infrastructure maintenance and found that South African authorities compare unfavourably with the international benchmarks in respect of strategic planning, asset accounting, and planning and making financial provision for improvement of infrastructure. A 2007 report by the Council for Scientific and Industrial Research (CSIR) found that in respect of financial planning and management many municipalities do not have even the basics in place, and there are gross shortcomings in maintenance policies and practice; and that there is a wide range of capacity and competence between these two extremes can be found in municipalities.

Table 42 Municipalities capital projects vs. operations in 2003/2004 (South Africa)

<i>Municipalities</i>	<i>Percentage of total budgets</i>	
	<i>Operating</i>	<i>Capital</i>
Metros	84,4%	15,6%
Local and district	75,1%	24,9%
All municipalities	80,6%	19,4%

The report asserted that for the typical impoverished municipality, basic levels of water services have been provided, "subsequent lack of maintenance coupled with no control over the high levels of informal connections means that the majority of these schemes are no longer capable of providing a consistent daily basic water supply". It concluded that "at least 90" of these municipalities are not going to be able to provide services to their indigent communities without considerable financial support from national government.

¹⁸⁰ Kenema City allocated Le 12.5 millions for maintenance in the budget from 2010 to 2012, while Kenema district did not allocate any fund for this. .

In *Tanzania*, data on operation and maintenance of facilities in LGs are rather scarce in Tanzania, with the exception of road maintenance where data suggests that percentage of rural roads qualified as passable (good and fair) has improved from 50% in 2005 to 56% in 2010¹⁸¹ – this modest improvement is primarily the result of support financed under the Road Fund. It is widely recognised that O&M of water facilities is poor, but LGs responsibilities also are vaguely defined (primarily community based O&M). Data on O&M of e.g. schools is almost non-existent: an enormous expansion (more than doubling of school infrastructure) took place in recent years at great speed that may constitute a major O&M burden in near future. The LGDG intends to strengthen LGs capacities for O&M; however the measures applied for doing so are weak. O&M issues are included in the annual assessments, but the analysis of O&M budgets is not very detailed (see box below).

Box 56 Tanzania LGDG - Summary of annual assessments in 2010

It is prudent for LGs to ensure sustainability of their investments. As such, the Assessment sought to establish if the LGs make budgetary provision and practical executions for operation and maintenance of investments. All the LGs except Mwanga DC made budgetary provisions for O&M of investments for FY 2009/10. While all LGs except Mkuranga DC, Chato DC, Kisarawe DC and Rufigi DC (3%) had no evidence of having executed the budgetary provisions in FY 2008/09.

In *Lebanon*, EC support for local development has focused on establishment of additional “projects” – the only available external evaluation (of ESFD) poses serious questions about the sustainability of projects (see below).

The support of ESFD has been mainly concentrated during the planning and the tendering phase, with minimal support after these projects were handed to the local communities. We noticed that the projects operated as close as possible to their agreed-upon action plan until the hand-over phase when they were still accountable by legally binding agreements to ESFD (who had provided an initial seed budget for operations) but they went idle soon after external accountability stopped.

Source: Impact Evaluation of ESFD¹⁸² page 8.

In *the Philippines*, LG M&E system does not provide specific data on O&M of capital investments generally. EC support is mainly within the health sector and within this sector, O&M is integral part of overall budget allocations and service provisions (capital expenditures in the health sector are relative minor compared to “recurrent” and “O&M” expenditures) and therefore discussed under section 8.1 and 8.3. As further discussed in section 8.1: it can be concluded that public resources allocated for health in recent years only has increased marginally – and mainly driven by increased DOH resources rather than added resources by the LGUs. However, it should be noted that fiscal data on aggregate LGU spending is very poor. Some initiatives – such as the special congressional funds for health have leveraged additional LGU allocations. During the field visit to Negros Occidental, it was found that Provincial health allocations generally had increased and currently constituted 40-50% of total provincial expenditures (different figures were quoted during interviews). It is generally recognised that EC support to improved health planning at provincial level has leveraged some increase in local budget allocation for the health sector (largely O&M). In addition it should be noted that EC support for fiscal aspects of the health reforms have focused on the wider aspects of general sector financing including the health insurance reforms rather than solely LGU financing of health services.

In *Honduras*, funding for maintenance and operation cannot be seen separately in the municipal budgets. Table 10 above shows that municipal expenditures have increased with 67% from 2002 to 2009, and some of this might have been allocated for maintenance.

¹⁸¹ Data from 2011 GBS PAF.

¹⁸² Impact Evaluation of the Community Development Component of the Economic and Social Fund for Development (ESFD), Ziad Moussa, Evaluation Specialist - March 17th 2010

In *Peru*, no data exist on LGs' or regions' allocations for operation and maintenance in MEF's homepage. The EC has not supported funds for better maintenance and operation of services provided from regional or local governments directly.

In *Rwanda*, the mission could not complete a detailed analysis of this aspect. The EC supported labour intensive small infrastructure projects under the CDF for districts are maintained by the operational budgets of the districts. The 2010 evaluation report noted that district did maintain the projects. It was not possible to get a full overview of LG budgets.

8.2.2 Ind8.2.2 - Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc)

Detailed evidence at indicator level

Systematic data on O&M of local facilities are rarely available and have not been systematically supported by the EC in its decentralisation support but more frequently analysed as part of sector specific support (health, education etc). Where undertaken, general user satisfaction surveys indicate that only marginal (if any) improvements have taken place.

In several of the countries it is reported that there are substantive problems with O&M of facilities (e.g. in countries as different as *Mali*, *Lebanon* and *South Africa*). In *Tanzania* it is found that road maintenance has improved – which almost entirely can be ascribed to the establishment of the Road Fund and related systems and financing arrangements of local governments road maintenance – developed as part of road sector support rather than as part of general local government reform/decentralisation support.

Details from the country cases are presented below.

In *Lebanon*, EC support for local development has focused on establishment of additional “projects” – the only available external evaluation (of ESFD) poses serious questions about the sustainability of projects (see previous indicator).

In *Mali*, the external audit reports¹⁸³ note that in the 2008-2009 sample 16% of investment projects are not completed and not functional, there are also several fully implemented investment projects that are not functional. The same report indicates that 55% of infrastructures are not subject of a maintenance policy. It notes that for 41% of investment projects there are insufficient technical studies (although there was a significant improvement as it was 67% of insufficient studies in 2006-2007). Construction defects are numerous (71%) showing a significant weakness in terms of control. Water infrastructures are the ones with the most defects. LG generally consider that the responsibilities for maintenance of buildings and equipments lies at the level of the management committees and that costs should be covered by the budget of these committees (e.g. school management committee, health facilities users associations). The issue of maintenance of local infrastructures is indeed still a real problem to date.

In *South Africa*, in many municipalities knowledge of even the extent and capacity of the infrastructure assets they possess can be patchy and unreliable. Many municipalities are not conforming to the requirements of the Municipal Finance Management Act (MFMA), Municipal Systems Act and other legislation that requires them to ensure that adequate provision is made for the long-term maintenance of their infrastructure assets. For example, in respect of electricity, no comprehensive national data on the condition and age of infrastructure exists. This makes maintenance at municipal level difficult. Similarly in respect of water reticulation it is estimated that losses due to lack of maintenance amount to about 30% of supply. Much of the finance for municipal infrastructure is provided by national government through the Municipal Infrastructure Grants. Trends indicate that between 2000

¹⁸³ Contrôle externe des investissements des Collectivités Territoriales (2008). 6 rapports semestriels entre 2008 et 2010 ont été réalisés par le bureau d'audit SOCOTEC financés par la EUD Mali. Marché no : 038/S/2008/ON/FED/ MLI.

and 2008 municipalities have not shown any marked progress in construction, maintenance and repairs of basic infrastructure¹⁸⁴.

In *Tanzania*, the EC has in *Tanzania* been involved in developing the Road Fund that allocates 30% of its collections to local governments. In Education the EC has also been active for supporting funding and development of the education grants. These initiatives have led to considerable increase in funds being available for LGs for local service delivery over the past 3-4 years. Data on operation and maintenance of facilities in LGs are rather scarce (see previous indicator). It is widely recognised that O&M of water facilities is poor, but LGs responsibilities also are vaguely defined (primarily community based O&M). Data on O&M of e.g. schools is almost non-existent: an enormous expansion (more than doubling of school infrastructure) took place in recent years at great speed that may constitute a major O&M burden in near future. Central government also provides earmarked funding for e.g. health services in local governments. The LGDG intends to strengthen LGs capacities for O&M; however the measures applied for doing so are weak. O&M issues are included in the annual assessments, but the analysis of O&M budgets is not very detailed.

In *Honduras*, the delegation of functions within education, health and water and sanitation has according to people met from in particular ministries had the effect that communities and municipalities are more active in the maintenance and operation of local infrastructure. This is however not supported by Citizen satisfaction surveys on local services (see indicator 8.3.2 for details) that indicate that citizens generally find that the quality of local services generally has decreased (slightly) from 2004 to 2010, although with slight improvements in solid waste management and water services.

In *Peru*, stakeholders met informed that regions and local governments provide more funds for maintenance and operation of local investments. The EC has not supported funds for better maintenance and operation of services provided from regional or local governments directly.

In *the Philippines*, EC support has mainly been to the health sector - wider operation and use of services are discussed in section 8.3 whereas narrowly defined O&M of infrastructure is not a major issue.

In *Sierra Leone*, MLG&RD staff report of a few examples of councils' allocating more resources for operation of services - an example is Freetown City Council's additional spending for wage management.

8.3 JC8.3 Improvements in the coverage and quality of locally provided services

Main findings at JC level

The relative importance of the EC contributions is obviously closely related to the extent to which EC support for decentralisation includes significant local development funds. Significant EC contributions have been made in several countries (see also indicator 8.1.1) – in some cases, as specific “project funding” typically targeting only a limited number of local governments in a particular country, such as in *Lebanon* or *South Africa*. The stock of infrastructures developed in, for instance, *Lebanon* (52 million EUR for local projects) or *South Africa* (100 million EUR) has been very significant and without doubt led to increased access to various services in selected local governments.

However, a more interesting, but also complex, question refers to the extent to which EC support to decentralisation reforms has enabled local governments to deliver services in a sustainable manner by supporting decentralisation of functions (see also EQ 5), increasing capacities (see also EQ 6), and enhancing local governance (see also EQ 7) and resources in a mutually supportive manner. This has primarily been achieved when interventions combine policy reforms, capacity development and increased funding through some form of IGFT system. Examples of this include ANICT (“Agence Nationale d'Investissement des

¹⁸⁴ Jaya Josie, The Intergovernmental Context of Municipal Infrastructure Grants in South Africa (School of Government University of the Western Cape April 2008).

Collectivités Territoriales") in *Mali*, the "Local Government Development Grant" in *Tanzania*, and the "Local Development Grant" in *Sierra Leone*.

In countries where local governments manage a somewhat higher share of total public expenditures (such as in *Tanzania*, where the level reaches 26%), it is evident that overall improvements in how local governments manage funds may translate into a significant impact on overall levels of service delivery. In other countries where decentralisation is at an earlier stage, and where local governments manage only a small fraction of public expenditures (such as in *Mali*, where the level is 3%), the EC has recognised that the overall impact of service delivery may be limited, but that providing development funding through forms of IGFT systems will demonstrate the potential role of local governments in service delivery – rather than directly and immediately improve it.

With regard to the extent to which EC support to decentralisation has led to qualitative improvements of locally-provided services, it can be observed that:

- Decentralisation of responsibilities for service delivery is, in many of the countries, still “in progress” – for instance, local provision of primary education or health is, in several countries, a responsibility shared between local and central governments. Typically, local governments are mandated to provide basic infrastructures (e.g. schools, clinics), whereas the overall sector policy is determined by central government – just as decisions on, for instance, numbers and skills of teachers and health personnel typically are decided centrally. Decisions on such issues as salary levels are almost always decided centrally. Thus, it is frequently central governments’ institutions that have most of the decision-making powers for factors critical to determining “quality of services”.
- Support by the EC (and other development partners) to decentralisation tends to focus either on general capacity building or provision of development funds that enables local governments to construct infrastructures (e.g. EC support in *Tanzania*, *Mali*, *Benin* and *Lebanon*). The capacity building provided under decentralisation support is mainly for general administration (e.g. general planning and public financial management – see also EQ 6) rather than capacity building more directly related to qualitative service delivery improvements (e.g. training of teachers) that normally will be done as part of sector-specific intervention (e.g. in education). The external support to decentralisation, therefore, focuses largely on general local government capacity building, provision of infrastructure development and access to services, rather than on qualitative aspects of service delivery, which are, typically, mainly considered in sector-specific programmes.
- The limited data on qualitative aspects of service delivery also suggest very limited or no improvements in the quality of locally-provided services.

Overall, in most of its support to decentralisation, the EC has contributed to some expansion of local infrastructures aimed at improving, for example, health access, education, roads, water, waste management, agricultural services, and natural resource management. Indeed, it appears that EC support to decentralisation can relatively easily have some impact on “access to services” by expanding the availability of small-scale infrastructures frequently planned and delivered by local governments. However, improving overall quality of service provision appears to be a far more complex task that cannot be addressed within “decentralisation reforms programmes” alone. In this manner, external support to decentralisation is similar to General Budget Support, which also is predominantly seen to have been successful in improving “access to services”, rather than qualitative aspects of service delivery¹⁸⁵.

¹⁸⁵ http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2006/705_docs_en.htm

8.3.1 Ind8.3.1 - Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)

Detailed evidence at indicator level

EC contributed in most of its support to decentralisation to some expansion of local infrastructures aiming at improving access to health, education, roads, water, roads, waste management, agricultural services, natural resource management etc.

The relative importance of the EC contributions is obviously closely related to the extent to which EC support for decentralisation includes significant local development funds.

Significant EC contributions have been made in several countries either as specific “project funding” (typically targeting only a limited number of local governments in a particular country) such as in *Lebanon* or *South Africa*. The stock of infrastructures developed in e.g. *Lebanon* (52 million EUR for local projects) or *South Africa* (100 million EUR) has been very significant and without doubt led to increased access to various services in selected local governments.

The case of *Lebanon* and *South Africa* is described in more detail below.

An interesting question is the extent to which EC support to decentralisation reforms has enabled local governments to deliver services in a sustainable manner by supporting decentralisation of functions (EQ 5) increasing capacities (EQ 6), enhancing local governance (EQ 7) and resources in a mutually supportive manner. It turns out that this has primarily been achieved when interventions combine policy reforms, capacity development and increased funding through some form of intergovernmental fiscal transfer (IGFT) system. Examples of this include: the ANICT in *Mali*, The Local Government Development Grant in *Tanzania* and the Local Development Grant in *Sierra Leone*.

In some countries where Local Governments manages a rather higher share of total public expenditures (such as in *Tanzania* – 26%) it is evident that overall improvements in how local government manage funds may translate into a significant impact on overall levels of service delivery. In other countries where decentralisation is in an earlier stage and where local governments only manage a small fraction of public expenditures (such as in *Mali* – 3%), the EC recognises that the overall impact of service delivery may be limited but that providing development funding through forms of IGFT systems will demonstrate the potential role of local governments in service delivery – rather than directly and immediately improve it.

The cases of *Tanzania* and *Mali* are described in more detail below.

The case of Lebanon

In *Lebanon*, the EC has supported establishment of local development projects in municipalities and unions of an estimated value of 52 million EUR (see also the annex 3 of the field visit country note). This is a significant investment in the concerned communities. The investments include wide range of support:

- Eco-tourist plans and related paths,
- Rural parks,
- Municipal centres,
- Roads,
- Solid waste,
- Rural health, education,
- Improved farming.

There are no meaningful statistics available to determine overall trends in access of services delivered by municipalities or the quality of these. The projects under LOGO are still under implementation. The ESFD project has recently been evaluated but the evaluation was rather tentative (see box below).

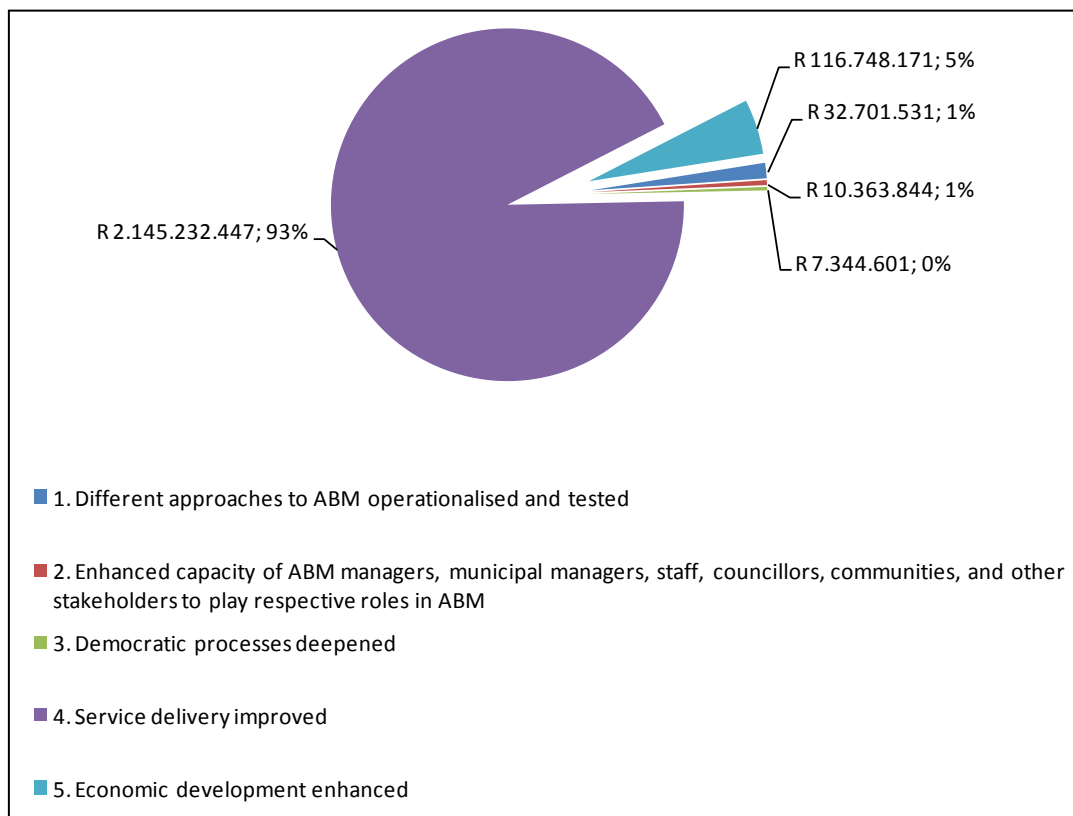
Box 57 Findings from the ESFD project evaluation (Lebanon)

The level of access to public services and provision of basic utilities increased as consequence of ESFD interventions, but more than half of the projects are still not completed. From the visits on the field and the information collected it appears that in the communities where the projects have been completed, there is an increase of services provided to the populations or the beneficiaries are using the new facilities. The fact remains that most of the interventions still have to be completed and after a long while since the first contact with the beneficiary community. Another issue not well assessed is how many poor people access the services: this demands that more accurate analysis of ex-post developments should be done. (page 21)

The case of South Africa

Service delivery improvements at LG level more centrally driven than locally – earmarking and programme approach in sectors. However, KZN visit shows some considerable improvements in serviced delivery through EC supported ABMDP and LED initiatives. The figure below gives details of the EC supported LED programme in KwaZulu Natal and that over 90% of the projects have targeted improved service delivery.

Figure 25 Total Estimated Value of LED Projects per Target – South Africa



Source: P Forsyth, *Analysis of expenditure for the EU funded eThekweni Municipality Area Based Management Programme 2003-2008* (2009)

The table below also shows a strong link between LED investments and economic development in terms of multiplier effects on the local economy and a possible value added in economic terms for both rural and urban areas.

Table 43 *Gijima Programme Outcomes – South Africa*

<i>Gijima investment through direct grants</i>	<i>Notional 'strong' multiplier effect</i>	<i>Expected economic leakage out of rural areas</i>	<i>Possible economic value added</i>
R129 million	2.5	40%	R65 million

Source: Gijima KZN, Report on the Performance of Gijima KZN against the Logical Framework 2005 to 2010 (July 2010) – www.gijimakzn.org.za

The box below analyses in more detail the question of whether the focus on LED outcomes have been consistent with decentralisation and local governance issues whether it has led to enhancement of local development planning and improved service delivery.

Box 58 *Results of LED programmes on service delivery (South Africa)*

A national LED framework has been put in place but remains theoretical and does not provide either accurate guidelines concerning the projected minimum contents of a LED strategy for local municipalities nor adequate policy documents. LED was never designed to be the vehicle for overall improvement of LGs' functioning nor for regional development or planning innovations. However, it has been a consistent reply from the EUD to the economic and developmental challenges facing South African local governments. This raises questions in regard to the expected role of LG: should municipalities become the implementing agents of projects associated with a LED framework or should they rather create the enabling environment through planning tools at their disposal (such as incentives, land use rights, specific services)?

Figure above shows that jobs have been created under the LED Programme in KwaZulu Natal and therefore that this has contributed to increased service delivery and also planning as this is a key aspect of the LED approach.

The experience of the field visit shows that virtually none of the interventions analyzed have either scaled up into national level or expanded into other parts of the country articulating better the economic possibilities of different (even neighbouring) areas. The LED programmes apparently vary in outputs and outcomes and some success can be seen in places but not an overall positive trend.

They have grown in isolation responding to specific local needs or plans. While a few may have maintained the activity at the level it was designed for, many of them have actually led to very little or disappeared. Connection between LED projects and national policymaking remains very poor (isolated projects on a territory even if very well designed). In South Africa it is particularly striking how there is an insufficient linkage between local projects and the construction of national policies. The sectoral approach remains the rule, both at national and co-operation level, and this creates a significant barrier to design a long-term consistent process of change through the different levels of territorial governance. And the duration of the projects on LED is one of the most evident barriers to the sustainability of what they are intending to achieve. The low rate of success of LED projects must lead to a serious re-think of the value of the current approach.

The case of Tanzania

Tanzania has witnessed marked quantitative improvement in access to services provided by LGs, in particular in areas where LGs have received substantive fiscal central government transfers over the last 5 years – i.e. in particular in the sectors of education (the by far largest sector in local governments) and health, but it is increasingly recognised that quality of service provision is a major challenge¹⁸⁶. It is broadly recognised that local government reforms have played a major facilitating role in this quantitative expansion of services, but also that the lack of certain elements of LG reform (e.g. regarding staff devolution and

¹⁸⁶ For general analysis of trends in service delivery in Tanzania see Publications by the Research and Analysis Technical Working Group <http://www.repoa.or.tz/content/blogcategory/35/67/#ph09> for excellent critique of problems related to Quality of services see e.g. <http://www.twaweza.org/>

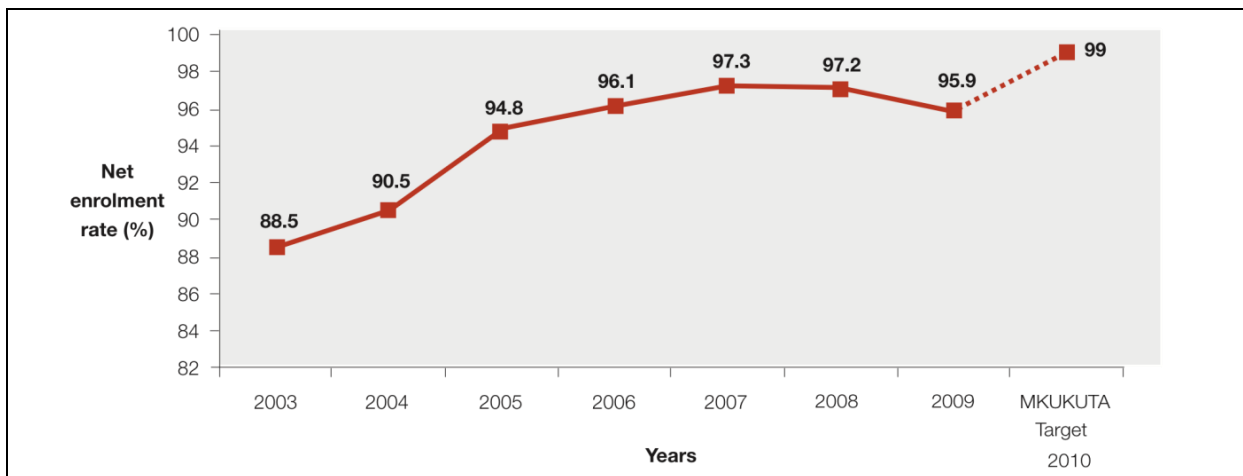
effective implementation of formula based fiscal transfers) have impacted negatively on the degree of equity in resource allocation and possible qualitative aspects of services. The major explanation of relative poor qualitative improvements in e.g. education sector relates however to sector specific issues such as inadequate attention to teacher training and motivation, inadequate allocation of school materials etc. The trends for selected main sectors delivered by LGs can be briefly summarised as below¹⁸⁷.

The education sector

Enrolment in primary education has improved significantly since 2003 and remains high, but has declined from 97,3% in 2007 to 95,9% in 2009 (Figure below).

The MKUKUTA target of 99% by 2010 is still attainable; however, reaching the children not yet enrolled will be a significant challenge, since it implies enrolling the children who are the hardest to reach at the requisite age, including the disabled.

Figure 26 Net enrolment rate (%) – Tanzania



Sources: PHDR 2007 and Ministry of Education and Vocational Training; Basic Education Statistics in Tanzania (BEST) 2009.

There has also been sustained progress in access to pre-primary, secondary and tertiary education. However, pass rates of the Primary School Leaving Examination (PSLE) and the transition rates from primary to secondary school have deteriorated recently, highlighting the ongoing challenges of achieving quality in educational outcomes at all levels.

Children from all wealth quintiles have benefited from the expansion of primary and secondary education since 2000 as shown in the higher net attendance rates reported by HBS 2007 (Table below). However, data indicate that the least poor continue to benefit disproportionately from government spending in education, particularly in access to tertiary education. The proportion of young people from the poorest two quintiles of households who are attending tertiary institutions is only 4%, compared with 56% from the least poor quintile. Gender parity has been achieved in primary enrolment but only limited improvements are recorded at higher levels.

¹⁸⁷ The below section is large extraction from the Poverty and Human Development Report 2009 and in particular Brief 2 Progress Towards Improved Quality of Life and Social Well-being for All Tanzanians – available at www.repoa.or.tz

Table 44 Primary and Secondary School Net Attendance Rates, by Wealth Quintile, 2000/01 and 2007 (Tanzania)

	Primary Education		Secondary school (forms 1-4)	
	2000/01	2007	2000/01	2007
Poorest Quintile	0.47	0.78	0.01	0.10
2 nd	0.58	0.79	0.05	0.12
3 rd	0.57	0.84	0.03	0.13
4 th	0.65	0.89	0.05	0.21
Least Poor Quintile	0.72	0.91	0.15	0.25
Tanzania	0.59	0.84	0.05	0.15

Source: Hoogeveen, J. & Ruhinduka, R. (2009). *Poverty reduction in Tanzania since 2001: Good intentions, few results.*

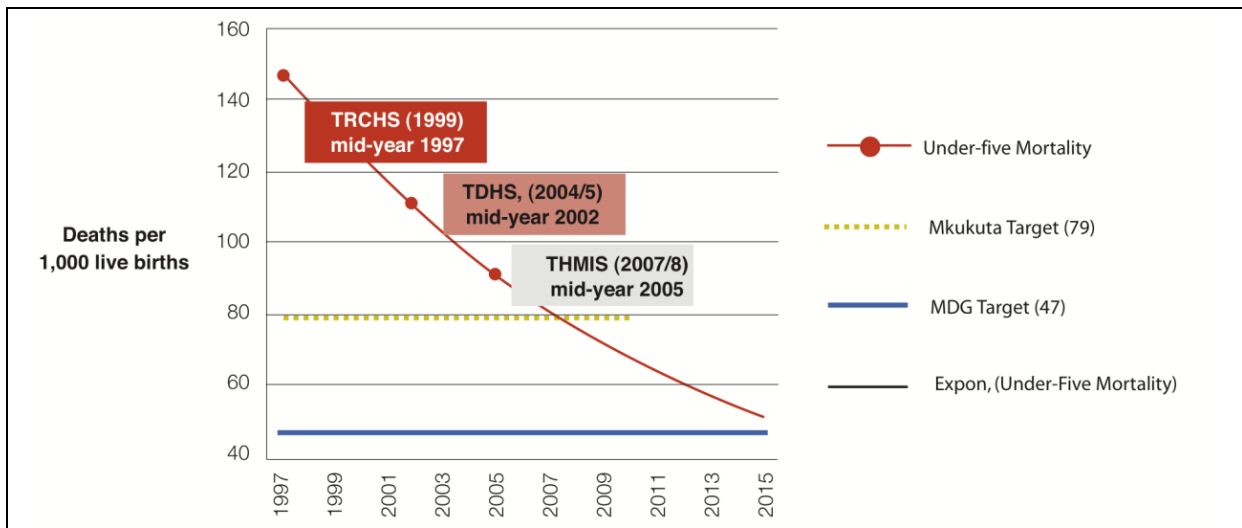
Note: Calculations interpret attendance data in the HBS as equivalent to enrolment and report as enrolment rates.

The wide variations in educational outcomes reflect persistent disparities in budget allocations to local governments for education. In 2008/09, the ten LGs with the lowest budgets received on average TShs 21.000 for staffing per child, compared with TShs 161.000 per child for the ten LGs with the highest budgets. In the 20% of districts with the highest budgets, the average pupil-teacher ratio is 44:1; in the 20% with the smallest budgets, it is 70:1. In the 20% of districts with the highest budgets the PSLE pass rate is 57.6%, whereas in the bottom 20% of districts it is 43.6% (URT, 2008). Formula-based grants to LGs were intended to improve equity in education funding, but are not yet fully implemented.

The Health sector

The continued decline in under-five mortality means that Tanzania is on track to meet the MKUKUTA goal in 2010 and the MDG for under-five mortality in 2015 (MDG 4) is also within reach (figure below).

Figure 27 Estimated and Projected Under-Five Mortality 1997 – 2015 (Tanzania)

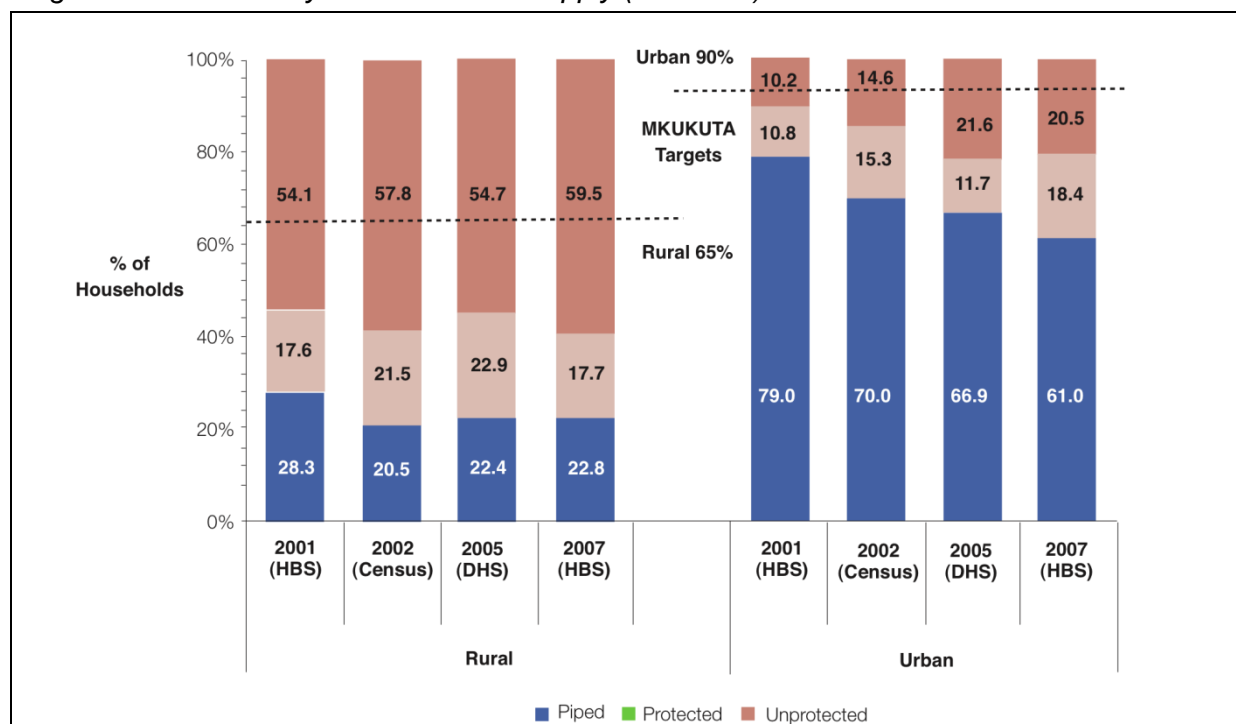


Sources: Tanzania Reproductive and Child Health Survey (TRCHS) 1999; Tanzania and Demographic Health Survey (TDHS) 2004/05; Tanzania HIV/AIDS and Malaria Indicator Survey (THMIS) 2007/08. Notes: Each survey measures mortality in the five years preceding the survey. For the purpose of trend estimation, survey estimates are assigned to nearest "middle year" with exponential trend line.

Water and Sanitation

The latest survey data show a downward trend in access to clean and safe water in both urban and rural areas. In HBS 2007, only 40,5% of rural households and 79,4% of urban households reported access to a piped or protected water source (Figure 6). These data were collected prior to implementation of the Water Sector Development Programme but the trend is nevertheless very worrying.

Figure 28 Survey Data on Water Supply (Tanzania)



Source: HBS 2000/01 and 2007; Census 2002; TDHS 2004/05.

In *Senegal* the contribution of the EC for Rural Communes has meant some quantitative improvements in service delivery. PSIDEL funded investments of 1219 projects amounting to FCFA 3,146 billion (or 4,8 million EUR) in 90 rural communes in 6 departments. The funding has affected the building of infrastructure and increased access to services in schools, health facilities and water points. However, some actions have also affected local economic development especially in the agricultural sector.

The case of Mali

As indicated in the field visit country note, the projects financed via the ANICT have helped the LG to substantially increase their "credibility" as well as the level of equipment which have included classrooms, equipment for local administration, economic equipments¹⁸⁸ and to a lesser extent to health facilities. The table below shows the number of ANICT funded projects in different sectors for the period 2001 to 2010. It is important to note that the EC contribution amounts to 76 million EUR (which has enabled to finance not less than 7,466 local infrastructure projects).

Table 45 Number of ANICT funded projects by sector (Mali)

Code	Label	Amount EDF	Amount other DPs	Nr of Projects EDF	Nr of Projects other DPs	Total amount	Nr of Projects total
101	Territorial planning - economy	1,458,360,432	2 652 773 632	139	146	4,111,134,064	285
106	Equipment – economy	21,265,091,916	16 606 702 812	3,259	1,503	37,871,794,728	4 762
202	Sanitation – environment	36,282,796	39 150 062	6	5	75,432,858	11
203	Living conditions – environment	80,769,929	651 955 261	9	18	732,725,190	27
207	Natural resource management– environment	1,894,471,954	1 281 613 789	211	88	3,176,085,743	299
304	Culture – social	1,161,331,978	694 149 884	139	41	1,855,481,862	180
305	Education – social	14,574,666,533	59 437 453 934	2,289	3,541	74,012,120,467	5 830

¹⁸⁸ Market place, transport hub, veterinary facilities, etc.

Code	Label	Amount EDF	Amount other DPs	Nr of Projects EDF	Nr of Projects other DPs	Total amount	Nr of Projects total
308	Hydraulic – social	3,753,416,794	5 271 764 729	578	271	9,025,181,523	849
309	Health – social	5,690,031,233	9 925 312 347	828	573	15,615,343,580	1 401
310	Sports – social	58,462,331	182 711 107	8	8	241,173,438	16
TOTAL		49 972 885 896	96,743,587,557	7 466	6,194	146,716,473,453	13,660

Source: ANICT

The section below provides details on three more cases: *the Philippines*, *Rwanda* and *Sierra Leone*.

The case of the Philippines

In *the Philippines*, the EC support has a particular focus on the health sector. In general, it can be noted that overall health service access and quality has improved. There are significant problems regarding outreach to the poorer sections of society. The recent health sector policy also notes the following critical issues:

- There are capacity constraints as health sector inputs have not kept up with population growth. The bed-to-population ratio is roughly 1 per 1000 inhabitants, lower than in other East Asian countries such as China (2,6 beds per 1000 inhabitants), Vietnam (1,2 beds) and Thailand (2,2). Moreover, many of these hospital beds are clustered in large city centres and better-off LGUs. This is particularly true for private hospital beds, which account for approximately half of all hospital beds in the country. The availability of skilled health sector staff is also a problem, especially in the public sector. While the Philippines do not have a problem with the overall supply of doctors and nurses, there is large scale out-migration. The Philippines is one of the largest suppliers of trained nurses in the world. (World Bank 2010, op cit page 5)
- Poor households largely rely on public hospitals, whose quality of care is problematic and client responsiveness is low. Consumer surveys conducted in 2005 and 2006 indicated that people chose private hospitals over public ones since they perceived the latter as providing better quality care. Due to financing barriers, however, poor people do not have access to private hospitals, creating inequity in access to care. Public hospitals (DOH and LGU) suffer from many problems, including inadequate financing, poor allocation of resources, lack of quality benchmarks and standards, and limited accountability. Access to good quality first contact care is also uneven, and when available, people often bypass first (primary care) level to seek care in hospitals, as there is no effective referral system and penalties are not applied for bypassing the less costly first contact level. Global experience shows that high utilization of good quality first contact care is equity-enhancing and cost-effective for the health system. (World Bank 2010, op cit page 6)

Box 59 *Summary of Health Service Trends in the Philippines*

1/ At the aggregate level, the Philippines has made steady and significant progress in its population health outcomes over the past several decades. Life expectancy increased to almost 72 years in 2007, up from 53 in 1960. Childhood mortality also continues to decline in the Philippines. The infant and under-five mortality rate during the 2004-2008 period stood at 25 and 34 per 1,000 live births respectively. This is lower than the rates of 29 and 40 per 1000 live births in 2003 (DHS, 2008, DHS, 2003). The country is “on-track” to achieving Millennium Development Goal (MDG) 4, which calls for a two-thirds reduction in the under-five mortality rate over the period 1990-2015.

2/ On maternal and reproductive health, progress has been less than expected and regional and income related disparities across all health outcomes are persistent and potentially widening. Maternal Mortality Rate (MMR) has improved more slowly than expected (162 per 100,000 live births in 2006) and the country is not expected to reach the MDG 5 goal of

three-quarters reduction in MMR between 1990 and 2015, as well as universal access to reproductive health services. According to the 2008 National Demographic and Health Survey (NDHS, 2008), child mortality indicators are four times higher among the lower income quintiles as compared with higher income quintiles. Life expectancy in 2006 in some provinces of the Philippines (La Union) was similar to high middle-income countries such as Chile and Slovenia. In comparison, provinces such as Sulu and Tawi-Tawi have life expectancy levels similar to low-income countries such as Ethiopia and Guinea.

3/ While there is an unfinished agenda with the MDGs, the burden of disease is rapidly changing in the Philippines and non-communicable diseases (MDG Plus Agenda) are emerging as a health sector challenge. Projections show that by 2030, Non-Communicable Diseases (NCDs) will account for 87 percent of the disease burden in the Philippines. Currently, deaths from cardiovascular conditions are one of the top 10 causes of reported deaths. Moreover, injuries are also a major contributor and the number of road traffic accidents in the Philippines is increasing. Poor households are as vulnerable to NCDs as non-poor households.

Financial protection from the costs of ill-health, a key outcome of the health sector, and measured in terms of out-of-pocket payments, is getting worse in the Philippines. This is despite the implementation of universal health insurance (UHI). In 2006 (the last year for which comprehensive household level OOP data are available), the share of health spending in per capita expenditures was at its highest levels in the past 18 years. Poor households in the Philippines are spending a higher share of their disposable income on health care as compared to the better-off. While expenditures on drugs and medicines account for the biggest share for both poor and rich households, there is an increasing shift towards OOP financing hospital charges. Out-of-pocket spending as a share of total health spending is very high and has increased.

There are large income-related disparities in the utilization of health services. For example, skilled birth attendance among the highest income quintile is 94 percent as compared with 25 percent in the lowest income quintile. Only 13 percent of all births in the lowest quintile occur at the facility level compared with 84 percent in the highest quintile. Similarly, immunization coverage is only 70 percent among the lowest quintile as compared with 84 percent in the highest quintile. Some prominent reasons affecting the decision to seek care (in public and private facilities) include: (i) economic barriers, (ii) geographic distance, (iii) quality of care concerns such as the unavailability of drugs;

Source: World Bank 2010: Transforming the Philippines Health Sector: Challenges and Future Directions (Philippines Health Sector Review), Report No. 54934 – PH, (Final), October 27th, 2010

The case of Rwanda

In *Rwanda*, it is very difficult to get exact data and budget overviews from the districts. This makes any analysis of service delivery improvements over the past 10 years rather academic and non-utilitarian because of lack of baseline data as well as concrete data evidence of improvements. The section below is based on the findings of the 2010 DPRPR and Ubudehe evaluations both carried out for the EC.

Box 60 *Extract (on service delivery) from the Final Evaluation Report of Ubudehe*

Furthermore, in a country where some 85% of the population's livelihood is dependent on agriculture and livestock, one of the more efficient methods to reduce poverty in Rwanda is to increase the purchasing power of farmers. An increase in purchasing power would have a ripple effect on the sectors of trade, production and processing enterprises, handicrafts and services, which are all currently under-represented in Rwanda. The development of rural areas can thus be regarded as the overall outcome for the development of the whole economy in Rwanda and Ubudehe can most certainly contribute towards this. As an overall conclusion, we would like to emphasize that Ubudehe is one of the best achievements we have observed during the past 25 years of collaboration with the European institutions. Ubudehe has won the prestigious UN Public Service Award due to the participation and ownership of millions of citizens and the strong support of the Authorities of Rwanda for poverty alleviation. As such, the price that was awarded seems totally justified. This success

was no coincidence, but the result of work, often unique, made by all project stakeholders, led by the Rwandan government and the constant support provided by the European Union, Action Aid and other donors who participated in the programme.

The Evaluation of Ubudehe in 2010 concluded that there was a particularly high relevance of the Ubudehe programme towards beneficiary's needs (which is attributed to the participatory approaches, leading to a strong ownership of the actions to be undertaken for responding to those needs, as well as the EDPRS and the Millennium Development Goals priorities, which all are guiding reform initiatives being undertaken by the government of Rwanda. Regarding efficiency, some weaknesses were observed in terms of management of the Programme. Particular areas of weaknesses included: financial management (not mismanagement, but heavy procedures and difficulties due to the scope of the programme) during its first phase and the lack of human resources provided to the CDF for a proper management and operational follow-up of 55.000 funding; obvious gaps in the information chain between the field (Sectors) and the upper levels (Districts, CDF, ministries); a lack of impact assessments and related lessons learned; and the inadequacy of EDF financial procedures to such a complex programme. Nevertheless, at local level, good governance is noted and has largely contributed to the success of the programme. In addition, improvements are noticeable between the first and second phase of Ubudehe. The CDF had in fact progressively established a complex follow-up system, even if not perfect. The weak point actually remained the reporting and documentation throughout the programme.

In conclusion, the EC support has contributed to service delivery improvements especially through small infrastructure investments but also to local economic development through a focus on community agriculture and husbandry projects. The EC is also a big donor in terms of GBS and overall some economic improvements and sustained economic growth averaging 10% p.a in the recent years has encouraged socio-cultural development and significantly reduced poverty. Baseline surveys that informed development of the EDPRS 2008-2012 give background evidence that national statistics (trends) justify the engendered impact of decentralisation during the period (2001-2009) in form of, reduced unemployment rate (according to 2007 survey results); improved GDP (GDP grew from an average of 6,4% in 2006 to about 10% p.a in 2009), increased access and utilization of land (agricultural production). Rates of poverty reduction since 2000 have been modest (though not fast enough to meet either the targets set in Vision 2020 or the MDGs) as an average poor person's consumption is at about 150 RWF per day, increased by only over 2% since 2001. Over 90% of poor people still live in rural area with an increasing urbanisation putting strain on services in the urban areas.

The evaluation of Ubudehe in 2010 found that effectiveness within the Programme estimates that at least 1.4 million¹⁸⁹ people have been direct beneficiaries of the Ubudehe Programme. This is actually a very low estimation, which is based on an average of only 10 beneficiary households per project per village. According to the sample, the number of beneficiaries for a Community project can actually vary, ranging from 5 – 6 households in the case of a cow livestock project, to a few thousand in the case of a road or a health centre project. It would not be an exaggeration to estimate that probably at least 20% of the population of Rwanda has benefited from the programme, including potential indirect beneficiaries to the scope. In terms of empowerment, community participation and ownership, the Ubudehe objectives have been successfully achieved. In addition, it was noted that unplanned and unintended changes also occurred, notably through the creation of temporary and more long-term jobs, as well as new activities, initiated through Ubudehe projects.

Other aspects addressed under the DPRPR are building of market places and access to water. Therefore a number of people have improved access to services but this is also the case with other donor projects/programmes in the districts. However, the mission could not get exact numbers.

¹⁸⁹ Estimation that at least 1.4 million people have been direct beneficiaries of Ubudehe, EUD budget for Ubudehe (23,338,883 €) the investment would represent the equivalent of 16 € per final recipient and this targeted the most vulnerable and poorest segments of the districts.

The case of Sierra Leone

In *Sierra Leone*, no separate data exist for access to services for vulnerable groups – only the more general indicators below. Improvement for vulnerable has however been identified and confirmed by interviews with development partners and government officials during the mission as well as field visits carried out by the mission team in 2010 and 2011, The implementation of investments are now more spread more out at the district level to cater for infrastructure for less favoured groups at ward level e.g. water and local markets and even a pre-schools (Kenema city). Some of these investments have been financed by the development grant from the IRCBP.

The table below presents some data for outcome indicators from the IRCBP result framework relating to both improved access and quality of locally provided services (see full matrix in the Annex 6 of the field visit country note). The matrix has been updated regularly during the course of the programme and latest in March 2011. As the National Public Service Survey was last carried out in 2006 for some variables and in 2008 for others, the data only provides the information that citizens' perception of public services has improved from 2007 to 2008.

Table 46 Outcome indicators in the Result Framework for the IRCBP

<i>Relevant indicators in this evaluation</i>	<i>Indicator</i>	<i>Baseline</i>	<i>Latest</i>
Ind 8.3.1	Primary schools having at least one textbook	35.5 % (2005)	NA
	Health clinics having essential drugs	32 % (2005)	NA
Ind 8.3.2	Percent of population seeing improvements in health service	56 % (2007)	84 % (2008)
	Percent of population seeing improvements in education service	65 % (2007)	90 % (2008)

Source: IRCBP result framework

It is evident that many investments in local councils' infrastructure have taken place from 2005 to 2011 but the total number of different installations, e.g. health clinics, schools, roads, water systems is presently not known.

The quality of the investments in terms of service delivered is also not known and it is also clear that while new constructions have been established others have been demolished or been given up.

Stakeholders agree that the available data is inconclusive on improved service delivery. All interviewees met during the field visit share the view that some improvements are seen and good foundations have been laid now for the local council system. The real results will likely not be seen before the DSDP has been in implementation for some years, which will work directly with local councils' service provision.

EC contribution to this is the general support through the IRCBP and all its activities and the support to some particular projects in three councils.

8.3.2 Ind8.3.2 - Evidence of qualitative improvements to locally delivered services

Detailed evidence at indicator level

During the field visits, the team explored the extent to which evidence was available for documentation of qualitative aspects of locally delivered services – and the relative importance of EC support in explaining possible improvements. The exercise proved in many cases very challenging for several reasons:

- General data challenges regarding monitoring of the quality of services,

- The complexity of service delivery arrangements where many contributing factors explain qualitative service delivery improvements – e.g. health improvements may be related to establishment of new clinics – but also explained by changes in children's nutrition, the education of parents etc,
- The time lag between certain interventions e.g. local governments building a new school and qualitative changes in educational services,
- Challenges regarding lining specific EC supported interventions to wider sector impacts

However, with these challenges in mind, it is nevertheless possible to draw certain tentative conclusions regarding the extent to which EC support to decentralisation has led to qualitative improvements of locally provide services:

- Decentralisation of responsibilities for service delivery is, in many of the countries, still “in progress” – for instance, local provision of primary education or health is, in several countries, a responsibility shared between local and central governments. Typically, local governments are mandated to provide basic infrastructures (e.g. schools, clinics), whereas the overall sector policy is determined by central government – just as decisions on, for instance, numbers and skills of teachers and health personnel typically are decided centrally. Decisions on such issues as salary levels are almost always decided centrally. Thus, it is frequently central governments' institutions that have most of the decision-making powers for factors critical to determining “quality of services”.
- Support by the EC (and other development partners) to decentralisation tends to focus either on general capacity building or provision of development funds that enables local governments to construct infrastructures (e.g. EC support in *Tanzania*, *Mali*, *Benin* and *Lebanon*). The capacity building provided under decentralisation support is mainly for general administration (e.g. general planning and public financial management – see also EQ 6) rather than capacity building more directly related to qualitative service delivery improvements (e.g. training of teachers) that normally will be done as part of sector-specific intervention (e.g. in education). The external support to decentralisation, therefore, focuses largely on general local government capacity building, provision of infrastructure development and access to services, rather than on qualitative aspects of service delivery, which are, typically, mainly considered in sector-specific programmes.
- The limited data on qualitative aspects of service delivery also suggest very limited or no improvements in the quality of locally-provided services.

(EC) support to decentralisation can relatively more easily have some impact on “access to services” by expanding the availability of small scale infrastructures frequently planned and delivered by local governments (local schools, local clinics etc) - but that improving overall quality of service provision is a far more complex task that cannot be addressed within “decentralisation reforms programmes” alone.

Information from several country cases was already provided in previous sections (see in particular Indicator 8.3.1). The section below provides some more evidence from the field phase for the following three major cases: *Benin*, *Mali* and *Tanzania*.

In *Benin*, the recent 2010 PER by the WB states that even if the operating costs accounted for an average of nearly 70 percent of total public expenditure over the period 2004-2009 for LGs, their share dropped to 61,6% in 2009. By contrast, after several years of decline, the evolution of public investment spending has experienced a reversal of trends from 2006. The share of investment expenditure in total public expenditure increased from 23,7% in 2006 to 38,4% in 2009. This increase is mainly due to increased capital expenditure domestically financed nearly 28,5% per year while that of foreign-financed expenditure was limited to 3%. In particular, it should be noted that capital expenditure domestically financed doubled between 2008 and 2009. This change in the economic composition of public spending in part reflects the will of the authorities in *Benin* (supported through GBS) to provide basic infrastructure to improve the competitiveness of the economy and support growth in the

medium and long term. How this has translated into improved quality of service delivery at local levels is still too early to say.

In *Mali*, the Statistical Yearbook "Malikunnafo" 2002-2008 produced by the technical unit of the PRSP provides interesting background information. Knowing that the social indicators measured relate directly to services provided at local level (usually under the responsibility of LG despite incomplete transfers), it can be considered that these potential improvements are due in large part to the implementation of decentralisation.¹⁹⁰ The rate of assisted deliveries increased from 40 to 61% between 2002 and 2008, the coverage of antenatal care increased from 54 to 84%. The percentage of population with access to a health facility within 15 km from 68 to 86% (for the same indicator but for a radius of 5 km, it increased from 44 to 58%). The number of primary schools increased from 3923 (incl. 3441 public schools) to 4687 (incl. 3921 public schools), which represents an increase of 14% of public schools. The level of enrolment increased from 1,3 to 1,8 million pupils in primary education. The gross enrolment rate increased from 67 to 80% between 2002 and 2008 and the net rate from 51% to 61%. The student/ teacher ratio decreased from 57 to 52. The percentage of households with access to safe water increased from 57% to 71%. The results of the citizens' perception survey (conducted as part of the 2011 assessment report decentralisation) confirm the positive opinion in terms of LG improving the level of service provided. Apart from the management of water points, more than 50% of the population is satisfied with the quality of decentralized services, 72% for school construction. For example, the following table taken from a 2009 study on decentralisation in the education sector¹⁹¹ shows the contribution of LG and "Cercles" councils to education (sample of 16 LG in three regions). This contribution of 15 EUR per student at LG level (21.000 EUR per year globally) is not negligible given the low budgets of LG. As a comparison, the effort of the central government in education for 7 to 15 year-old students was 56 EUR per student.

Table 47 Contribution of LG to the level of expenditures per student (Mali)

(amount per student and in CFA)	"Conseils de Cercle"	LG	LG > 2000 inhabitants	LG from 10000-20.000 inhabitants	LG < 10000
Operating expenses					
Teachers' salaries	75	525	45	285	1 245
Other expenses (subv. ECOM, facilitators, etc)*	-	545	345	179	1 110
Costs of organizing the exams*	121	301	183	201	521
Allocation of school supplies	211	343	375	73	580
<i>Sub-Total</i>	<i>407</i>	<i>1 714</i>	<i>948</i>	<i>738</i>	<i>3 456</i>
Investment expenses					
Classroom construction	1 645	5 920	2 975	5 175	9 610
Other constructions	332	2 064	447	809	4 937
Expenses on school furniture	156	811	-	1 050	1 384
Other expenses	-	-	-	-	-
<i>Subtotal investment</i>	<i>2 134</i>	<i>8 796</i>	<i>3 422</i>	<i>7 034</i>	<i>15 932</i>
Total (operating+investment)	2 541	10 510	4 370	7 771	19 388

* declarative elements that could not be verified in the administrative accounts

As detailed in the field visit country note, the contribution of the EC was instrumental in the provision of funds that have increased the level of services.

Tanzania has witnessed marked quantitative improvement in access to services provided by LGs, in particularly in areas where LGs have received substantive fiscal central government transfers over the last 5 years – i.e. in particular in the sectors of education (the by far largest sector in local governments) and health, but it is increasingly recognised that quality of

¹⁹⁰ For example, very few newly built schools are not under the responsibility of LG.

¹⁹¹ I&D 2009.

service provision is a major challenge¹⁹² - this is e.g. reflected in poorly equipped and poorly staffed rural schools and subsequent low levels of learning.

Box 61 The situation of the education sector in Tanzania

The findings of Uwezo's large scale assessment involving over 20,000 households and over 40,000 children reveal that there is a crisis in education in Tanzania. By the time they enter Standard 3, 100% of children should have basic competencies in literacy and numeracy. The reality is that by Standard 3, 7 out of every 10 children cannot read basic Swahili, 9 out of every 10 children cannot read basic English, and 8 out of every 10 children cannot do basic mathematics. Even by the time they complete primary education, large numbers of children cannot do what they should have mastered five years earlier in Standard 2. Breakdowns by districts reveal large disparities, with some districts performing far below the national average.

The stark reality is that, despite the enormous advances in education made possible by investing trillions of shillings each year, the vast majority of children in Tanzania are not learning.

Source: www.uwezo.org

It is broadly recognised that local government reforms have played a major facilitating role in this quantitative expansion of services, but also that the lack of certain elements of LG reform (e.g. regarding staff devolution and effective implementation of formula based fiscal transfers) have impacted negatively on the degree of equity in resource allocation and possible qualitative aspects of services. The major explanation of relative poor qualitative improvements in e.g. education sector relates however to sector specific issues such as inadequate attention to teacher training and motivation, inadequate allocation of school materials etc¹⁹³. The EU has in its support to the LGD primarily sought to support the establishment of a basic Intergovernmental Fiscal Transfer System (IGFT) for local government development funding: i.e. developing a system that ensures that LGs receive predictable levels of funding in a transparent (formula based manner). The support to the LGDG sought to enhance LGs adherence to basic good governance criteria (such as improved PFM, more participatory planning, citizen access to information etc) – however, efforts for improving sector specific services (beyond funding that allowed LGs to build e.g. class rooms) was left to the respective sector programmes and not tackled within the overall local government reform or LGDG.

¹⁹² For general analysis of trends in service delivery in Tanzania see Publications by the Research and Analysis Technical Working Group <http://www.repoa.or.tz/content/blogcategory/35/67/#ph09>; for analysis of problems related to Quality of services, see e.g. <http://www.twaweza.org/>

¹⁹³ This is well documented by various studies published by www.twaweza.org and <http://www.hakielimu.org/>