

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

Final Report

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**Thematic global evaluation of the Commis-
sion support to decentralisation processes**

FINAL REPORT

February 2012

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Particip GmbH

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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

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List of acronyms

ACORDS	Programme Appui aux Communes et Organisations Rurales pour le Développement du Sud (Madagascar)
ACP	Africa, Caribbean and Pacific countries
ADB	Asian Development Bank
AIDCO	EuropeAid Co-operation Office
ANICT	Agence Nationale d'Investissement des Collectivités Territoriales
CLoGPAS	Comprehensive Local Government Performance Assessment System (Sierra Leone)
CRIS	Common Relex Information System
CSE	Country Level Evaluations
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DG	Directorate General
DG DEV	EC Directorate on Development
DG DEVCO	EC Directorate on Development and Co-operation – EuropeAid
DG ECHO	EC Directorate on Humanitarian Aid & Civil Protection
DG RELEX	EC Directorate for External Relations
DP	Development Partner
DPWG-LGD	Development Partners Working Group on Local Governance and Decentralisation
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECHO	Humanitarian Aid and Civil Protection department of the European Commission, formerly known as the European Community Humanitarian Aid Office
EIDHR	European Instrument for Democracy and Human Rights
ENP	European Neighbourhood Policy
EQ	Evaluation Question
EU	European Union
EUD	Delegation of the European Union
GBS	General Budget Support
HQ	Headquarters
HRM	Human Resource Management
IGFT	Inter-Governmental Fiscal Transfer
IMF	International Monetary Fund
JC	Judgement Criterion
LG	Local Government
LGDG	Local Government Development Grant
MoF	Ministry of Finance
MoLG	Ministry of Local Governance
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NSA	Non-State Actors

O&M	Operation and Maintenance
OECD	Organisation for Economic Co-operation & Development
OISE	Ontario Institute for Studies in Education
PFM	Public Financial Management
PLATFORMA	European Platform of Local and Regional Authorities for Development
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
RG	Reference Group
ROM	Results Oriented Monitoring
SBS	Sector Budget Support
SDLG	Supporting Decentralisation and Local Governance in Third Countries
TA	Technical Assistance
ToR	Terms of Reference
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WB	The World Bank

Note: The Evaluation uses the common acronym "EC" to refer to either the "Commission of the European Union" (post-Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable. In some specific cases related to the overall EU Policy framework or the post-Lisbon Treaty context, the acronym EU refers to the Commission of the European Union as well as other EU services in charge of the European external action and its relations with third countries.

Executive Summary

The evaluation's purpose, scope and background

This Final Report presents the outcome of the “*Thematic global evaluation of the Commission support to decentralisation processes*”. The Evaluation was commissioned by the DG DEVCO Evaluation Unit¹ and was implemented between January 2010 and February 2012.

The **purpose of the evaluation** is to identify key relevant lessons and to provide recommendations to help ensure opportune and timely support to decentralisation processes.

The evaluation covers **EC aid delivery over the period 2000-2009** (within the context of the programmes managed by DG DEVCO).

The evaluation aims to assess to what extent the EC assistance has been **relevant, coherent, effective, efficient** and **sustainable** in providing the expected **impacts** in the support of decentralisation processes, along with the **EU added value**. Moreover, it aims to analyse the **coherence** with the relevant EU policies and the partner governments' priorities and activities.

In terms of **geographical scope**, the evaluation covers all regions where EC co-operation has been implemented – including countries where the partnership between the government and the EU has been difficult – but does not include regions and countries under the mandate of DG Enlargement, the OECD² countries, and activities that fall under the responsibility of the EC Humanitarian Aid and Civil Protection department.

Methodology

The evaluation is based on the **methodological guidelines** developed by the DG DEVCO Evaluation Unit, and has been conducted in **four main phases**, consisting of

structuring, desk, field and synthesis work.³ The evaluation was managed by the DG DEVCO Evaluation Unit, which incorporated all relevant EC services in a Reference Group in charge of overseeing the evaluation process.

The design chosen for the evaluation was a **multiple case study** with literal replication, based on the use of a **mixed-methods approach**. Eight Evaluation Questions were formulated following a structured process based on the analysis of the EU policy framework and the reconstruction of the EC's intervention logic related to support to decentralisation processes. For each Evaluation Question a number of Judgement Criteria and Indicators were defined to guide the data collection and analysis.

In order to achieve a reasonable balance between accumulating a rich evidence base and keeping the study to feasible proportions, it was decided to focus on **22 country cases during the desk phase and 10 country cases for the field phase** (selected from the desk phase sample). The evaluation used a combination of tools and techniques for data collection. Overall, more than 4,000 documents and publications were screened and analysed. Interviews were held with more than 200 people – either individually or in focus group discussions – in Brussels and in the field visit countries.

Overall assessment of EC support to decentralisation processes

Between 2000 and 2009, the EU progressively established a **policy framework for supporting decentralisation processes in partner countries**. This was in response to a growing need in partner countries – partly in the form of emerging reform needs and new decentralisation reforms initiatives, and partly in the form of the increasing importance of local governments in the delivery of poverty-oriented services. EC support to decentralisation processes has, therefore,

¹ Evaluation Unit of the EC Directorate General on Development and Co-operation – EuropeAid.

² Organisation for Economic Co-operation and Development.

³ The methodological guidelines are available at: http://ec.europa.eu/europeaid/how/evaluation/methodology/index_en.htm

been highly **relevant** in the period under evaluation.

While the recent “Agenda for Change”⁴ states that “*EU support to governance should feature more prominently in all partnerships*”, and generally emphasises the importance both of overall public sector reforms and of the role of local authorities, the support for decentralisation reforms in partner countries is not clearly mentioned within the Agenda.

During the period evaluated, EC support to decentralisation reforms was initiated with **two main objectives** in mind⁵: to contribute to improved local governance (such as more democratic and accountable administrative structures, and increased citizen participation in governance); and to contribute to more effective and efficient delivery of local services. It is the overall conclusion of this evaluation that EC support has made important contributions to these broad objectives although very substantial challenges remain. Continued support for decentralisation reforms remain of utmost relevance – in particular, in poor and fragile countries, where efforts aimed at state building and public sector reforms are greatly needed.

It appears that direct EC support to decentralisation reforms⁶ peaked around 2007/08, as reflected in the levels of financial contributions and the number of staff assigned to work with this thematic area. EC financial contributions related to direct support to decentralisation processes increased in absolute and relative terms from almost nil in 2000 to around € 100 million per annum at the end of the period evaluated. The direct support to decentralisation has primarily focused on Africa (74% of financial contributions), and particularly on a subset of Francophone African countries where decentralisation reforms are in the very early stages.

⁴ Agenda for Change - COM(2011) 637.

⁵ Derived from objectives of the specific interventions analysed as part of the evaluation.

⁶ The Evaluation distinguishes between “direct support” to decentralisation reform processes and sector interventions in decentralised contexts (health, education, etc). The emphasis of this evaluation is on “direct support”. Further, the Evaluation makes a distinction between two types of direct support: a “top down” approach focusing on decentralisation as a process of legal and regulatory evolutions and a “bottom up approach” aimed primarily at strengthening local government capacities.

It has proved more challenging for the EC to engage with relevant support activities in countries with more mature local government systems – maturity being reflected in a longer history of reforms, local governments' relatively high share of public expenditure, and a significant proportion of public servants being employed by local governments.

Decentralisation reforms typically encompass a range of broad issues, such as the development of policies and legislation that empower local governments, the transfer of financial and human resources to local governments, and the development of relevant stakeholders' capacities to participate in the decentralisation process (central government, local governments and non-state actors).

EC support has been **most effective** in selected aspects of decentralisation reform – in particular, development of decentralisation policies, development of intergovernmental fiscal transfer systems, strengthening capacities of local governments' staff in areas of planning and public financial management, and in improving access to selected services in local governments.

However, support has been **less effective** in achieving deeper legal reforms (in particular, for the harmonisation of sector legislation), decentralisation of human resource management, building of central government capacities for reform management, and increasing the degree of local government autonomy (other than the management of discretionary grants). It can also be observed that the EC support has had limited or no direct bearing on quality aspects of local services.

Overall, the EC has demonstrated capacity for adaption to local conditions by adopting a variety of aid delivery methods, including support through UN agencies, World Bank-managed Trust Funds, or basket funding modalities. The achievement of the results pursued by the various EC-supported interventions has been influenced by several factors, but particularly by the relevance of the supported activities and the overall institutional framework for management of these activities. The choice of aid modality per se was found not to be a decisive factor.

In general, the **efficiency** of EC support to decentralisation processes has improved with the increased willingness of the EC to use joint funding modalities and the intro-

duction of new aid modalities which, in particular, helped reducing fragmentation of the support. However, there is still scope for improvement. In particular, EC capacities for the design of, and adjustments to, innovative support modalities for decentralisation reforms remain limited.

Pursuing decentralisation-related objectives in sector interventions (e.g. in health or education) or in General Budget Support has proved difficult, unless EU staff also actively engage with general decentralisation reform work. The Evaluation demonstrates that these objectives are actually best achieved when directly addressed through wide joint government-development partners' supported programmes specifically focusing on decentralisation reform.

The level of **sustainability** of support is also highest when aligned to nationally-owned reform programmes that are based on realistic political assessments. EC support to decentralisation processes in countries without such reform programmes has, in general, had the more modest objective of "piloting" innovations that may deliver immediate local service delivery results, but this type of support has rarely led to sustainable reform processes.

The **level of EC staff resources** dedicated to working on support to decentralisation increased during the period evaluated, but has nevertheless remained modest. Within EU Delegations, it is typically a part-time responsibility, and the designated staff have rarely received training in decentralisation reform issues. The number of specialist staff in EC headquarters increased between 2006 and 2010 from two to four persons, but recent reorganisation within DG DEVCO has since resulted in that number being reduced to only one.

Overall, it is widely recognised within the EC that **systems for building up the institutional memory** related to work with decentralisation and local governance are not fully in place. The EC's main system for monitoring (ROM) cannot generate substantive insights into decentralisation reform processes, and EC headquarters have therefore launched occasional qualitative learning events.

In the ongoing quest for increased **co-ordination** and **complementarity**, including with EU Member States, the EC has clearly been among the key drivers. EC efforts to

improve aid harmonisation intensified from around 2005, as reflected in the European Consensus on Development. The EC has worked actively in partner countries by helping to establish and implement co-ordination mechanisms with EU Member States and other major donors. Moreover, the EC has increasingly encouraged national governments to play a leading role in donor co-ordination. The quality of the dialogue with other development partners has varied from one country to another, but has been strongest when it was part of joint programming. However, the EC's assessments of political incentives for reform in partner countries have often been inadequate.

The **coherence** within the EC support to decentralisation processes, and between this support and other programmes and activities, has improved over the period evaluated. However, lack of coherence between general decentralisation policies and sector policies and practices has remained a persistent issue in many partner countries, and the EC has generally not taken a very proactive role in the resolution of such inconsistencies.

The **EC's value added** has been particularly evident in its allocation of considerable financial resources in selected countries, where size of contributions has made a difference. However, value added has, in many countries, also been constrained by the limited technical expertise/human resources available both in EU Delegations and at headquarters.

Analysis and main findings on the effects of the EC support to decentralisation processes

The EC has contributed to the development of decentralisation policies and the transfer of fiscal resources to local authorities, but its capacity to leverage wider aspects of decentralisation have often remained limited.

Over the course of the period evaluated, most countries reviewed have developed **national decentralisation policies and strategies, and national legislation**. The EC has directly supported such efforts in only a few countries, and mainly in the context of national reform programmes involving several other development partners. Progress has been uneven, and there are frequent problems related to conflicting sector

and local government legislation. These processes are highly political, and the capacity of the EC to leverage policy has often remained limited. Critical factors for success include in-depth understanding of the national context (in particular, the “politics of reform”), and support to comprehensive, rather than piecemeal, interventions.

The analysis indicates that, overall, **local governments’ fiscal and human resources have increased in all the countries reviewed**, but that this can only in part be ascribed to donor support. The EC has been particularly successful in supporting the fiscal elements of reforms – for instance, through its support for local grant mechanisms.

In all the countries studied, local governments have only marginally enhanced their relative **autonomy**. Several aspects of decentralisation reforms – such as questions of political representation, or local governments’ relative control over public servants – appeared to be too sensitive for donor support.

EC support has mainly strengthened the capacities of local government staff in areas of general planning and financial management, while the results of its support to central government management of decentralisation processes have been less significant.

The EC has supported the improved management and administrative capacity of **key central government bodies** in half of the countries reviewed. Although some positive results can be observed in countries where the EC has provided substantial support in this area (e.g. *Benin, Mali, Sierra Leone* and *Tanzania*), the impact of its support has remained limited, especially in areas such as national monitoring and evaluation systems, or in the development of intergovernmental / interministerial relations.

In all the countries studied, the EC has placed emphasis on capacity building of **local governments**. The improvement of local capacities for planning is an area where the EC has been successful, particularly in countries where such support has been combined with discretionary local development funds; the combination of such funds and capacity building activities provides local governments with the opportunity to “learn by doing”. Positive results have also been recorded in relation to improved

financial management in local governments in several countries. However, there is only very limited evidence that EC support has resulted in improved human resource management or monitoring and evaluation at local level.

The EC has worked extensively with **local non-governmental organisations** and **community-based organisations** for the improvement of service delivery, but the involvement of non-state actors in policy discussions or research activities on decentralisation has remained limited. Furthermore, the results of EC support to the establishment and development of **local government associations** are also very mixed. Developing the capacity of such organisations is often hampered by their very limited resources and highly-politicised internal processes. This situation requires more long-term and strategic support than that which was usually provided by the EC.

EC support has had some positive effects on local planning and fund allocation procedures, but has not sufficiently addressed wider institutional reforms related to, for example, local electoral reforms.

Analysis shows that EC support for improved **local governance and accountability** has been most effective when support was comprehensive in scope and related to broader institutional aspects regarding processes of planning and budgeting. EC support has been particularly effective when it promoted greater transparency in partner governments’ systems for allocation of funds to local governments.

The EC has contributed to increased local participation in local government affairs, especially through support to the development of specific procedures for local development planning. Despite the fact that some limitations remain in terms of **local participation**, the use of such mechanisms seems to have increased during the period evaluated, especially where the EC (often together with other development partners) has 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 significant size (e.g. *South Africa*).

It should be noted that the EC has provided only very limited support to wider reforms of institutional arrangements that could enhance citizen participation in local governments. Although there has generally been progress on local government **electoral reforms** in the countries reviewed, the EC has played only a marginal role in these changes. Overall, EC support has led to only very limited results in terms of improved local accountability.

In several countries, such as *South Africa*, *Tanzania* and *Rwanda*, the EC has supported large **public financial management** programmes focused on improving government's overall ability to perform quality accountability and budgeting. These programmes also focused on public financial management and training at the local level. However, a key feature of these programmes was that support interventions always started at central government level, and often took a long time to trickle down to local government.

EC support for decentralisation has had some positive impact on citizens' access to local services, but has only marginally improved the quality of services.

EC support to decentralisation has had some impact on “**access to services**” by expanding the availability of small-scale infrastructures frequently planned and delivered by local governments (e.g. local schools, local clinics). However, improving overall **quality of service provision** appears to be a far more complex task that cannot be addressed within “decentralisation reform programmes” alone.

EC financial support for improved services has been in the form of Intergovernmental Fiscal Transfer (e.g. *Benin*, *Mali*, *Sierra Leone* and *Tanzania*), as well as through more project-specific funding (e.g. *Lebanon* and *South Africa*). The “governance impact” of the two forms of support differs significantly, since only the former has impacted on wider fiscal decentralisation and provided a basis for sustained high levels of local governments' development budgets. Both forms of support have led to local priority projects (typically, various small-scale infrastructures), and hence a quantitative increase in levels of services (e.g. access to schools, health centres, agricultural extension services).

However, EC support to decentralisation has had no or only limited documented impact on qualitative aspects of service delivery (e.g. improvements in education, health outcomes). This is explained by the fact that qualitative aspects of service delivery take time to materialise and are dependent on a wide range of externalities. They are also typically less under the control of local governments than initiatives simply for expansion of services.

Main conclusions

Cluster 1: EU policy framework

The EU policy framework for support to decentralisation in partner countries is still “work in progress”, not yet underpinned by operational guidelines and clear strategic intervention responses that embed support for decentralisation within broader public sector reform approaches. While the framework has developed in a positive manner over the period evaluated, the relative importance of the decentralisation policy framework and thematic area is unclear compared to other competing development priorities.

The EU has a unique, but largely unrealised, potential for global support to decentralisation in partner countries – working locally, worldwide in outreach, supporting international networks, and building on global experiences. The EU represents a wide range of local government traditions among its members, embedded within one common shared vision that is reflected in the European Charter of local self-government. This provides a unique potential for learning both from EU and partner countries' experiences with decentralisation reforms, and for disseminating these globally. The European Charter on development co-operation in support to local governance provides a preliminary outline of such a response.

Cluster 2: Response to specific country contexts

The EC has in general increased the alignment of its support to decentralisation processes with partner countries' policies and priorities. However, the EC policy advocacy for decentralisation support has remained modest – a situation that largely reflects the limited capacities

made available to EU Delegations, rather than an explicit policy choice.

In several cases, the EC has not yet gained sufficient insight into the “politics of reform”, and the depth of EC background analyses has often remained limited. Decentralisation reforms that require significant transfers of powers and resources to elected local governments are highly political. The absence of in-depth analyses has made it difficult to design realistic interventions and to adjust to occasionally drastic policy changes in partner countries.

The EC has been most engaged in decentralisation support in countries with very initial reform processes. If the EC is to work more actively with decentralisation reforms in the other types of countries, it will require additional technical expertise, and probably also increased policy clarification on the overall importance of decentralisation as a thematic area of EC support.

EC support has led to some strengthening of government-donor co-ordination mechanisms, but has been less successful in strengthening internal government management of reforms. Overall, the EC has actively developed or participated in a number of national co-ordination mechanisms.

Cluster 3: Strategic focus

EC support to decentralisation has been most successful when undertaken as a comprehensive public sector reform effort, particularly within the framework of large joint government-development partners’ supported programmes. These programmes were mostly in the form of sector budget support, basket-funded programmes or through Trust Funds managed by the World Bank.

Coherence between EC interventions in various decentralised sectors has improved over time, but only a very limited contribution to wider decentralisation reforms has been made through General Budget Support or sector-level interventions (e.g. health, education).

The EC has tended to focus only on selected areas of decentralisation reform. Decentralisation reforms in partner countries generally encompass a wide range of institutional, legal and capacity changes related to the transfer of functions from central to local governments. EC support typically targets a

subset of these issues. While, in some cases, this corresponds to a deliberate division of labour among various development partners and the national government, in most cases, this reflects a limitation in the response strategies offered by the EC.

EC support for the “bottom-up” demand for accountability has rarely been linked with wider systemic decentralisation reforms. Some support has been provided by the EC for the promotion of wider citizen engagement and local accountability issues. However, the support was typically of a short-term nature and was provided for specific project-based activities, rather than long-term efforts for supporting institutional development.

The EC’s inclusion of elements of reform of Intergovernmental Fiscal Transfer systems in all its major decentralisation support programmes has generally created very successful entry points for systemic reform of how local governments are financed, and as ways of building capacity and supporting immediate improvements of local services. A number of specific local government grant design practices are emerging as particular “good practices”, and these could be further disseminated by the EC.

Cluster 4: Operational management

EC expertise in decentralisation reform has been inadequate throughout the period evaluated. Such expertise has been limited to between two and four persons at headquarters, and has recently been reduced to only one person. This is not sufficient if the EC is to play a significant role in decentralisation reforms in partner countries – and, moreover, it is very low compared to expertise of other development partners.

EC monitoring of its support for decentralisation processes has been weak, although there have been occasional qualitative learning exercises. While the most successful interventions analysed in this evaluation are the larger joint development partners’ supported programmes, only limited documentation from these programmes is shared within the EC information system. Moreover, the complexity of decentralisation reform processes is poorly captured by EC routine reporting and monitoring systems.

Main recommendations

Cluster 1: EU policy framework

The EU should develop an explicit response strategy that clearly embeds future support for decentralisation reforms within a wider public sector reform agenda. The strategy should focus on the potential comparative advantages of the EU (i.e. size/critical mass of funding, global presence, and normative consensus on good local governance).

The EU should further develop operational guidelines, in the form of various technical papers, and improve their dissemination. There is a need for improving and disseminating operational guidelines in areas such as how to work with sector-wide approaches to decentralisation reforms, and how to work with reforms of local government fiscal framework.

Cluster 2: Response to specific country contexts

The EU should further intensify its efforts aiming at strengthening and broadening country ownership and management of decentralisation reforms – in particular, the involvement of important sector ministries, as well as the inclusion of broader civil society and local government associations. The EU should be an active partner in this dialogue and must act in a more politically-aware manner, based on informed country analyses of the politics of decentralisation reforms.

The EU should further strengthen its response strategies according to the specific needs of all types of partner countries, including improving EU Delegations' local government sector analyses. At present, the EU response is relatively weak in countries with more mature local government systems (where local governments manage significant parts of public expenditures and employ a significant number of public employees overall).

The EU should strengthen its attention to quality aspects of local service delivery in its decentralisation support programmes. In particular, more attention should be paid to strengthen local government capacity for operation and maintenance of facilities, and to systems for local

monitoring of quality aspects of service delivery. Moreover, the EU should further develop the links between its support to decentralisation and the support provided in other sectors.

Cluster 3: Strategic focus

The EU should further build on its clear comparative advantage in the area of support for reformed Intergovernmental Fiscal Transfer systems as part of local government finance reforms (such as the capability of providing sizeable levels of funding). This can be achieved by, for example, further encouraging “good practice models” that have already been identified and that could be further refined or adapted in additional countries.

The EU should give priority to strengthening partner countries' monitoring and evaluation of reforms, including to the increasingly important local government sector. Lack of proper monitoring and evaluation systems of decentralisation reforms currently hamper qualitative progress in many partner countries.

The EU should strengthen efforts for donor harmonisation in support of decentralisation in partner countries and globally. In particular, the EU should participate more actively in the Informal Development Partners Working Group on Decentralisation and Local Governance.

Cluster 4: Operational management

Strengthening of the EU's internal expertise is imperative if it is to play a significant role in decentralisation reforms in partner countries. This should follow a two-pronged approach: (1) establishing a strong central unit that will form part of wider public sector reform expertise (specialised knowledge on decentralisation reforms, particularly fiscal decentralisation, is required); and (2) provision of short-term training to other staff in EU Delegations and at headquarters.

EU monitoring of decentralisation support requires strengthening in order to enable and enhance internal knowledge management. The EU should improve its use of the OECD Development Assistance Committee's sector coding system, ensure a more systematic internal sharing of the results of relevant decentralisation reports, and engage more proactively in international forums for knowledge sharing.

1 Introduction

This Final Report presents the outcome of the “*Thematic global evaluation of the Commission support to Decentralisation processes*”. The evaluation was commissioned by the DG DEVCO Evaluation Unit⁷ and was implemented between January 2010 and December 2011. The Terms of Reference⁸ indicates that:

“*The **purpose of the evaluation** is to gain key relevant lessons and to provide recommendations to help for opportune and timely support to decentralisation processes; it shall cover aid delivery over the period **2000-2009** taking into account the different entry points described in the Terms of Reference under Section 2 - The European Commission Approach (top-down, bottom-up, sectoral).*”

The evaluation aimed at assessing to what extent the EC assistance has been **relevant, coherent, effective, efficient** and **sustainable** in providing the expected **impacts** in the support of decentralisation processes along with the EU added value. It also aimed at analysing the **coherence** with the relevant EU policies and the partner Governments' priorities and activities as well as the **EU added value** in supporting decentralisation processes.

The evaluation focused on assessing the effects of the EC support to decentralisation processes in the context of the programmes managed by the **DG DEVCO**.

In addition, the ToR emphasise the **forward-looking** aspect of the evaluation, implying that it should take into account the most recent policy and programming decisions, and that it should provide lessons and recommendations for the continued support to decentralisation processes within the present context and relevant political commitments.

The **geographical scope** for this evaluation covers all regions where EC co-operation has been implemented, including difficult partnerships (with the exception of regions and countries under the mandate of DG Enlargement, the OECD countries and activities under the responsibility of DG ECHO).

The Final Report is structured as follows:

- Section 1 - Introduction: this section presents a brief overview of the evaluation purpose and scope, including the final list of evaluation questions, as well as background and context information.
- Section 2 - Methodology: this section details the methodological approach, the tools and the sources of information used during the evaluation.
- Section 3 - Answers to the Evaluation Questions: this section presents, for each of the eight Evaluation Questions, a summary box and the detailed answer.
- Section 4 - Conclusions and recommendations: this section presents a full set of conclusions and recommendations (clustered in homogeneous groups).

1.1 Synthesis of the EC strategy and programmes

1.1.1 Introduction

After gaining independence, most post-colonial states took a leading role in managing development processes, and de facto centralised their public sector. Several countries started decentralisation processes in the 1970s, but most of these processes failed to fulfil their objectives. One of the major reasons for that was the resistance of the centralised administration to really implement changes (creating local authorities without democratic legitimacy or genuine powers for local decision-making and self-governance) or the use of central state to over-control local populations. Central government agencies were the privileged recipient, partner and rationale for international aid. Participation of other actors was generally restricted to the instrument of micro-projects at local level.

⁷ Former Joint Evaluation Unit common to Directorate Generals of External Relations (RELEX), of Development (DEV) and the EuropeAid Co-operation Office.

⁸ see Terms of Reference in Volume II, Annex 1.

Economic liberalisation, state reform and democratisation led to a paradigm change in development policies in the 1980s. This process was also supported by a strong demand for change from non-state actors who wanted to participate in the development process. In many developing countries, this in turn led to a new wave of decentralisation processes focusing on the principle of effective devolution of competences, resources and decision-making powers to democratically-elected local governments.

The increased attention to “good governance” in development work (human rights, democratisation, the rule of law and effective democratic decentralisation) has also led to a move towards the integration of “new actors” in the development process.

It took some time for multilateral and bilateral donor agencies to translate these changes into strategic and operational documents and mechanisms.

For the EC, decentralisation has over the last 20 years evolved from a marginal area of co-operation to one of increasing importance. Today, a large number of Country and Regional Strategy Papers include programmes directly or indirectly related to decentralisation and local governance⁹. Yet, this process took time, and the EU policy framework is still under construction.

EC-supported programmes have become increasingly sophisticated and have mobilised substantial funding. The main features are:

- **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).

In line with the requirements of the ToR, this Evaluation uses the following entry points:

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

This category corresponds to the “top-down” entry point. As explained in the other sections of this report, 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.

- **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 during country case studies explores 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.

⁹ See Volume II – Annex 2. It 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).

- **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 aimed 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 within 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.

An overview of EC financial contributions to support decentralisation processes is presented in section 1.1.5.

1.1.2 Definition of decentralisation

The overriding feature of decentralisation, and the resulting challenge it creates for evaluation, is its broad, diffuse, complex and evolving nature. There is no one, concise and universally accepted definition of what is, or should be, decentralisation.

The EC definitions vary slightly in different documents. The 2009 programming guide for strategy papers (Programming fiche on decentralisation) presents decentralisation as “a process involving the transfer of a range of powers, competences and resources from the central government to elected local (sub-national) governments and entails three inextricably linked dimensions – Political, Administrative and Fiscal”:

- *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

This is a definition similar to, for example, the “European Charter on development cooperation in support of Local governance” (2008) and the “new wave of decentralisation” (Europe Aid 2007). The Evaluation uses this definition and related definitions of its three dimensions throughout the Evaluation report. This focus enables the Evaluation to establish reasonably distinct intervention logic, as further elaborated in this chapter.

It should be noted that not all EC documents use exactly the same definitions. For instance, the 2007 "Supporting Decentralisation and Local Governance in Third Countries" reference document tends to be a little confused in some parts of its terminology as it, for example, defines “administrative decentralisation” (comparable to delegation and deconcentration) as a separate form of decentralisation rather than a dimension of decentralisation. The analysis in the Evaluation Question 1 of this Evaluation gives additional insight on this issue.

The box below provides definitions used in this evaluation on the related concepts of decentralisation and local governance (based on the European Charter on development cooperation in support of local governance).

Box 1 Definitions of key concepts of decentralisation and local governance

Decentralisation: it is a process involving the transfer 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: it is a 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), and reinforces accountability towards citizens and responsiveness to social demands in seeking for the general interest.

1.1.3 Adopting an “open-systems” perspective

In designing, implementing and evaluating decentralisation processes, it is important to consider the linkages between the three core dimensions of decentralisation (political, administrative, fiscal) and to decide which service provisions or administrative functions can potentially be contracted out to the private sector or to non-governmental institutions. Two major challenges arise in this regard:

- finding the right balance between political, administrative and fiscal decentralisation;
- deciding when to deal with each dimension in the course of a long-term decentralisation process.

It is also important to address certain dimensions of the decentralisation process at particular points in time (sequencing of the process) and to consider a multi-actor approach linking the different levels of decentralisation (national, local and sectoral).

The 2007 SDLG reference document presents an approach combining the different relevant factors into an ‘open systems’ perspective on decentralisation and local governance processes. This enables those involved to see the global picture and understand that decentralisation processes consist of different interacting and interdependent elements embedded in a particular political and societal context and influenced by regional and international trends.

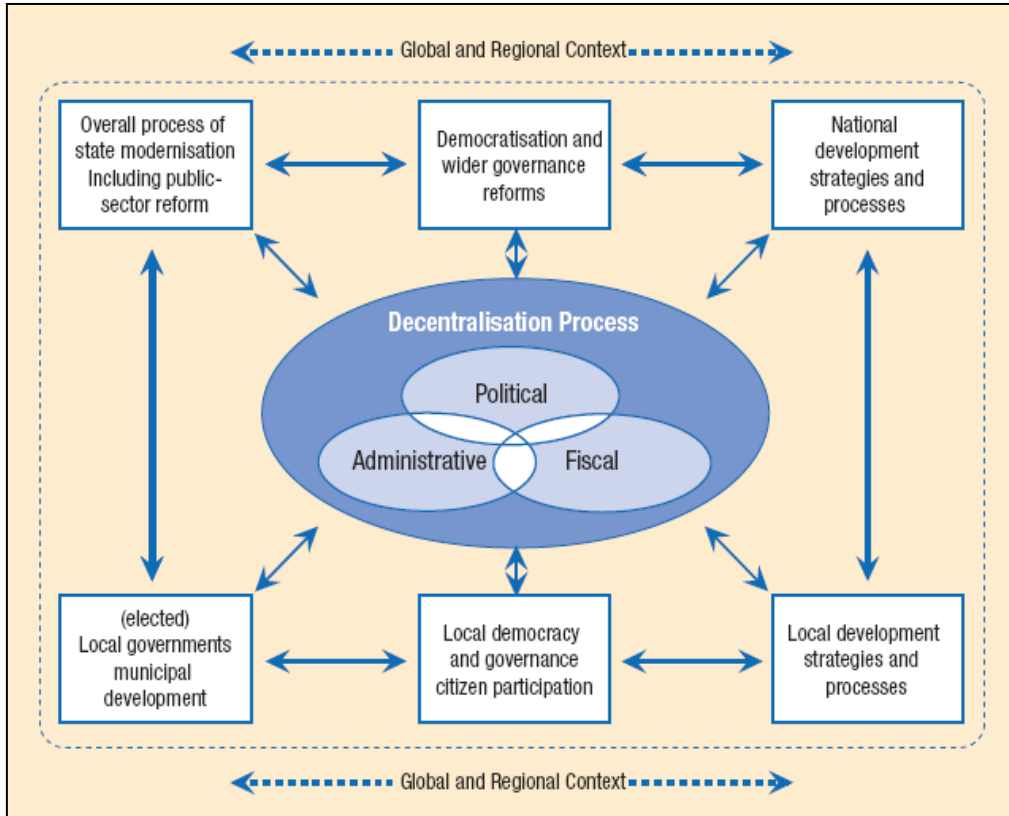
The figure below presents this open-systems model combining:¹⁰

- the three main dimensions of decentralisation (inner circle);
- the different ‘ingredients’ of the decentralisation process (as a system), both upstream (at the national level) and downstream (at the local level);
- the linkages between the component elements of the system;
- the possible external influences on the system, arising from regional and global trends (outer circle).

This document also stresses the importance of the linkages in such an open-systems approach. The strength and quality of the connections between the different parts of the system determine to a large extent the shape, orientation and outcomes of the decentralisation process. This has major implications for development partners.

¹⁰ This open-systems approach was validated at a workshop with participants from EU Delegations during the process that led to 2007 SDLG reference document.

Figure 1 Looking at decentralisation as an open-system



1.1.4 Intervention logics for EC operational support to decentralisation

In the 2007 SDLG reference document (Annex 5), five models for entry points for EC support to decentralisation and local governance are presented.

Table 1 Decentralisation and local governance – entry points of EC support

Policy support and institutional development	<ul style="list-style-type: none"> • Overall support to the formulation, implementation and monitoring of a national decentralisation policy • Projects and programmes targeting policy and institutional reform at the macro country level as well as local • Government capacity building
Good governance including local governance	<ul style="list-style-type: none"> • Support to local democracy and elections • Enhanced participation of local actors in policy processes • Empowerment of local governments; civil society strengthening
Decentralisation of services	<ul style="list-style-type: none"> • Support to the decentralisation of services in health, education, water & sanitation, (rural) infrastructure and transport sector, generally related to sector reform • Programmes targeting poverty alleviation • It also builds local authorities' capacity to deliver, manage and maintain services • In some countries, budgetary support or capital investment facilities are provided to municipalities
Local (regional) and rural development	<ul style="list-style-type: none"> • Capacity building activities to improve local and rural government structures' ability to promote participatory community planning and rural economic development. • In some of these programmes particular attention is given to spatial planning and area-based development • Local economic development, urban development and community participation • Support to decentralised actors (including local authorities)
Decentralised co-operation and multi-annual micro-projects	<ul style="list-style-type: none"> • Support to decentralisation in countries recovering from conflict (with a strong governance focus) • Improvement of sustainable urban management in cities by enhancing local good governance and administration, urban growth planning and the efficiency of key services

It is worth mentioning that this categorisation is similar to the one made in the ACP-LG study, while the study was focusing on local government. It explains why certain categories refer to a type of approach (direct or indirect support to decentralisation) while others refer to the type of instrument (multi-annual micro projects) or the type of actors (decentralised co-operation). It also explains the overlapping one may notice between the categories 2, 4 and 5.

This analysis is being confirmed by the categories mentioned in the programming guide for strategy papers (Programming fiche on Decentralisation), which distinguishes three types of support:

1. Direct support to decentralisation processes in partner countries as part of state reform;
2. Indirect support to decentralisation and local authorities through sector programmes (i.e. education, health);
3. Specific geographic programmes and schemes aiming at reinforcing decentralised co-operation initiatives and/or policy dialogue capacities of local authorities.¹¹

This categorisation is similar to the types of support that resulted from the inventory, i.e.

1. Direct policy support to decentralisation (top down approach);
2. Sectoral decentralisation;
3. Local / Regional Development (bottom-up approach).

The only difference with the previous categorisation is in the category 3, where the focus is not being put on the type of instruments but the type of supports aiming at reinforcing local development processes (including policy dialogue with local authorities & non-state actors).

The three entry points¹² cover interventions with different levels of governments (central, regional, local) and their interactions in a decentralisation process.

- The entry point on **direct policy support to decentralisation** is distinguished from the other two in that the intervention supports primarily a top-down approach, i.e. with a reform process lead by the central government. This reform addresses the entire set up for effecting decentralisation down to regional and local levels.
- The entry point on “**sectoral**” **decentralisation** selects key sectors as the focal points for support and focuses on how sectoral responsibilities, authorities and resources are devolved to regional and local levels and on capacity of the latter. Development of sector policies are often more important than support to the decentralisation process as such.
- The entry point on **local/regional development** focuses on strengthening development at local level and fostering local governance.

In what follows the intervention logic for each of the 3 selected entry points for EC support to decentralisation processes are presented in more detail with their logic models. In the logic models main inputs/ activities, outputs, results, intermediate and overall impacts as well as the typical targeted/ partner institutions for the interventions are presented.

It is important to keep in mind that the entry points are evolving over time and that they have to be seen as inter-related interventions opportunities and depending on the contextual situation.

Finally, it is noteworthy that all three entry points follow a **common logic** that is based on the two broad objectives of decentralisation:

1. Good governance at local level,
2. Improved locally delivered services,

¹¹ The guidelines also mention thematic programmes, but this should not be considered as an additional type of support, as interventions financed by these thematic budget lines could refer to the three types of support.

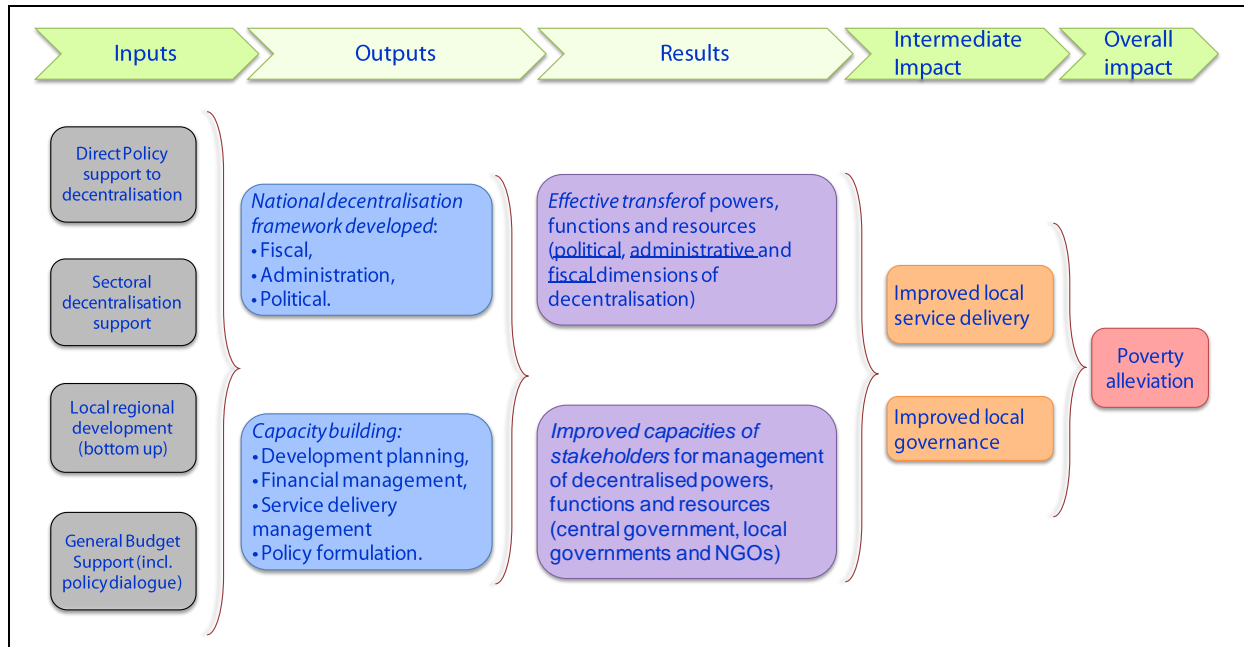
¹² The three entry points should be seen as “typical models” for EU support to decentralisation. The distinction seems to be manageable and make sense as many programmes can be mainly categorised into one of the models. Obviously some programmes have elements from various entry points.

and the two major conditions of an effective decentralisation process:

1. Effective transfer of powers, functions and resources (political, administrative and fiscal dimensions of decentralisation),
2. Improved capacities of stakeholders for management of decentralised powers, functions and resources (central government, local governments and NGOs).

This can be summarised in a simplified diagram as below (see Figure 2):

Figure 2 Simplified logic common to the 3 entry points



1.1.5 Inventory: Overview on EC financial contributions

In line with the ToR, the evaluation team carried out an inventory of the EC funding supporting decentralisation processes in partner countries. The inventory focuses on the EC's funding during the period 2000-2009 in the countries covered by this evaluation.¹³ The interventions related to a sectoral support in a decentralisation context are difficult to identify in an exhaustive manner. It was thus agreed with the Evaluation Manager and the RG that the inventory will only provide examples of major programmes belonging to this category. A full report describing the evolution of EC financial contributions is presented in Volume II. The section below presents a summary of the key findings.

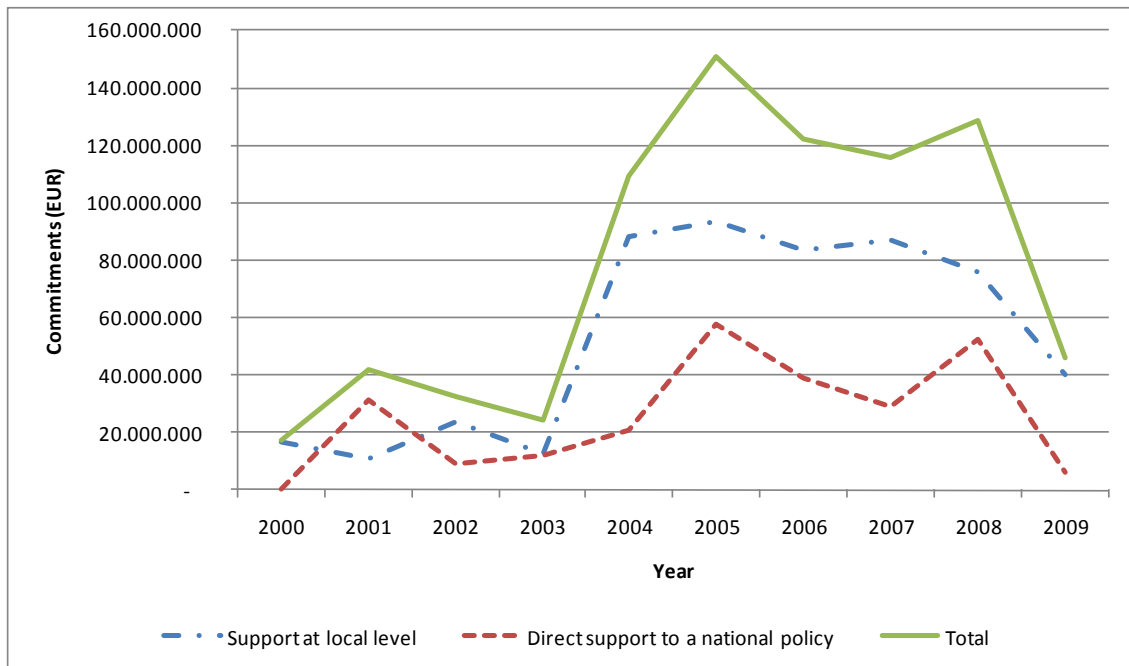
The approach to this inventory built on the inventories carried out in previous evaluations. It relied essentially on the information available in the Common Relex Information System (CRIS) database. Yet, the classic approach was enhanced by a new component. The team carried out a systematic search of references to decentralisation in all available Country Strategy Papers (CSP) over the period 2000-2009 in order to have an indication of where the EC had a clear strategy to support decentralisation. In particular, this enabled to find interventions that were not easily identifiable in the classic approach.

The figure below gives an overview of the evolution of the EC financial contributions during the evaluation period. We can see an overall increase of the EC financial contributions to support to decentralisation over the period. 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

¹³ The figures calculated in this inventory include only amounts that were contracted during the period 2000-2009. However, several important interventions funded by the EC were launched in the period 1998-1999. And it was deemed interesting to take them into account in the analysis that will be done in the next phases of the evaluation. It was thus decided to also identify these interventions during the inventory exercise but not to include them in the financial figures presented at the aggregated level.

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.

Figure 3 Evolution of EC financial contributions by category – commitments



Source: CRIS and Particip analysis (2010)

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 that have been funded since 2008. The box below provides additional information on this situation.

Box 2 Overview of the most recent (2007-2010) major programmes in direct support of decentralisation

In 2007, around € 20 million was contracted in *Tanzania* (mainly for the "Support to the Local Government Grant Scheme"), around € 20 million in *Mali* (mainly for the "Programme d'appui à la réforme administrative et à la décentralisation" – PARAD) and € 15 million in *Madagascar* (mainly for the ACORDS programme). These three 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 was quite similar, with the amounts going to *Mali* (€ 32 million, mainly PARAD), *Madagascar* (€ 21 million, mainly ACORDS), *Liberia* (€ 12 million - County Programme) and *Benin* ((€ 12 million - PACTE¹⁴) accounting for more than 60% of the total amount committed to decentralisation that year.

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

In the year 2010 (outside the scope of this evaluation), the funds increased again, driven by the launch of the new *Mali* programme supported by Budget support (€ 44 million going to the PARADDER¹⁵ programme in 2010) and the new *Rwanda* programme (€ 10 million 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).

¹⁴ Programme d'appui à la réforme administrative et à la décentralisation,

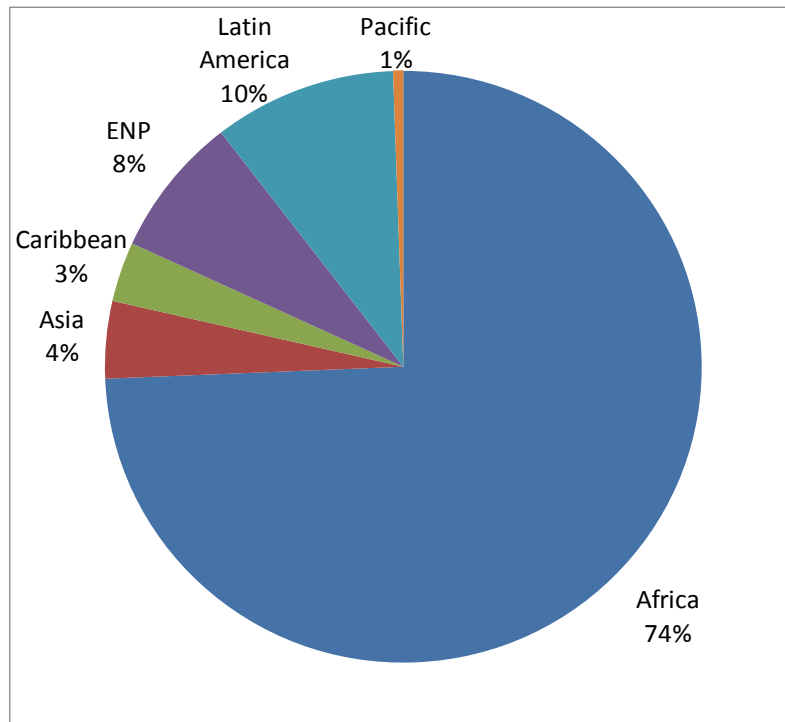
¹⁵ Programme d'appui à la réforme administrative, à la décentralisation et au développement économique régional.

In summary, it seems as if only three to five big programmes determine the evolution of the EC commitments going to decentralisation in recent years.

The figure below shows the geographical breakdown of the EC funding to direct support to decentralisation.

- 74% (€ 586 million) 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% - (€ 78 million).
- Only 4% (€ 33 million) were committed to support decentralisation in partner countries in Asia.

Figure 4 Overview of EC funding by region – Direct support (commitments)



Source: CRIS and Particip analysis (2010)

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 EU HQs this is a reflection of the relatively low demand for decentralisation support in Asia. Alternative explanations could be: decentralisation reforms have in Asia taken place relatively earlier than in Africa (from the mid 1980s) and 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 development partners (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 support¹⁶. 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*).

¹⁶ 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 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 EU staff involved in programme design as well as other DPs involved in decentralisation support at a global level suggests:

- The larger EU programmes for support to decentralisation (e.g. *Mali, Benin* and *Madagascar*) grew to a large extent out of past experiences with EU 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 becomes quite resource demanding.
- Other countries and regions that have tended to start decentralisation earlier¹⁷ 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 2 Comparison with the whole EC co-operation by region (2000-2009)

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.
- **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

¹⁷ 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).

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.¹⁸

Finally, the EC provides support to decentralisation through **different financial instruments**. As described in the full inventory (see Volume II – Annexe 2), 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.

1.2 The Evaluation Questions

Following the ToRs, and as agreed in the structuring stage, the evaluation exercise is based on a reconstructed intervention logic and a structured process of defining EQs. In the end, eight EQs have been retained. These questions have been selected with a view to covering, as far as reasonably possible, the various aspects of the intervention logic, but with a sharper focus on some specific aspects. The focus has been directed at aspects that will permit provision of information and analytical material contributing to an analysis of a number of issues that become apparent from desk work done during the production of the inception report and from the inventory. For each EQ, a number of Judgement Criteria and Indicators were defined. The EQs were discussed and agreed upon with the Evaluation Unit and the Reference Group.

Table 3 The Evaluation Questions

Code EQ	Evaluation question
EQ1: Policy framework	To what extent has the EC managed to establish a policy framework that facilitates programming & implementation of the EC support to decentralisation?
EQ2: Institutional capacity	To what extent has the EC developed its overall institutional capacity to support decentralisation processes?
EQ3: National context	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?
EQ4: 3Cs	To what extent has the EC ensured co-ordination and complementarity with other donors, active in the decentralisation arena, and ensured coherence with EC policies and activities?
EQ5: Transfer of functions & resources	To what extent has EC support contributed to the decentralisation of powers, functions and resources to local governments in partner countries?
EQ6: Stakeholders' capacities	To what extent has EC support to decentralisation contributed to strengthening the capacities of stakeholders involved in the decentralisation processes in partner countries?
EQ7: Local governance	To what extent has EC support to decentralisation processes contributed to improving local governance, especially regarding participation, accountability and transparency?
EQ8: Service delivery	To what extent has EC support to decentralisation processes contributed to enhancing and sustaining service delivery at local level?

The EQs can also be linked to one or several of the five DAC evaluation criteria (relevance, effectiveness, efficiency, impact and sustainability) and/or to the visibility and value-added

¹⁸ 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.

themes identified in the terms of reference of this evaluation. These linkages are illustrated in the following table, and further detailed in the individual EQs.

Table 4 Coverage of the evaluation criteria by the evaluation questions

Criteria Question	DAC criteria					Other criteria			
	Relevance	Effectiveness	Efficiency	Impact	Sustainability	3Cs	Cross-cutting issues	Visibility	Added value
EQ1- Policy framework	✓	✓✓✓	✓✓✓					✓	✓
EQ2- Institutional capacity	✓	✓✓✓	✓✓✓	✓	✓	✓	✓✓✓	✓✓✓	✓✓✓
EQ3- National context	✓✓✓	✓✓✓	✓	✓	✓	✓	✓✓✓		
EQ4- 3Cs	✓	✓				✓✓✓	✓✓✓	✓	✓✓✓
EQ5- Transfer of functions & resources		✓✓✓		✓✓✓	✓✓✓			✓	✓
EQ6- Stakeholders' capacities	✓	✓✓✓	✓	✓✓✓	✓✓✓	✓		✓	✓
EQ7- Local governance		✓✓✓	✓	✓✓✓	✓✓✓			✓	✓
EQ8- Service delivery		✓✓✓	✓	✓✓✓	✓✓✓			✓	✓

The answers to the Evaluation Questions are presented in section 3. The findings on which they are based, and the related analysis, are also set out in that chapter. Detailed findings and analysis can be found in Volume II. Conclusions and recommendations emerging from the evaluation are then presented in section 4.

2 Methodology

2.1 Key steps of the evaluation process

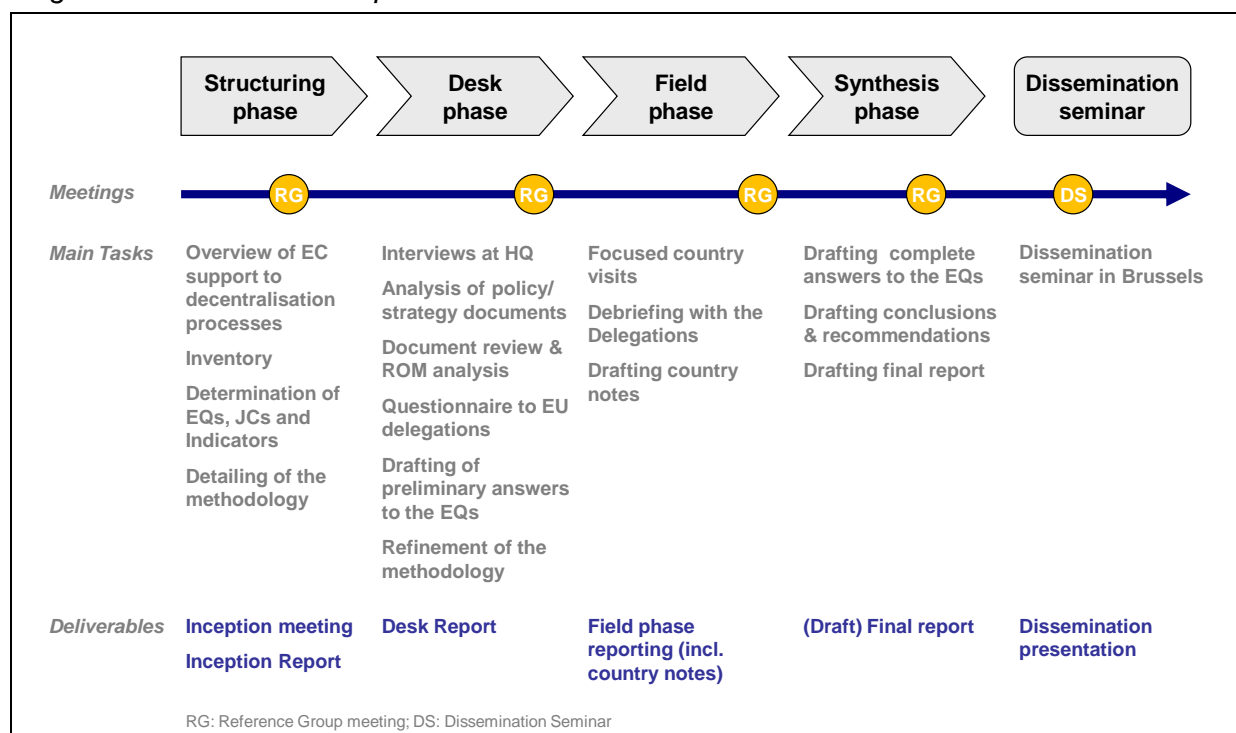
The methodology applied for this evaluation is based on the methodological guidelines developed by the DG DEVCO Evaluation Unit. The guidelines give precise indication on the design of the study, structure the evaluation process in several phases and provide an array of tools that can be used for evaluations.¹⁹

The evaluation has been conducted in **four main phases**, as summarised in the figure below. It was managed and supervised by the Evaluation Unit. Evaluation progress was closely followed by a Reference Group (RG) chaired by the Evaluation Unit, and consisting of members of various DGs (in particular, former DGs RELEX, DEV and AIDCO). The figure also lists the main tasks in each phase²⁰, the Reference Group (RG) meetings held and the deliverables for each phase. In line with the ToR, each phase has started after formal approval of the deliverables of the previous phase by the Evaluation Unit.

¹⁹ General information on these guidelines can be found online at:
http://ec.europa.eu/europeaid/how/evaluation/methodology/index_en.htm

²⁰ The lists include some major tasks carried out in each phase, but they are not meant to be exhaustive.

Figure 5 Evaluation process



The evaluation process adopts a systematic approach that uses different building blocks to gradually construct an answer to the EQs and to formulate conclusions and recommendations. The various phases and subsequent “stages” coincide with the different methodological steps undertaken within the framework of the evaluation:

- First, it was essential to have a clear understanding and overview of the object of the evaluation, by producing an inventory and typology of EC support to decentralisation falling within the scope of the evaluation (for more details on the inventory, see Annex 2 – Volume II). Once this overview was available, the team built the methodological framework for the entire exercise during the **inception stage**.
- On the basis of the established methodological framework, data collection could take place in two steps:
 - From the desk, during the **desk study**;
 - Through country visits in the **field phase**.
- The **synthesis phase** was then devoted to constructing answers to the evaluation questions and formulating conclusions and recommendations on the basis of the data collected throughout the process.
- A final step consists of a **dissemination seminar**.

2.2 Developing the methodological framework (structuring phase)

2.2.1 Overview of the key tasks carried out during the structuring phase

One of the key step of the evaluation process consisted in defining the design of the evaluation and its corresponding methodological framework which served as a basis for the entire evaluation exercise.

Given the purpose and conditions of the evaluation, the most appropriate design for the evaluation was a **multiple case study with literal replication** based on the use of a **mixed-methods approach**. The elaboration of the methodological framework was based upon several tasks.

A first task was to define the **intervention logic** underlying the EC support to decentralisation processes in the EU’s external co-operation with partner countries. This was a prerequisite for the evaluation, since it facilitates understanding of the hierarchy of the objectives aimed at being achieved with a view to contributing to the overall objectives of the EC’s de-

velopment policy. It therefore constituted the basis for formulating the Evaluation Questions (EQs) and served as the benchmark against which to evaluate the activities financed.

A second task consisted in **defining and structuring a set of EQs**. Indeed, the purpose of the evaluation is to verify to what extent the EC's intended objectives have materialised as envisaged. It should also allow for covering various evaluation criteria (including the five DAC criteria) and a number of key issues identified in the terms of reference and through discussion with key stakeholders. Accordingly, a set of **eight EQs** has been defined, so as to shed light on some critical points of the intervention logic and provide more concrete content to the evaluation criteria and key issues.

With a view to facilitate the data collection as well as the construction of answers to these questions at a later stage, each question has been further structured. To answer each question, appropriate **Judgement Criteria (JC) and related indicators** were defined. Furthermore, potential information sources were identified for each indicator, as well as appropriate methods and techniques for **collecting and analysing the information**. The next section explains in more detail how the evaluation questions were defined, how they are linked to the evaluation criteria and the key issues, and how they were structured.

As mentioned earlier, the evaluation is based upon a multiple case study. Given the purpose and conditions of the evaluation, the most appropriate cases to be analysed during the desk study and the field work were deemed to be "country cases". Thus, a third important task during the structuring phase was to **select the relevant "country cases"**. The ToR indicated: "*The evaluation will include a comprehensive desk phase followed by a field phase with missions to 10 different countries. The choice of the countries will be done upon selection criteria that will be defined taking into account geographical representation and the approach to sector analysis*". In order to reach a reasonable balance between generating a rich evidence base and keeping the study feasible, it was decided to focus on **22 countries** during the desk phase and **10 countries** selected out of the desk phase sample during the field phase. Overall, the country cases were selected to reflect the diversity of EC partner countries and EC programmes and approaches.

2.2.2 Selection of country cases for the desk study and the field phase

The following criteria have been used for the selection of the 22 countries for the **desk study**:

- **Geographical and sub-geographical representation** (i.e. Africa/Caribbean/Pacific, Asia, Latin America, ENP countries): this criterion helps to take into account the variety of country contexts and the corresponding programming/implementation opportunities and challenges.
- **Entry points**: this criterion provides a meaningful way of explaining and categorising interventions in support of decentralisation processes and give an idea on the variety of contexts that can be faced as well as of the variety of corresponding approaches and instruments that can be used.
- **Amount and type of financing**: this criterion helps taking into account the variety of aid delivery methods used by the EC to support decentralisation processes and also ensures that the analysis covers a significant part of financed interventions.
- Last, some consideration was also given to look at support to decentralisation processes in:
 - countries with various level of **progress on decentralisation**²¹;
 - post-conflict and/or **fragile states**²²;
 - countries with different **levels of income**²³;

²¹ Data used relied mainly on information available in the CSP and in the First and Second Global reports by United Cities and Local Governments.

²² Mainly based on the list of countries monitored by the OECD- DAC's Fragile States Group.

²³ World bank 2009 ranking.

- countries of various sizes, i.e. the size of the **population**²⁴.
- The selection of the counties has been automated, to the extent possible, using Excel data related to the inventory²⁵ and a data set on country key indicators (population, income-level, etc.).

The selection of countries for **field study** analysis has applied the same guiding criteria. However, these criteria have been complemented by the following considerations:

- The country case study might highlight interesting lessons learned.
- Avoidance of countries where a country level evaluation has been undertaken recently or is being planned.

The table below presents the list of the 22 country cases selected for the desk phase and indicates which ones among them were selected for the field visits.

Table 5 List of country cases selected for the desk phase & the field visits

Region / Country	
Africa	
<i>Benin</i>	Congo (Democratic Republic of)
Kenya	Madagascar
<i>Mali</i>	<i>Rwanda</i>
Senegal	<i>Sierra Leone</i>
<i>South Africa</i>	<i>Tanzania</i>
Uganda	
Asia	
Cambodia	<i>The Philippines</i>
Caribbean	
Haiti	
ENP	
Jordan	<i>Lebanon</i>
Latin America	
Colombia	Guatemala
<i>Honduras</i>	Nicaragua
<i>Peru</i>	
Pacific	
Papua New Guinea	

Legend: country selected for the field visit = Country

The sample includes 11 countries in Africa, five countries in Latin America, two countries in Asia, two countries in the ENP region, one country in the Caribbean region and one country in the Pacific region.

As illustrated in the table below the sample covers:

- 75% of the total direct support going to decentralisation worldwide;
- 73% of the total funds corresponding to a bottom-up approach and 76% of the total funds corresponding to a top-down approach;
- 100% of the funds channelled through sector budget support.

²⁴ Mainly based upon data from the 2008 UN World Population Prospects.

²⁵ As this selection had to be made during the Structuring Phase of the evaluation process, it is evident that selection based on "amount and type of financing" could mainly only refer to the results of the inventory.

Table 6 Coverage of selected country cases

<i>Criteria</i>	<i>Total direct support (mEUR)</i>	<i>Direct support in sample (mEUR)</i>	<i>%</i>
Region			
All regions	789.3	581.3	74%
Africa	586.4	449.9	77%
Latin America	78.3	68.6	88%
ENP	60.7	42.8	71%
Asia	33.2	13.5	41%
Other	30.8	6.4	21%
Entry point			
Bottom-up	580.2	422.9	73%
Top-down	209.1	158.4	76%
Financing modality			
Sector Budget Support (SBS)	113.4	113.4	100%

Moreover, the selection includes:

- eleven low income, seven lower middle income and four upper middle income countries;
- and four fragile states.

2.3 Collecting data (Desk Study and Field Phase): Overview of process and tools

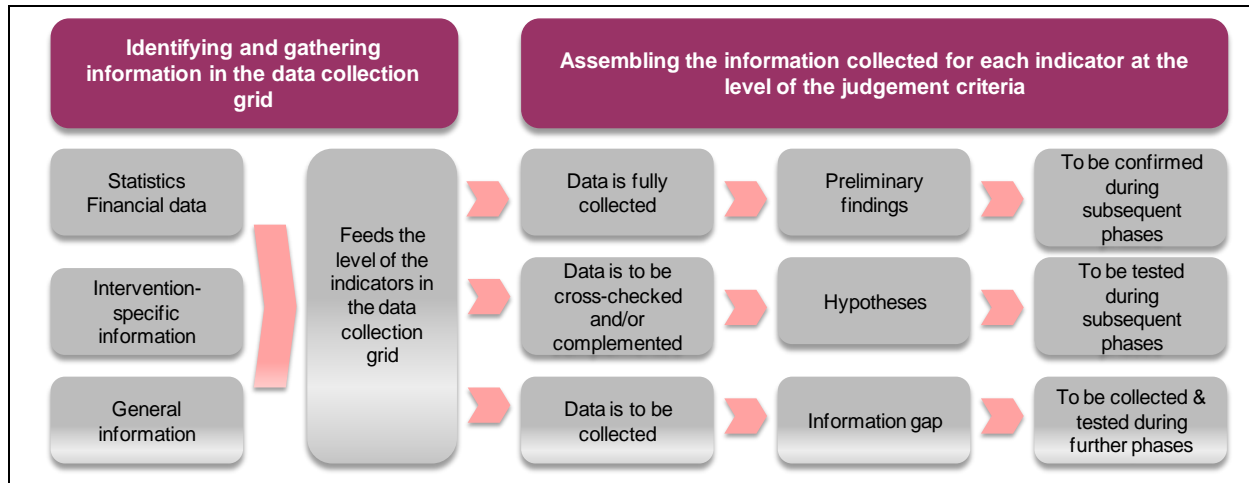
2.3.1 Desk Study

Data collection activities were carried out mainly during the **desk phase** and the **field phase**.

The **combination of data collection methods** and techniques varies according to the different JCs. However, several methods and techniques have always been used to collect the data necessary to assess a given JC and data collected through different means was cross-checked. Moreover, where possible, the evaluation team combined the use of qualitative and quantitative data and relied both on primary and secondary data sources while taking into account resources and time constraints. The evaluation team checked that the final set of methods and techniques consisted in a sufficiently wide mix to ensure a high level of data reliability and validity of conclusions.

At the end of the desk phase, the team assessed the overall data collection process in order to identify **preliminary findings** to be confirmed during the field phase, **hypotheses** to be tested and **information gaps** to be filled. The process followed is exemplified by the figure below.

Figure 6 Data collection process



In fact, the time that could be spent by the team **in the field** was limited. Therefore, the scope of the visits, i.e. the type of information to be collected, had to be fully clarified and made explicit. Careful preparation of the field phase was thus required and detailed elements on the approach to be followed were presented in the desk report which was discussed with the RG at the end of the desk phase. In order to ensure efficient time and resource management, prior to the field visits, the team prepared guidelines and checklists for interviews and group discussion to ensure that: i) key informants are interviewed only once; and ii) that all information gaps could be filled.

2.3.2 Field Phase

The main objective of the field phase was to **complete the data collection** and to contribute to answering the EQs. It also served to validate or **revise the preliminary findings and hypotheses** formulated in the desk report.

The field phase covered both policy and strategy aspects and implementation issues. Nevertheless, the field phase was not intended to conduct an in-depth assessment of the implementation of all the EC interventions in the country. The analysis of specific interventions actually aimed at exemplifying results and impacts of EC support. Emphasis was laid on processes and achievements, which could not be fully covered by the desk tools of the desk analysis.

The purpose of the field visits was actually dual. First, they aimed at obtaining from each country general answers to the relevant EQs and JCs, and to those not yet fully answered during the desk phase. Second, they served to examine in further detail key issues considered of importance. Case studies were selected to be useful to answer the general EQs and, more generally, to contribute to obtaining an overall comprehensive picture of EC support to decentralisation worldwide, taking account of different geographical and political contexts.

The objective of **focusing on specific areas in each country case** was to study selected key issues in detail, with a view to obtaining in-depth insights and providing further evidence of the type of strategic and operational challenges, dilemmas or problems associated with EC support to decentralisation, and with a view to feeding into the overall worldwide assessment.

2.3.3 Overview of tools used

The table below provides an overview of the main data collection tools used.

Table 7 Overview of tools used in the desk study and the field phase

Tool	What was done?	What for?	Specific product
Analysis of CSPs/ NIPs	In the CSPs/NIPs, the information was researched in relation to a number of criteria and indicators as defined by the "sources of information" in the EQs.	This information fed into the responses given to the EQs.	Yes. Summary of findings / trends in support, also per region where possible
Web- survey (to a sample of EU Delegations)	A structured questionnaire including quantitative and qualitative elements was developed and validated by the Evaluation Unit. It was prepared as a web-survey, and information on the survey was sent to the 22 desk study countries selected. The survey was managed in-house. Questions developed relating to a number of criteria and indicators for which EUDs had been defined as "sources of information" in the EQs. Full data analysis extended beyond the desk phase, an experience already made in earlier evaluations. Therefore, some additional findings could be included in the final report.	This survey enabled the obtaining of the views of the Delegations on relevant EQs, JCs and indicators, as well as on main weaknesses and strengths of on-going EC support. A strong focus was put on issues related to modalities and channels. The tool allows for triangulation of some of the findings from the field visits and other tools used in the desk study. The information fed into the responses given to the EQs.	Yes. Summary of findings.
ROM analysis	Downloads were made for the desk study countries from the data base, including monitoring reports, programme documents, evaluations. Selected interventions were analysed and analysis was included in the desk and final report.	To allow for triangulation of some of the findings from the field visits and, for instance, the questionnaire survey.	Yes. Summary of findings.
Interviews, both structured and unstructured	A round of interviews was held with relevant EU staff in Brussels ²⁶ ; numerous interviews were held during the field visits. Interviewees were selected on the specific added value they were supposed to provide concerning specific EQs or issues. The interviews were mainly of a structured and semi-structured nature. Semi-structured guides or checklists were prepared before interviews. Interviews were often carried out in small groups, but also with individuals. Besides face-to-face interviews, a few telephone interviews were made.	Interviews enable the obtaining of the views of the stakeholders concerned on relevant EQs, JCs and indicators, as well as on main weaknesses and strengths of programmes and policies. The information fed into the responses given to the EQs, in the Desk Report, in the Country Notes and in the Final Report.	Interview grids and related answers (notes), not published
Literature review and analysis of statistics	Further literature included: <ul style="list-style-type: none"> • Major documents related to the countries, obtained before / during the field visits • Relevant evaluation reports (EC and other donors), incl. Country Strategy Evaluations. • Sets of Guidelines (cross-cutting issues, etc.) • Statistics produced by WB and other international organisations. 	To complement primary and other sources. This information fed into the responses to the EQs.	No

²⁶ The main limitations of such interviews could be as follows: unavailability of EC staff, which would impact on how representative the information collected was; bias in the information given, due to lack of confidence or specific interests.

2.4 Analysing and judging: Synthesis Phase

Following the debriefing presentation of the field work to the RG, the evaluation team proceeded to the Synthesis Phase. The information collected was analysed and synthesised so as to answer the EQs, provide overall conclusions and recommendations, and reach an overall judgement on the EC support to decentralisation processes. Thematic issues were analysed with a matrix approach (vertically by country, and horizontally by theme). This approach allowed for the detecting of common factors operating across countries, and how country-specific factors influence specific themes common to all countries.

This work resulted in a Final Report. The Evaluation Unit organised a meeting with the RG to discuss the Report in the presence of the evaluation team. On the basis of comments received from the Evaluation Unit and the RG, the evaluation team will make final amendments and submitted the Final Report.

The factual information on which the evaluation is based is provided in detail in Volume II which includes: details on the Inventory; the results of various documentation reviews (CSP & ROM analyses, etc.); the results of the survey to EU Delegations; and the field visit country notes.

During the synthesis phase, for each EQ, a grid setting out the judgement criteria (JC) and indicators (I) was prepared, along with the analysis already made during the desk phase and a list of the documents from which other relevant information was retrieved. All information collected was analysed in accordance with this grid (intended for internal use only).

Information from various sources was combined, cross-referenced and cross-checked, as illustrated below; this served as a basis for developing the argumentation. For each EQ, the team thus constructed balanced answers using the building bricks that are the indicators and the JCs. Regular consultations were held between team members to ensure coherence in filling the grids. Information on all JCs and indicators was provided to each team member, who then collated the information and ensured coherence of the answer.

Table 8 Cross-checking information

EQ 1	Indicators	CSP analysis	CSE analysis	EUD survey	Country Note A	...	International and national statistics	Other sources	...
JC11	I-111								
	I-112								
JC12	I-121								
	I-122								

The combination of answers to the different EQs (see section 3 in the main report) allowed the team to formulate more general judgements in the form of Conclusions (see section 4)²⁷ and, on that basis, propose a set of Recommendations (see section 4). This approach allowed for a clear linkage between EQs (findings), conclusions and recommendations.

2.5 Dissemination

A dissemination seminar is foreseen in Brussels after approval of the final report.

²⁷ Conclusions provide clear answers to the questions asked at the beginning of the evaluation. They involve judgements on the merits and worth of the support (see DG DEVCO evaluation guidelines: http://ec.europa.eu/europeaid/evaluation/methodology/methods/mth_ccl_en.htm).

2.6 Challenges and limits of the evaluation

2.6.1 Overall challenge of a strategy level evaluation

A strategy-level evaluation of this kind is a challenge *per se*. It goes beyond a mere summation of evaluations of multiple operations and tackles many high-level issues. It also covers different dimensions and areas of support, periods and countries, and simultaneously focuses on individual interventions. This challenge has been tackled mainly through the specific structured methodological approach, based primarily on the reconstruction of the intervention logic, the definition of Evaluation Questions, Judgement Criteria and Indicators; and the choice of countries and interventions for the desk and field studies.

2.6.2 Scope of the evaluation

Substantial efforts were made during the inception phase to delineate the scope as precisely as possible and to focus on the most important aspects of the EC support to decentralisation. As described in Section 1.2 and 2, eight evaluation questions were developed to allow a sharper focus on specific aspects.

The focus of the evaluation is on the assessment of the EC support to the decentralisation processes in partner countries. As a result, the evaluation had a main focus on the EC "direct" support to decentralisation. However, the analysis also covered issues related to the EC support "in a decentralised context" in particular where issues of coherence were analysed. In addition one country (*the Philippines*) was selected to explore more in-depth how sector interventions can contribute to wider decentralisation reforms.

The aim of the evaluation was not to provide an in-depth study on the EC support "in a decentralised context" and to arrive at findings on how to best carry out sectoral interventions in this context in partner countries. Nevertheless, although the focus remained on the EC direct support to decentralisation, where possible, the evaluation highlighted some lessons learnt on issues indirectly related to the EC support to decentralisation.

2.6.3 Quantity and quality of the information available

Information available in EU databases was not always easily retrievable. This made the inventory exercises and other analyses relatively time-consuming. Furthermore, the availability of documents on individual support in individual countries differed considerably. For some countries and interventions, CRIS information is sketchy, while others are well documented. These gaps could only partly be compensated by documents that are stored within the ROM system. Nevertheless, the information collected during the structuring phase was sufficient to allow the construction of an overview and typology of the magnitude of EC funds for support to decentralisation processes. Field visits helped in complementing the information for the subsequent analyses.

It is noteworthy that the evaluation covers a rather long period (2000-2009). As a consequence, earlier parts of the period under evaluation are, in particular, rather weakly documented, and the gaps could not be completely filled during, for example, field visits. Moreover, the evaluation team was confronted by "institutional memory" limits at both EU HQ and field levels. Indeed, owing to the rotation of staff and the incomplete incorporation of documents in EU databases, the people interviewed stated in several cases that they had only partial knowledge of a requested issue – for instance, a specific intervention and its historical roots. However, as the evaluation team used different information sources (including documents and information provided by other interviewees), this could to a certain extent be compensated for by cross-checking and combining the information retrieved from different sources. For most country cases, the evaluation team could also rely on a strong knowledge of the country context, including of the key steps and key actors of the decentralisation process during the past decade.

It is also important to note that the evaluation matrix covers some very challenging questions at impact level such as an evaluation question on service delivery (EQ8). This question includes an attempt to assess the impact of the EC support to decentralisation on both the quality and the coverage of public services at local level. To face the complexity of the question, the evaluation team relied on the information collected during the field phase in the

country cases but also strongly on the existing literature on this issue. The final synthesis intends to give indications on the impact of EC support to decentralisation.

In general, few information could be collected on impact during the desk phase, as information available in monitoring or evaluation reports remain mainly focussed on the processes and to a certain extent on the effectiveness of the support. This required additional efforts of the team during the field phase. In particular, the evaluation team consulted different national databases and collected information from various key resources persons in national institutions to document the evolution of relevant indicators in the countries selected (which could not be made in a systematic manner for the sample of the desk phase).

2.6.4 In-depth case studies

A sample of 22 countries was selected for the desk phase (as described in section 2.2.2). An important number of desk phase activities were carried out in a systematic manner with these sample countries (CSP analysis, survey to the EU Delegations, selected interviews, review of project documentation, etc.). However, due to the wide range of issues to be covered, resource constraints and the difficulties to collect and analyse data for such a wide sample on all issues, in-depth analyses of a few aspects (especially issues related to impact – see also details provided in the previous sub-section on the difficulties related to the availability of relevant information) could not be carried out in a systematic manner for all the 22 countries. While a general analysis was made for all these countries, an in-depth analysis was made for the ten countries selected for the field phase.

2.6.5 Inventory

Challenges and limits relating to the inventory are presented in detail in Volume II - Annex 2.

One of the key challenges that had to be tackled in constructing the inventory and typology for this evaluation is common to all mapping exercises for thematic evaluations and relates to the information source on which they are based. The main source for identifying relevant interventions of the EC is the Common RELEX Information System (CRIS), which is mainly used by EU staff in Brussels and in partner countries for the day-to-day management of EC supported interventions. It has some limits for the purpose of an inventory of a sectoral evaluation, such as the fact that it does not offer the possibility of obtaining a readily available list of all the EC financial contributions to direct support to decentralisation. Moreover, in many cases no sector code has been attributed to the interventions, which had therefore to be done by the Evaluation Team.

With respect to the approach for the inventory of the “direct” EC support to decentralisation, the following elements need to be highlighted:

- A number of choices needed to be made by the team such as the choice made on the set of key terms to be used for the screening of the EC’s interventions in the CRIS database. Although there is a rational basis for these choices, and although they have been chosen with a view to maximising the coverage, one cannot exclude the possibility that some relevant interventions have not been grasped by the key words selected.
- Although a sound and systematic approach was applied, the results remain dependent to a certain extent on limits that concern the CRIS database²⁸. Indeed, some of the work depended on the information provided in the decision or contract title. However, the data cross-checking with previous inventories, project documentation available in the database and other sources of information helped the team to obtain the most comprehensive inventory.

²⁸ The limits inherent in CRIS for the purpose of an inventory for sectoral/thematic evaluations are described in depth in the Inventory Notes for the *Evaluation of Commission’s external co-operation with partner countries through the organisations of the UN family*, May 2008, for the *Evaluation of Commission’s aid delivery through development banks and EIB*, November 2008 and for the *evaluation of EC aid delivery through civil society organisations*, December 2008, available on the EuropeAid website.

3 Answers to the Evaluation Questions

3.1 EQ1: Policy framework

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

There are three main aspects to the question, all related to the policy framework that the EC has established with regard to its support to decentralisation. The “policy framework” refers here mainly to a set of policy and reference documents specifying the main concepts and approaches related to the EC support to decentralisation and giving overall orientations and guidance to implement the EC co-operation strategy with partner countries in relation to decentralisation processes. The policy framework is developed in a policy environment that interacts with an operational environment. This evaluation question looks at, among other things, how elements of the policy environment affect the planning, design and implementation of relevant interventions. Political and administrative rationalities of the policy and the operational environments are covered here.

The evaluation question has been elaborated taking into account that the policy environment is typically value-based. This applies especially to the question of internal coherence of the policy framework with respect to decentralisation and its perceived guidance by EU staff and orientation by country partners and donors.

The judgement criteria related to this evaluation question are:

- JC 1.1: EC incorporates decentralisation in its co-operation with third countries.
- JC 1.2: EC policies, programming guides and reference documents are comprehensive and coherent.
- JC 1.3: EC policies provide clear orientation and guidance to its interventions in support of decentralisation processes.

EQ1 on Policy framework – Summary Answer Box

Over the last decade, the EU has established a policy framework that increasingly encourages direct and indirect support to decentralisation in third countries. The engagement has been reflected in increased attention to decentralisation and local government reform issues in country strategies, country reviews, evaluations and other analytical work, as well as in direct financial contributions. However, support to decentralisation has to compete with other programming needs and priorities and the extent to which decentralisation support becomes a priority issue in a particular country depends primarily on local context rather than the global EU policy. Moreover, the extent to which programming and implementation of EC support to decentralisation has effectively taken place, and how, is also highly country specific.

Annual EC financial support directly aimed at decentralisation has increased in absolute and relative terms from almost nil in 2000 to around € 100 million per annum by the end of the evaluation period, i.e. 2009. The direct support to decentralisation has primarily focused on Africa, and in particular on a subset of Francophone Africa.

Over the evaluation period, EU policies, programming guides and reference documents have become increasingly comprehensive and, in recent years, also clearer and more coherent. However, detailed guidance on specific thematic issues (e.g. fiscal aspects of decentralisation reforms) is lacking. It should also be noted in particular that the most recent policies and guidelines (after 2008) have not been well disseminated. Almost 50% of surveyed EUD staff find that guidelines are “not clear”, and the majority have not seen the most recent ones.

Other stakeholders’ perceptions of the clarity of EU policies and overall orientations related to decentralisation varies from country to country and is, to a larger degree, more influenced by the local decisions of the EUDs than by global EU policy position and guidance.

3.1.1 The EU has placed increased attention on decentralisation and local government reform in its co-operation with third countries

For the EU, 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 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 assistance. (Indicators 1.1.1 and 1.1.2)

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. (Indicators 1.1.2 and 1.1.3)

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 2000-07 to 42 CSPs in 2008-13 (an increase of 40%).

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. This also shows that, in several countries where the support to decentralisation is mentioned in the strategy documents, these objectives do not materialise in the form of wide programmes supporting directly the national decentralisation process. (Indicators 1.1.1 and 1.1.2)

The analysis of data suggests the following:

- **Strategic versus piecemeal approaches:** Analysis of existing support programmes reveals that some EC strategies are well conceived and properly co-ordinated, but in other countries, assistance is less comprehensive and appears more fragmented.
- **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.
- **Diversity of support modalities:** Support in some countries displays a mix of modalities to feed strategically into the 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. The main reason is the potential "trigger-effects" that budget support may bring in terms of enhancing ownership, facilitating dialogue, improving public financial management (at both central and local level), and increasing transparency and accountability.

3.1.2 EC policies, programming guides and reference documents have become increasingly comprehensive and, in recent years, also clearer and more coherent

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 underlines the fact that "decentralisation" is interpreted differently by various stakeholders and encourages the EC to reflect more on decentralisation issues. However, the document is not an official communication of EU priorities and strategies for decentralisation. The official communication: EC COM 2008 (626): "*Local Authorities: Actors in Development*" highlights the importance of local authorities in EU members states as well as in partner countries for development co-operation and suggests a broader "response strategy" to be developed. Suggested broad policy guidance is found in the "*European Charter on development co-operation in support of local governance*" (2008), which sets out principles and modalities for greater effectiveness in co-operation in support of local governance and decentralisation in partner countries. The document was promoted by the EC as it was annexed to COM 2008 (626) just as the Charter has been upheld by EU as a reference document during the "Structured Dialogue" process (2010-2011). (Indicators 1.2.1)

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 EU policies and guidelines is cognisant of the fact that the term is interpreted differently in differ-

ent contexts. At the same time, the official statements are clearly emphasising “local authorities” and the decentralisation of functions, mandates and resources to local governments/local authorities. In that regard, the EU is clearer in its emphasis on a particular form or type of decentralisation than many other development organisations, which frequently emphasise alternative interpretations such as “community participation” and “community driven development”. 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 Regions²⁹ and was, for instance, reflected in the recent second edition of the Assises of Decentralised Co-operation for Development, which brought together local and regional authorities' representatives from the EU and developing countries to exchange views and hold a political dialogue with the European institutions on development co-operation. (Indicators 1.1.4 and 1.2.1)

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 EU document on support to decentralisation, but definitions and concepts are not as clear in that document as in later work: the 2009 EC Decentralisation Programming Fiche and the 2008 European Charter on Development Co-operation in Support of Local Governance are both much clearer and deserving of wider dissemination among EU staff (both at HQ and EUD). (Indicator 1.1.4)

Furthermore, EU 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. (Indicator 1.3.1)

3.1.3 The way in which EC support addresses decentralisation in a particular country depends primarily on the local context, rather than on a global policy or strategy

EC support to decentralisation has to compete with other programming needs and priorities, and the extent to which decentralisation support becomes a priority issue in a particular country depends primarily on local context, rather than on the global EU policy. EC support is therefore in practice mainly focused on relative few countries where country context and the relative position of the EUDs are conducive for such significant levels of support. (Indicators 1.1.1 and 1.2.1)

The EU 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 most countries the EUDs provide only marginal levels of support to decentralisation reforms. In some countries (e.g. *Tanzania* and *Rwanda*), the EUDs have had to make an explicit choice to “exit” from direct decentralisation support as part of aid harmonisation efforts. In a few countries, the EU remains the significant lead donor in support of decentralisation/local governance (e.g. in *Mali*, *Lebanon* and *Benin*). However, in most countries, the EU is seen as a relatively minor player. (Indicators 1.1.1 and 1.3.1)

3.1.4 National stakeholders and other development partners usually have a good knowledge of the specific orientations of EC support to decentralisation in the partner country

Although the overall policy framework and the general orientations of the EU 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 of the EC-funded interventions in the partner country. Other development partners in particular countries understood and appreciated the position of the EU when it actively engaged in joint “local government sector working groups” or related forums for donor harmonisation in support of decentralisation. (Indicator 1.3.2)

²⁹ 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 levels. See <http://www.cor.europa.eu/pages/HomeTemplate.aspx>

As revealed by, among other things, the field visits, national stakeholders generally recognised the clear position of the EU in terms of its focus on local authorities. In this regard, the EU position is seen as being clearer than that of other development organisations that frequently support other competing approaches to decentralisation – such as the World Bank and UN support to “community-driven development”. (Indicator 1.3.1)

3.2 EQ2: Institutional capacity

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

This question complements the first evaluation question by illuminating aspects related to the challenge of building an institutional environment within the EU – including appropriate staffing levels, capacities, processes and procedures, incentives and institutional set-up – conducive to being an effective agent for change in decentralisation-related matters.

The judgement criteria related to this evaluation question are:

- JC 2.1: The overall institutional environment at the level of the EC is suitable for appropriate support to decentralisation.
- JC 2.2: The EC has adequately created the staffing levels required to deal with governance and decentralisation issues.
- JC 2.1: The framework for monitoring and internalisation of experiences related to EC support to decentralisation has improved.

EQ2 on institutional capacity – Summary Answer Box

The level of staff resources in EUDs assigned to work on decentralisation issues remains modest. It had increased over the evaluation period, but there was rarely more than one assigned member of staff in the EUDs, and with limited time dedicated to these issues. Specialised staff in HQ increased towards the end of the evaluation period as 3-4 specialists were assigned to work with decentralisation issues within the EC Unit in charge of decentralisation. However, as part of the general recent reorganisation of EU HQ, this has been reduced to only one person.

Overall, a general level of knowledge of decentralisation issues has been found in a number of EUDs visited. Knowledge of decentralisation issues did not feature as significant elements in staff recruitment, but staff generally required local experiences through their work. However, EUD staff turnover has frequently impacted negatively on institutional knowledge management.

The EC started to organise decentralisation training events since the mid of the evaluation period with approximately one major training event per year. Training is generally perceived as relevant although there is consensus on the need for greater focus on more operational aspects of EC work, by using diagnostic tools and linking them to aid modalities, project/programme cycle management and instruments. However, a large majority of staff directly involved in the management of decentralisation programmes did not attend such training.

Some aspects of the overall institutional environment can still be improved to provide appropriate support to decentralisation. One aspect is the fact that the level of co-ordination between staff dealing with decentralisation and those dealing with other sectors remained relatively low and mostly informal, even though there has been an improvement over the evaluation period. In addition, some aspects of operational procedures lack flexibility and are often considered being cumbersome. Furthermore, there are few incentives to innovate, partly because of limited time and resources.

EC support to decentralisation is generally monitored at intervention level using the ROM system. The M&E systems applied internally in interventions were occasionally criticised by national stakeholders for being overly concerned with “*implementation and disbursements according to time schedules rather than the substance of the work*”. At sector level, the M&E has been organised via sectoral working groups and annual sector reviews (as in *Benin, Rwanda, South Africa* or the *Philippines*).

It is widely recognised within the EU that systems for building up the institutional memory on work with decentralisation and local governance are not fully in place. EUDs are in particular critical about the capacities at central level for adequate monitoring. EU HQ has in the later part of the evaluation period launched one qualitative learning event that resulted in the 2007 Reference document.

The EU has, since 2006, increasingly sought to work through the DPWG-LGD that was established as a joint DP initiative in many developing countries. The group has undertaken various joint assessments of experiences and seems to provide a constructive way forward for joint learning/monitoring, as well as for harmonisation. However, active participation of the EU is constrained by lack of “expert cadres” in the field of decentralisation.

3.2.1 Some aspects of the overall institutional environment at the EU can still be improved to provide appropriate support to decentralisation (e.g. flexibility of operational procedures, of systematic internal co-ordination and of incentives to innovate) (JC2.1)

The survey indicated that more than half of the EUDs found that **EU Policy Framework was “not very clear”** in providing guidance on programming in support of decentralisation. A **lack of flexibility** of operational procedures has also been underlined during the field phase – for example, in *South Africa* and *Tanzania*. In particular, EC procedures have been considered to be very cumbersome and bureaucratic in *Benin, Peru and Rwanda*. (Indicator 2.1.1)

Almost half of EUDs said that the **level of communication** and co-ordination between staff directly dealing with decentralisation and sector staff was not sufficient. The EUDs surveyed and the fieldwork indicated that there has been an **improvement** over the evaluation period. This internal dialogue has been described as very active in *Lebanon, the Philippines, Rwanda and South Africa*, although mostly informal (such as in *Benin, Honduras, Peru and Sierra Leone*). It still remained rather limited in a few cases, such as *Mali and Tanzania*. (Indicator 2.1.2)

During most of the evaluation period, there has been a gradual increase in number of staff at HQ specialised in working with decentralisation issues up to three to four persons in 2009. The recent (2011) organisational restructuring has, however, led to a decrease in staff resources dedicated to “decentralisation” - and today only one person in HQ is specifically assigned to work on decentralisation issues. (Indicators 2.1.3 and 2.2.1)

There have been **few incentives to innovate**. In particular, it has been observed that EUDs generally recognise that decentralisation reforms must remain an issue of national sovereignty. Models of decentralisation are diverse and, contrary to other governance reforms, there is less consensus on “good practices”. 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”. (Indicator 2.1.4)

3.2.2 The staff resources assigned to work on decentralisation are still modest, and a large majority did not attend the thematic training organised by the EU (JC2.2)

Overall, the findings from the desk and field phases indicated that **human resources** are limited in EUDs and HQs dedicated specifically to decentralisation and local governance. In the EUDs, there has rarely been more than one assigned member of staff, with limited time dedicated to these issues (e.g. in *Honduras, Mali, Peru, the Philippines, Rwanda, Sierra Leone and Tanzania*). The exceptions are *Benin* and *Lebanon*, where two to three persons were assigned because of the relative importance of the work at country level. (Indicator 2.2.1)

Staff within the EU have a variety of backgrounds and many have worked with various forms of public sector reforms in which decentralisation has featured as an element. However, the field visit to the *Philippines* confirmed the fact that knowledge of decentralisation issues did not feature as a significant element in staff recruitment. The EUD survey indicated that the vast majority of responsible staff were acquainted with the 2007 reference document, but only a 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 the countries where they work. Overall, a good knowledge on decentralisation issues was 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. (Indicator 2.2.2)

The EC unit in charge of decentralisation within headquarters³⁰ has, with the European Centre for Development Policy Management (ECDPM), arranged approximately one major **training event** per year since 2006 on decentralisation reforms. The content of the training has been participatory, with participants encouraged to use own experiences, and the reference document (EC 2007) has been a key resource used in all of these training events. Interviews with staff who have attended the courses and the internal training evaluations, as well as evidence from field visits to *Mali, Lebanon, the Philippines* and *Rwanda*, indicate a positive assessment by participants. According to the survey of EUDs, only around 30% of the staff dealing with decentralisation attended such training. Thus, 70% of staff directly involved in the 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 the EC unit in charge of decentralisation within headquarters, decentralisation also figures as a minor element of training courses conducted by other units. The training conducted to date has given participants a broad introduction to the topic. The EC unit in charge of decentralisation own assessment of the training conducted to date is positive, but recognises the need for greater focus of future interventions on more operational aspects of EU work by using diagnostic tools and linking them to aid modalities, project/programme cycle management and instruments. (Indicator 2.2.3)

3.2.3 The framework for monitoring and internalisation of experience related to EC support to decentralisation is still insufficient, even though some initiatives have been launched (JC2.3)

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 “*useful in dialogue with HQ in particular when in discussion of programme adjustments*”. The level of details in ROM reports on qualitative aspects of wider decentralisation reforms appeared to be 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 by annual sector reviews in *Benin, Rwanda, South Africa* and the *Philippines*. Country-specific analyses of wider political processes and the development of the decentralisation reforms are typically reviewed as part of various joint Government-Donor assessments. The quality of these assessments varies and, not surprisingly, is most comprehensive and regular in countries where an extensive reform programme has been put in place by the national government.

Staff in EUDs make a somewhat 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*”, with 65% of staff saying that such systems are not in place. Staff in the EUDs are particularly critical of the capacities at HQ level for adequate monitoring. However, HQ has initiated a number of initiatives aimed at learning from decentralisation support programmes, including: i) Local government participation in ACP-EC co-operation (ACP-LG, 2005); ii) Thematic Evaluation of EC Support to Good Governance; iii) A decentralisation discussion group (D-group); iv) The 2007 SDLG reference document. (Indicator 2.3.1)

The EU has, since 2006, increasingly sought to work through the “*Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD)*”, which 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 EU. The objective of the group was to promote strategy coherence and harmonisa-

³⁰ During most of the evaluation period: Aidco Unit E4 "Governance, security, human rights and gender".

tion among development partners in order to improve the effectiveness of local governance and decentralisation operations. Meetings are attended by an increasing number of DPs (EU Member States and non-EU Member States). The group has undertaken various joint assessments of experiences and seems to provide a constructive way forward for joint learning/monitoring and harmonisation. (Indicator 2.3.2)

However, active participation of the EU 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 EU structures that can act as a “driver of change”. (Indicators 2.1.3 and 2.3.3)

3.3 EQ3: National context

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

The EC supports decentralisation processes in a great variety of contexts. The country environment varies from one geographical area to another, but also within each geographical area. Specific policies and regulations related to decentralisation are established in the various partner countries. Moreover, there are different levels of decentralisation, involving a multitude of actors and stakeholders at both central and local levels. Decentralisation also covers a variety of elements related to political, administrative and financial dimensions, and which include a number of institutional and technical aspects. The adaptation to the country environment and the wide range of complex institutional and technical issues to be sorted out require, therefore, a careful choice of approaches and modalities to support decentralisation processes in partner countries. The answer to this EQ is based on the following JCs:

- JC3.1 The EC’s response strategies in the area of decentralisation have been aligned with national regulations and partner Governments' priorities/activities.
- JC3.2 The choice of entry points (including their sequencing or combination) reflects national contexts.
- JC3.3 The choice of aid delivery methods (including their potential combination) has been appropriate to national contexts.
- JC3.4 The EC’s use of a multi-actor/level approach is responsive to national contexts.

EQ3 on national context – Summary Answer Box

The EC support to decentralisation processes is generally responsive to national contexts, policies and regulations. However, there is some variation across different countries. This is partly determined by the particular stage of decentralisation reform processes in partner countries, by the depth of EC background analyses available for decisions on entry points and aid modalities and the prioritisation of decentralisation reform issues by the EUDs. It can be noted that while some political analysis has been undertaken, the depth of political analysis is limited. The limitations of such analyses have made it more difficult for the EC to design realistic interventions and adjust to occasional drastic policy changes in partner countries.

An increasing number of countries now provide support through the entry point “direct support to national decentralisation reform programme” (“top down”), rather than through “bottom-up support”. This is indicative of a general maturation of reform processes in the partner countries, and of the EC efforts to support these reforms.

Overall, the EC support has been aligned with national systems and, in several cases, with national transfer mechanisms. Several EC interventions in support of decentralisation have been in the form of SBS, which, by definition, uses country financial management systems and national transfer systems to local governments. In several cases, the EC-supported interventions have also explicitly aimed at developing or improving the national transfer mechanisms, without exclusively relying on the use of SBS.

Over the evaluation period, the dialogue with partner countries' governments and other national stakeholders has generally intensified and has become increasingly more structured, especially in the case of countries with declared national decentralisation policies. However, the results of the dialogue have often been unclear with many continuous unresolved policy issues and lack of appropriate agreed strategic actions. This can partly be attributed to the complex nature of decentralisation reform, the difficult and changing national contexts, or, in some cases, because of competitive priorities in the EU strategy in the partner country, leading to inadequate resources allocated for policy dialogue on decentralisation issues.

The evolution of aid delivery methods has been closely associated with the development of specific

EQ3 on national context – Summary Answer Box

“entry points” to support decentralisation. Thus SBS and various forms of joint DP funded programmes are on the increase where national decentralisation policies enable establishment of direct “top down” approaches for decentralisation support. The use of the project modality is well justified in countries without major national owned decentralisation reforms strategies and programmes but is in some cases also used in such “mature country contexts”³¹ without major argumentation and is in some cases simply inbuilt a priori in the EU financing instrument.

EC General Budget Support programmes has started in a few cases to introduce explicit decentralisation targets and triggers. This requires combinations with decentralisation reform related Technical Assistance (TA) and require significant expertise of EUD staff for relevant policy dialogue.

Overall, the EC has demonstrated capacity for adaption to local conditions in several countries by adopting a variety of aid delivery methods, including support through UN agencies, World Bank-managed Trust Funds, or basket funding modalities. In several countries, an adequate mix of aid modalities is now applied.

The relative effectiveness of the various EC-supported interventions is influenced by several factors, but particularly by the relevance of the supported activities and the overall institutional framework for management of these. It transpires that the choice of aid modality per se is not a decisive factor.

3.3.1 EC responsiveness to national contexts is partly determined by the particular stage of decentralisation reform processes in partner countries, but also by the depth of background analyses carried out (JC3.1 and JC3.4)

EC support to decentralisation processes is generally **responsive to national contexts**, policies and regulations. However, there is some variation across different countries. This is partly determined by the depth of background analyses and the particular stage of decentralisation reform processes in partner countries.

The **background analyses** are most straightforward in countries where an explicit decentralisation reform policy and strategy is in place (e.g. *Tanzania, Mali, Benin*), but are naturally more challenging when the policy either is not in place (e.g. *Kenya*) or when the policy is unclear (e.g. *Cambodia*). (*Indicators 3.1.1 and 3.4.1*)

The analysis carried out for the sample countries during the desk phase shows that all CSPs (especially the ones related to the programming cycle 2007-2013) 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 make explicit reference to the section on decentralisation in the relevant PRSP, and present additional information on the decentralisation process in the partner country. Project financing agreements and other project documentation generally make relatively deeper analysis of partner governments' policies with respect to decentralisation. From the desk review, it is clear that all programmes have undertaken some analysis of government policies, strategies and operational procedures related to decentralisation reforms. (*Indicators 3.1.4 and 3.4.1*)

While it can be noted that some political analysis has been undertaken, it must also be observed that the **depth of political analysis** is often limited. The elements related to policy dialogue with the partner Government in the CSPs analysed remain very general, and standard formats for analysis of decentralisation issues (as, for instance, presented in the 2009 Country Programming Fiche) have not been applied systematically. Moreover, in countries covered by the desk and the field phases, none of the EUDs has undertaken explicit “political economy and governance analyses” of decentralisation reforms. The lack of such analyses makes it more difficult for the EU to design realistic interventions and to adjust to occasional drastic policy changes in partner countries. (*Indicator 3.1.3 and 3.4.1*)

3.3.2 Overall, the EC support has been well aligned with national systems and frequently with national transfer mechanisms (JC3.1)

A significant number of EC interventions in support of decentralisation are in the form of SBS, which, by definition, uses country financial management systems and **national trans-**

³¹ countries characterised by a longer history of reforms, relative high local governments' share of public expenditures and significant share of public servants being employed by local governments.

fer systems to local governments. In several cases, the EC-supported interventions are also aimed explicitly at developing or improving the national transfer mechanism (see also EQ5). 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, the conclusion cannot be made that the use, and institutional strengthening, of national systems and funding through local government grant systems is something exclusive to SBS support. (*Indicator 3.1.2*)

3.3.3 Policy dialogue on decentralisation has intensified and has become more structured, but results are mixed (JC3.1)

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 where decentralisation is not a clear policy adopted by the national government. In those cases, the 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** have often been 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.

3.3.4 The choice of entry points and aid delivery methods generally reflects well the evaluation of national contexts (JC3.2 and JC3.3)

The EC support to decentralisation has increased in terms of overall financial volumes, as well as in terms of the number of countries with decentralisation support over the evaluation period. The EC now also provides support through the **entry point** “direct support to national decentralisation reform programme” (“top down”) in an increasing number of countries compared to the support through “bottom-up support”. This is indicative of a general maturation of reform processes in the partner countries, and subsequent EC alignment.

There are also some exceptions, such as *Rwanda* and *Uganda*, where the EC is less aligned with national reform policies than other development partners. The reasons for the relative lack of “alignment of entry points to national contexts” in such cases are found in the level of emphasis on additional objectives in the EC strategy. For instance, the support in *Uganda* also had specific intentions for geographical targeting that could not be achieved through support for national decentralisation support programmes. (*Indicators 3.2.1 and 3.2.2*)

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 interventions. They typically have a section with “lessons learned from past interventions”, as justification of the pro-

posed intervention. EC assessments of such past experiences are frequently quite thoughtful and serve as very useful inputs to the formulation of the interventions. There are clearly processes of internal learning going on. (*Indicators 3.2.1*)

The number of countries where support to decentralisation is made through sector approaches has increased over the evaluation period. However, as discussed further in EQ5 to EQ8, these programmes rarely have objectives directly related to the enhancement of decentralisation reforms per se. They are primarily sector programmes implemented in a decentralised context. (*Indicator 3.2.1*)

The **evolution of the use 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 directly to decentralisation reforms (“top-down”), then the aid modality increasingly takes the form of SBS to the national governments, with the ministry in charge of local government taking main responsibility for implementation. When “bottom-up” support is provided, 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 this context, it should also be noted that EC General Budget Support in *Tanzania* has explicit decentralisation targets and triggers. (*Indicator 3.3.1*)

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. (*Indicator 3.3.1*)

Several of the interventions are project interventions, with **project specific procedures** for aspects such as planning, transfers, accounting, and reporting. This is particularly valid for smaller projects (typically, supporting NGOs and LGs, but also capacity building at central level), such as almost all projects funded through the thematic budget line “Non-State Actors and Local Authorities”, but also includes some larger TA projects (e.g. in *Mali*). The decision to use project-specific modalities is not always well argued. In some cases, it is simply built a priori into the funding instrument. (*Indicator 3.3.2*)

Project documentations (financing agreements) rarely provide an explicit **discussion of strengths and weaknesses** of different aid delivery methods. The debate on “aid modalities” occasionally takes precedence over discussion of the “substance” (such as the objectives and institutional arrangements) 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 bold assumptions for the successful implementation of SBS. It should be noted that, in reality, SBS to decentralisation covers a very wide range of de facto aid management arrangements that rarely are “full SBS”. (*Indicators 3.3.3 and 3.3.4*)

3.3.5 Aid modalities per se are not decisive factors of success in the support to decentralisation (JC3.3)

The evaluation explored what types of aid delivery mechanism are **most suitable** for achieving various forms of decentralisation-related objectives. Overall, it transpired that the relative effectiveness of different programme interventions is influenced by several factors, in particular by the relevance of the supported activities and the overall institutional framework for management of the activities. **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 co-ordination mechanisms. The fieldwork included several cases with success in

this field that had been implemented with quite different aid modalities, such as in *Mali* (SBS), *Sierra Leone* (World Bank-managed Trust Fund), and *Tanzania* (basket fund). The survey to 22 EUDs indicated that staff considered SBS the most effective aid modality for sector dialogue and support for policy reforms³². However, analyses of case studies demonstrate that other aid modalities discussed above also deliver results in this area.

- 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 the EC has been relatively most effective in strengthening LG capacities (rather than central government officials). It appears that project modalities are comparably more effective than “pure” SBS. It is noteworthy that, in cases such as *Mali*, support for capacity building is provided through a separate project modality closely associated with – but not direct part of SBS. However, there are other, more important factors than aid modalities that explain relative successes in this area (see EQ6).
- Support to capacity building of NSAs 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 a “project modality” (as illustrated in the desk survey, and confirmed during the field phase)³³.

3.4 EQ4: 3Cs

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

This question focuses on how efforts in support of decentralisation processes were co-ordinated – inside the EC, between the EC and the EU Member States, and with other donors and funding agencies – and whether this led to complementary emphasis and approaches. Donor co-ordination and complementarity have become increasingly important, especially with the increasing acceptance of programme and sector approaches to decentralisation. This is also underpinned by the fact that these are crucial elements in the Paris Declaration and Accra Agenda for Action. With the advancement of joint approaches of development partners and development banks towards budget support, donor co-ordination is even more essential.

The judgement criteria related to this evaluation question are:

- JC 4.1: The EC has contributed to establishing and implementing co-ordination mechanisms with EU Member States and major donors (on decentralisation support programmes at various levels).
- JC 4.2: There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena.
- JC 4.3: EC support to decentralisation processes is coherent with other policies, programmes and activities.

EQ4 on 3Cs – Summary Answer Box

Overall, the EC engagement with EU Member States and other major donors has significantly improved over the period being evaluated. It appears that, as an outcome of the EC’s general emphasis on aid harmonisation, efforts intensified from around 2005, as reflected in the European Consensus on Development.

The EC contribution to establishing and implementing co-ordination mechanisms with EU Member States and other major donors has significantly improved over this evaluation period. Evidence of the EC resolving inconsistencies between its decentralisation programmes and the programmes of member states and other donors has remained marginal, but some interesting examples can still be observed (e.g. *Mali*, *West Bank and Gaza Strip*). EUDs have taken a lead role in several countries and, most of the time, have been actively engaged in existing working groups in the area of decentralisa-

³² See results of the survey Volume IIb, Annex 4.

³³ Also suggested by EUD staff in the survey.

EQ4 on 3Cs – Summary Answer Box

tion. However, the interaction between EC staff working with decentralisation issues and the various global forums appeared to be very limited, and seems to be an area for the EC to explore further. The EC increasingly encouraged national governments to play a leading role in donor co-ordination. Moreover, in several cases, the EC adapted to processes led by other donors – for example, within the framework of trust funds and basket funds. In particular, the EUDs have proved very open to the use of analytical work supported by other development partners. However, they have actually rarely taken the lead in the preparation of such analyses.

It has been increasingly common that the EC has jointly financed programmes with other donors. The EC has also joined programmes led by other development partners in several cases.

The quality of the dialogue with other development partners has differed from one country to another, but has been strongest when it was part of various joint working. Otherwise, consultations and dialogue often merely resulted in “information sharing”. Division of labour among donor agencies has, naturally, been most explicit in countries where: (a) the aid harmonisation agenda is significantly developed at a general level; and (b) where elaborated government policies and strategies for decentralisation reforms are in place.

Inclusion of decentralisation issues in GBS was identified in only three countries (*Tanzania, Ghana and Sierra Leone*). Overall, it has been difficult to establish meaningful indicators as a basis for dialogue on decentralisation policy issues. In this regard, outcome-based triggers for tranche releases have appeared to be more useful than policy-based triggers.

The coherence between EC support to decentralisation and to other policies, programmes and activities has improved over the period evaluated, but lack of coherence between general decentralisation policies and sector policies/practices has remained a persistent issue in many countries. Problems have been most challenging in countries where responsibilities and resources for large social sectors were in the process of being decentralised to local governments. Cross-cutting issues have always been referred to in general terms in project documents, and several of the smaller project-based interventions that support NGOs in relation to local governments have gender and environment as key issues.

3.4.1 The EC contribution to establishing and implementing co-ordination mechanisms with EU Member States and other major donors has significantly improved over the period evaluated (JC4.1)

The EC has actively been working to establish and implement co-ordination mechanisms for decentralisation support in partner countries. The most frequent 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 co-ordination 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 taken the lead in preparing such analyses. (*Indicator 4.1.1*)

Evidence of the EC resolving inconsistencies between its co-operation programmes and the programmes of member states and other donor involved in decentralisation have remained marginal. In the *Occupied Palestinian Territory* an interesting example was observed, whereby some EU Member States worked with the EUD to ensure greater harmonisation by developing 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 co-ordination, and has supported this where necessary. The EC also has actively sought to resolve aid harmonisation issues in some countries where it is taking lead role such as in *Mali*. (*Indicators 4.1.2 and 4.1.3*)

EUDs have taken a lead role in several countries, such as *Benin, Mali and Rwanda*. In most of the countries, they have been actively engaged in existing working groups established to co-ordinate development assistance in support of decentralisation. The survey and fieldwork gave some indications of what it requires to take on a lead role (*Indicator 4.1.3*):

1. Potential to deliver significant funding in a predictable manner.
2. Potential ability of the EC to use a wide range of aid modalities, and SBS in particular (highlighted particularly in *Senegal, the Philippines, Mali, and Peru*).
3. Significant local-level knowledge of decentralisation and local governance issues (with *Mali* as a clear case, but also highlighted in *Senegal, Lebanon and Rwanda*).

4. Strength of the EC in terms of global experience and access to experience from a variety of EU countries – although EUDs widely recognise that global knowledge management is so poor at present that this largely constitutes a potential, rather than real, strength of the EC.

There are several cases where the EC has adapted to processes led by other donors when relevant, as for example in *Sierra Leone, the Philippines, Cambodia and Tanzania*. This especially took place within the framework of trust funds and basket funds (*Indicators 4.1.4 and 4.2.3*).

3.4.2 Complementarity of EC interventions with other donors has been promoted by strong dialogue during programming stages, a clear division of labour, and jointly-financed programmes in the decentralisation area (JC4.2)

It is clear that **dialogue with other donors** has always occurred to some extent **during programming stages**. All project documents made some reference to other donors' interventions. It appears that the quality of the dialogue has differed from one country to another, but has been especially high when it was part of various joint works, such as joint analyses and joint programming. Consultations and dialogue could be rather superficial in the absence of such joint work, and would then merely result in "information sharing" – as, for example, in *Rwanda and Honduras*. (*Indicators 4.2.1 and 4.1.1*)

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 have been found, for instance when some donors fund these government programmes and others focus on related complementary 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 *de facto* has taken place. (*Indicator 4.2.2*)

It has been very common that the **EC has jointly financed programmes** with other donors. Indeed, it is a general rule for all the major programmes in direct support to decentralisation and where SBS is applied. In addition, in several cases the EC has also joined programmes led by other development partners (e.g. *Sierra Leone, Cambodia - Indicator 4.2.3*).

In recent years, a number of high-level forums, either ad hoc or of permanent nature, have been established to debate issues related to decentralisation reforms and local governance in third countries³⁴. However, the involvement of EU staff in these forums has not been very significant. It transpires that **EUD personnel** in *Benin, Honduras, Lebanon, and Mali participated in policy forums (both internationally and nationally). However, it is clear that staff generally felt very time-constrained. The interaction between EU staff working with decentralisation issues (in HQ or in delegations) and the various global forums (including PLATFORMA – the European Platform of Local and Regional Authorities for Development) appeared to be very limited and seems to be an area for the EU to explore further (*Indicators 4.2.4 and 4.1.1*).*

3.4.3 The coherence between EC support to decentralisation and other policies, programmes and activities has improved over the period evaluated but still remains generally weak (JC4.3)

Over the evaluated period, there has clearly been a general improvement in **coherence** within EUDs between the work carried out by staff in charge of decentralisation and staff in charge of other sectors. However, lack of coherence between general decentralisation policies and sector policies and practices has remained a persistent issue in many countries. The problems have been most challenging in countries where responsibilities and resources 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 proactive role in

³⁴ Such forums include, for instance, the Global Forum on Local Development, the International Council for Local Environmental Initiatives' (ICLEI) and United Cities and Local Governments (UCLG).

seeking to support resolution of such inconsistencies but largely have left such co-ordination problems to national governments, who, on some occasions, have been supported by other donors in this regard (*Indicator 4.3.1*).

Cross-cutting 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 local government (LG) elections and general gender and environmental guidelines in LG planning and budget processes. These appeared to be very relevant interventions, but programme documentation generally reflects a weak monitoring of the effectiveness of these activities. Several of the smaller project-based interventions that support NGOs with regard to LG have gender and environment as key issues. They often appeared to pilot innovative and interesting approaches, but scaling-up such activities proved challenging (*Indicator 4.3.2*).

Experience of **inclusion of decentralisation issues in GBS** were reviewed in *Tanzania, Ghana* and *Sierra Leone*. Overall, it was observed that where decentralisation is included in GBS dialogue, it is more likely to result in a serious discussion of decentralisation issues with stakeholders in partner governments and, in particular, to enhance dialogue with the ministry responsible for finance and line ministries. However, the review of experiences in these three countries also suggests that it has been very difficult to establish meaningful, objective and commonly-agreed indicators as a basis for dialogue on decentralisation policy issues. The most useful indicators were typically related to the Inter-Governmental Fiscal Transfer (IGFT). It has proved more challenging to include indicators for more qualitative aspects of wider decentralisation policy reform issues. Partner countries generally prefer the use of indicators that focus on broader outcomes (e.g. "increase in local governments own revenue") rather than policy-based conditionalities (e.g. "the Government passes a new legislation for taxation of properties in local governments") (*Indicator 4.3.3*).

3.5 EQ5: Transfer of functions and resources

Evaluation Question 5: To what extent has EC support contributed to the decentralisation of powers, functions and resources to local government in partner countries?

The transfer of powers, functions and resources to local government is one of the two main preconditions for an effective decentralisation process – the other being the appropriate capacities of the various stakeholders involved in the process.

To assess if the transfer has fully taken place, it is important first to look at whether the national policy and legislative frameworks have been effectively developed and are appropriate for achieving the objectives of decentralisation set at national level. It is then crucial to look at the transfer process from the local level's perspective, and especially to analyse whether the transfer of functions has been accompanied by adequate resources and whether local governments are granted appropriate levels of increased autonomy.

The Evaluation Question is based on four judgement criteria:

- JC5.1 National decentralisation policies and strategies have been developed.
- JC5.2 National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted.
- JC5.3 Local governments' fiscal and human resources have increased.
- JC5.4 Local governments' autonomy has increased.

EQ5 on transfer of functions and resources – Summary Answer Box

Most countries reviewed have developed national decentralisation policies and strategies, as well as relevant national legislations, during the period evaluated. However, the EC has directly supported these areas only in a few countries. In most cases, EC support took place in the context of wide programmes involving several other development partners, but in fact often focused only on selected elements of the policies and strategies. Moreover, 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 not led to specific actions in this direction.

Overall, the evidence gathered revealed only limited results in the areas supported. This can certainly

EQ5 on transfer of functions and resources – Summary Answer Box

be linked to the complex nature of decentralisation processes, which include dimensions of various natures. Moreover, the development of national decentralisation policies is highly political, and the capacity of the EC and other development partners to leverage policy has often remained limited. However, a number of factors of success emerged from the analysis carried out, such as the importance of an in-depth understanding of the national context and the capacity for, and the necessity of, supporting comprehensive interventions that entail high-level political dialogue, as well as building the capacities of local stakeholders to engage in reform policies.

The analysis indicates that, overall, local governments' fiscal and human resources have increased in all the countries reviewed. It can also be observed that staffing levels of local governments vary tremendously; in Eastern and Southern Africa generally, they have far more and better qualified staff than local governments in Francophone Africa or in some countries of Asia. Overall, the EC has directly contributed to the improvement of local resources in most of the countries where it was supporting decentralisation processes. Findings from the desk phase and the field visits show that the EC actually 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. However, this situation is not specific to the EU. From the evidence gathered in this evaluation, it seems that, in general, international donors have little influence on the allocation of human resources to local governments and, hence, have a more limited engagement in this area.

In all the countries studied, local governments have obtained some degree of autonomy during their decentralisation processes. The EC support has facilitated such evolution only to a limited extent. As described above, this was done to some extent through support to a conducive national framework in some countries. The contribution of the EC was primarily done directly through the improvement of the fiscal autonomy of local governments and, more specifically, through the support to inter-governmental fiscal transfer systems.

3.5.1 The EC support has aided the development of national decentralisation policies/ strategies and relevant legislations only in a few cases, and, in these countries, results have remained modest (JC5.1 and JC5.2)

Most countries reviewed have developed national decentralisation policies and strategies, as well as relevant national legislations, during the period evaluated. However, the EC has directly supported these areas only in a few countries³⁵ and, in most cases, the support focused only on 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). (*Indicators 5.1.1 and 5.1.2*)

³⁵ Out of the 23 desk countries, the EC support explicitly aimed at developing national decentralisation policies and strategies only in five cases. In terms of the development of the related legislative framework, the only major support was to the development of the constitution and relevant legislations in *Mali*. In *Benin*, the EC also provided some limited support to improve the consistency between the various sectors legislations 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. (*Indicators 5.2.1 and 5.2.2*)

When trying to identify **conditions for success** for the EC support to the development of national policies and strategies for decentralisation, the following points have emerged from the desk and field phase analyses:

- A proper situational analysis has to lay the foundation for support – including analysis of the “politics of reform”– to inform the design of EC interventions.
- Programme design and aid delivery methods need to be appropriate; this includes consideration of the comprehensiveness of interventions, chosen entry points, and aid delivery mechanisms.
- The EC should have a comparative advantage (compared to other donors) in situations where, for example, relatively 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 (for example, via the support of technical co-operation agencies of EU Member States, 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 the capacities of local stakeholders to engage in reform policies.

3.5.2 The EC has contributed to the increase of local governments’ fiscal resources in several countries, but only to a limited extent to the increase of human resources (JC5.3)

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* and *Madagascar*. 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. (*Indicator 5.3.2*)

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 allocated by the EC as budget support for decentralisation during the period evaluated.³⁶ (*Indicator 5.3.2*)

³⁶ 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.

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. (*Indicator 5.3.1*)

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. (*Indicator 5.3.1*)

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. (*Indicator 5.3.1*)

3.5.3 Overall, the EC support has made some small contributions to local governments' autonomy, mainly through its support to inter-governmental fiscal transfer systems (JC5.4)

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. (*Indicator 5.4.1 to 5.4.3*)

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. (*Indicator 5.4.1*)

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. (*Indicator 5.4.1 - 5.4.3*)

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 which are more harmonised with national systems.

3.6 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?

This question focuses on the effects of the EC interventions on the development of the capacities of national stakeholders involved in decentralisation processes. It potentially covers a variety of EC-funded interventions, including the development of procedures and manuals/handbooks, incentive systems, equipment, training and study tours. The question specifically looks at the three broad categories of actors: key central government bodies; local governments; and non-state actors. The question primarily focuses on results, and explores the reasons for successes and failures.

The Evaluation Question is based on three judgement criteria:

- JC6.1: Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (including overview activities and support to decentralised bodies).
- JC6.2: Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities/powers.
- JC6.3: Improved capacities of relevant non-state actors (e.g. LG associations).

EQ6 on stakeholders' capacities – Summary Answer Box

The EC has supported the improved management and administrative capacity of key central government bodies in only half of the countries reviewed. It has often focused only on selected aspects of central government capacities. Although some positive results can be observed in countries where the EC has provided substantial effort in this area (e.g. *Benin, Mali, Sierra Leone and Tanzania*), the impact of its support remains limited, especially in such aspects as national M&E systems or the development of intergovernmental/interministerial relations.

Capacity building of local governments is probably the area within decentralisation where the EC is most active. EC-financed interventions aimed at developing the capacities at local level have been identified in almost all countries studied in the evaluation. The improvement of local capacities for planning is the area in which the EC has been most successful, with continuous support over many years in most of the countries reviewed. Some positive results have also been identified in terms of improved financial management in local governments in a number of countries. Evidence is more limited with regard to improved HRM or M&E at local level due to EC support.

The EC has worked extensively with local NGOs and community-based organisations for the improvement of service delivery, but the involvement of NGOs on wider issues related to decentralisation is more limited. Moreover, the EC support to the establishment and development of local government associations in several countries shows contrasted results. In most cases, local government associations' action is hampered by very limited resources and highly politicised internal processes. This makes it difficult for them to play a strong role in decentralisation at national level, despite the clear efforts of the EC to involve them in a variety of activities in this area.

Overall, the EC support has contributed to the development of the capacities of stakeholders involved in the decentralisation processes in some areas, especially at local government level. However, most efforts in this area continuously face a number of challenges. Positive results can vanish quickly due to the change of staff that occurs in many cases after local elections. High turnover in national institutions also represents an important obstacle. Moreover, capacity-building activities should ideally cover a wide range of inter-related areas, but also often take place in a highly politicised context. These challenges highlight the importance of an in-depth understanding of the national context, as well as the necessity to support the capacities of all stakeholders involved in the decentralisation processes in a comprehensive approach. The cases reviewed in this evaluation clearly confirm that this is the approach that yields most results.

3.6.1 The EC contribution to improved management and administrative capacities of key central government bodies involved in decentralisation policy formulation and implementation has been limited (JC6.1)

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. (Indicators 6.1.1 to 6.1.4)

Except in *Peru* and *Madagascar*, where the EC aimed at contributing via small individual activities or projects to the development of the capacities of the central body in charge of decentralisation, 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 (OISE³⁷), 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 (CLOGPAS³⁸ 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. (Indicator 6.1.3)

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 co-ordination 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 co-ordination, broader fiscal reform issues, or for working modalities of sector ministries. (Indicator 6.1.4)

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 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. (Indicator 6.1.1)

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

³⁷ Outil Informatisé de Suivi Evaluation.

³⁸ Comprehensive Local Government Performance Assessment System.

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. (Indicators 6.1.1 and 6.1.3)

Finally, it is noteworthy that an in-depth understanding of the national context is critical, as the sustainability of the results achieved often remain 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*). (Indicator 6.1.1 to Indicator 6.1.4)

3.6.2 EC support has made significant contributions to improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities/powers (JC6.2)

Capacity building of local governments is the most common area of emphasis in all EC interventions supporting decentralisation reforms. The support has been most significant in support of improved planning and financial management capacities and less significant in other areas such as improved human resource management or local M&E. Local **capacities for planning** has been supported by the EC through a variety of approaches, ranging from support focusing on specific capacities required for implementation of infrastructure programmes financed by the EC (e.g. *Lebanon*) or support provided within the framework of sectoral programme (e.g. *the Philippines* and *Peru*) to broader general LG planning capacities (e.g. *Benin*, *Madagascar* and *Tanzania*). Emphasis has typically been on building capacities of LG staff rather than involved politicians.

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 several countries, the limited results can be explained by institutional and fiscal constraints, the difficulty of promoting accountability and lack of adequate 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 by the EC in many other countries, such as in *Lebanon* at present. (Indicator 6.2.1)

Evidence of **improved HRM** due to EC support is even more limited. This has to date 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*). (Indicator 6.2.3)

The EC support for improved capacities for **M&E at local level** has been provided to less than half of the countries reviewed, with very limited results. In only three countries (*Madagascar*, *Sierra Leone* and *Tanzania*), were M&E systems effectively introduced at local level. In all of these cases, the use of the systems remains challenging, mainly due to the difficulties of maintaining 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. (Indicator 6.2.4)

A general lesson from the EC funded interventions analysed is that capacity building becomes most effective when 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 governments (as illustrated e.g. by the EC support in *Madagascar*, *Mali* and *Tanzania*)³⁹. 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. (Indicator 6.2.2)

³⁹ 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).

However, efforts for building local governments capacities still face a number of challenges that rarely are addressed in EC support (which typically addresses mainly skills gaps). Local governments' staff performance is influenced by many factors 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 frequently mentioned in EC reports as challenges, but these are clearly symptoms of wider problems in the public sector. In addition, it appears that capacities are undermined by too many unco-ordinated capacity-building efforts – for instance, when senior staff are constantly involved in workshops, seminars and study tours, making them too busy to work. The EC is increasingly working on aspects of aid harmonisation in decentralisation support (see EQ4) that address some of these challenges, but linkages between EC decentralisation support and wider efforts for public service reforms are generally still weak.

3.6.3 The EC has worked extensively with local NGOs and community-based organisations for the improvement of service delivery, but, overall, the EC support has not significantly helped to improve the capacities of all relevant non-state actors on issues directly related to decentralisation (JC6.3)

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. (Indicator 6.3.1)

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. (Indicator 6.3.2)

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. (Indicator 6.3.3)

3.7 EQ7: Local governance

Evaluation Question 7: To what extent has EC support to decentralisation processes contributed to improving **local governance**, especially with regard to participation, accountability and transparency?

This evaluation question examines the effects of the EC interventions on local governance, with a particular focus on three major aspects: participation, accountability and transparency. A major aspect concerns the promotion of viable political processes at the local level, such as through the involvement of civil society and adequate accountability mechanisms.

The Evaluation Question is based on three judgement criteria:

- JC 7.1: Increased local participation in local government affairs.
- JC 7.2: Improved local accountability of local government/decentralised units.
- JC 7.3: Improved transparency in fund allocation and utilisation.

EQ7 on local governance – Summary Answer Box

The EC has contributed to increased local participation in local government affairs, especially through support to the development of specific procedures for local development planning. Despite the fact that some limitations remain in terms of local participation, the use of such mechanisms seem to have increased during the period evaluated, especially where the EC (often together with other development partners) has provided its support through a wide 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 a significant size (e.g. *South Africa*).

The EC has provided only very limited, if any, support to wider reforms of institutional arrangements that could enhance citizen participation in local governments. Although local government electoral reforms generally have progressed in the countries reviewed, the EC has played either no role or only a marginal role in these changes.

EC support has led to only very limited results in terms of improved local accountability. Although some activities have been supported in a number of countries, the cases analysed in the desk review and the field visits show that local accountability has not played a significant role in most of the EC-supported interventions. In several countries, such as *South Africa, Tanzania and Rwanda*, the EC has supported large PFM programmes focusing on improving national governments' 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.

Finally, the EC has contributed to increased transparency in fund allocation and utilisation in a few selected countries where it has supported specific grant allocation mechanisms (in *Mali and Benin and Tanzania*, through the Performance-Based Grants to local governments, and in *Sierra Leone* as part of the Institutional Reform and Capacity Building Programme managed by the World Bank).

The analysis conducted showed that EC support for improved local governance and accountability is most effective when support is comprehensive in scope, encompassing issues related to broader institutional aspects, processes of planning and budgeting, and transparency in fund allocation.

3.7.1 The EC has contributed to increased local participation in local government affairs, especially through support to the development of specific procedures for local development planning. (JC7.1)

Over the last 10 years, EC partner countries have increasingly held **local elections** for district and municipal councillors in a democratic fashion. During the period evaluated, local elections have been held in all of the 10 case study countries, and the election processes are becoming increasingly more democratic. The desk review and field visits show that the EC has directly supported local elections only in *Mali and Benin*; in the other countries studied, this has been 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*, which have independent approaches to organising local elections. However, support to national election commissions is often carried out by the EC through more direct interventions and, for instance, support through other programmes within the justice, law and order sector, or as one-off funding for the commissions. Although this has not been reviewed during the field phase, as it fell outside the parameters of this evaluation, it shows that indirect support for local elections could have taken place. However, distinct support for local government electoral reforms could not be identified during the evaluation. (Indicator 7.1.1)

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 appears to have increased, especially where the EC (often together with other development partners) has 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 significant size (e.g. *South Africa*). An important part of the interventions focused on the support to the development of specific procedures for local development planning. However, it is important to note that local planning is frequently 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 have weak links with national priorities, government agencies and national funding sources, and thus have limited prospects for sustainability. (Indicator 7.1.2)

3.7.2 EC support has, overall, resulted in only limited improvement in terms of local accountability (JC7.2)

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. (Indicator 7.2.1)

In several countries, such as *South Africa, Philippines, Tanzania* and *Rwanda*, the EC has supported large PFM programmes focusing on improving governments' 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.

3.7.3 The EC has contributed to increased transparency in fund allocation and utilisation in only a few selected countries. (JC7.3)

Over the last 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. A recent review⁴⁰ of international experiences on allocation criteria for intergovernmental fiscal transfers shows that most of the countries 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, such as the density of the population/land area. Some countries are also using various poverty indices and measures for the "backwardness" of certain areas. 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*).

Among the countries reviewed, the EC has actually supported grant allocation mechanism only in *Mali* and *Benin*, and in *Tanzania* through the Performance-Based Grants to local governments, and in *Sierra Leone* as part of the Institutional Reform and Capacity Building Programme. In both *Benin* and *Mali*, where there are specific centrally-based investment agencies for local government investments, the EC has been instrumental in setting up these agencies and in developing the formulas for allocating the funds among the local governments. (Indicator 7.3.1)

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

⁴⁰ Jesper Steffensen: Introduction to the Principle for Design of Intergovernmental Fiscal Transfer Systems – an international comparison of allocation criteria and modalities, May 2007.

originates from the PFM platform, rather than the local government reform platform. However, many of the evaluated countries do provide information through ministry websites (such as MoF and MoLG and specific agencies' websites in, for example, *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 the media for wider dissemination to the public. (Indicator 7.3.2)

3.8 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?

Within development literature, there is consensus on the fact that decentralisation – in particular, devolution – has a significant potential for enhancing accountability of, and local participation in, public sector service delivery.

However, there is less consensus on the degree to which it per se contributes significantly to improved service delivery or poverty reduction⁴¹. A major IMF study in 2008 explored the linkages between patterns of decentralisation, economic growth and service delivery within the OECD, but found it difficult to establish clear evidence of impact, stating that “the evidence is at best inconclusive”. The study found that many external factors beyond “decentralisation” explained public sector performance, that decentralisation often is imperfect, and that LGs are often constrained by various factors, such as lack of autonomy and lack of support from central government⁴². A common conclusion of many studies is that decentralisation holds significant promise for improved service delivery, but only if some preconditions are fulfilled⁴³. These typically include clear assignment of responsibilities, adequate transfers of resources and capacities, and a reasonable degree of local autonomy.

These “preconditions” were analysed as part of EQ5, EQ6 and EQ7. This question focuses on the overall contribution of EC interventions related to decentralisation and to the enhancement of service delivery at local level, and tries to assess if this contributed to long-term positive effects.

The Evaluation Question is based on three judgement criteria:

- JC8.1: Increased financial resources and improved allocation of resources for local service provision.
- JC8.2: Improved operation and maintenance of locally-provided services.
- JC8.3: Improvements in the coverage and quality of locally-provided services.

EQ8 on Service delivery – Summary Answer Box

Overall, 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 (e.g., local schools, local clinics). 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 delivery.

The evidence gathered in this evaluation shows that EC support to decentralisation has indeed had an impact on quantitative aspects of service delivery (especially access to services) in several cases where significant levels of development funds are made available as part of decentralisation support. This includes EC support in the form of IGFT (*Benin, Mali, Sierra Leone and Tanzania*), as well as

⁴¹ For a brief summary, see for instance: PREM Notes 2001 number 55: Decentralisation and Governance – Does decentralisation improve public service delivery? (<http://www1.worldbank.org/prem/PREMNotes/premnote55.pdf>).

⁴² IMF: Local Service Provision in Selected OECD countries: Do Decentralised Operations Work Better?, Ethisham Ahmad, Giorgio Brosio and Vito Tanzi, IMF, March 2008. Another major study – Kumar, Sharma Chanchal: Decentralisation Dilemma: Measuring the Degree and Evaluating the Outcomes, MPRA, July 2004 – argues that most of the studies are inconclusive, and that the impact is very country specific. The definition of decentralisation is also causing major problems when comparing results, and there is a need for more effective demarcation indicators.

⁴³ Ebel, Robert and Yilmaz, Serdar: On Measurement and Impact of Fiscal Decentralisation, Policy Research Paper, The World Bank Institute, March 2002.

EQ8 on Service delivery – Summary Answer Box

through more project-specific funding (such as in *Lebanon* and *South Africa*). The "governance impact" of the two forms of support differs, since only the provision of financial resources through IGFT has impacts on wider fiscal decentralisation and provides a basis for sustained high levels of local governments' development budgets. However, both forms of support can impact on local priority projects (typically, various small-scale infrastructures), and hence on a quantitative increase in levels of services (e.g. access to schools, health centres, agricultural extension services).

In contrast, EC support to decentralisation has had no, or only limited, documented impact on qualitative aspects of service delivery (e.g. improvements in education, health outcomes). This is explained by the fact that qualitative aspects of service delivery take time to materialise and are dependent on a wide range of externalities (health and education outcomes will for instance depend on general socio-economic developments or children's nutrition). They are also typically less under the control of local governments than are initiatives simply for the expansion of services (for instance, the number and quality of teachers and health staff deployed in local government constructed schools and clinics are typically determined by central government rather than local governments).

EC programmes for support to decentralisation generally provide only limited documentation of operation and maintenance (O&M) issues in local governments. This may ultimately impact negatively on local governments' service delivery. The analysis indicates that successful interventions for improved O&M in local governments are complex and may require dedicated funding arrangements (for example, road fund allocations to local governments for road maintenance). Such interventions typically require initiatives in the relevant sectors (e.g. road sector) and cannot easily be managed within a specific "decentralisation support" programme.

3.8.1 The EC has contributed to increased financial resources and improved allocation of resources for local service provision, especially where it has considered these objectives as central elements of its support. (JC8.1)

In almost 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. (Indicator 8.1.1 - 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 EU 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 EU support has also sought to make the fund allocation more transparent, objective and needs-based by introducing systems of formula-based allocations. (Indicator 8.1.2)

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 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. (Indicator 8.1.2)

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, for instance, *the Philippines* (PPPs in the health sector) whereas the EC supported introduction of PPPs in *South African* local governments was less sustainable because national guidelines on PPS were poorly suited to the needs of local governments and, to a large extent, PPS was introduced as precondition for EC funding rather than fully appreciated by local stakeholders. (Indicator 8.1.3)

3.8.2 The contribution of the EC support to improved operation and maintenance of locally-provided services remains limited. (JC8.2)

During the evaluation, it proved difficult to assess systematic data on operation and maintenance (O&M) of local facilities. Only a few comprehensive user satisfaction surveys have analysed O&M issues and they generally indicate that local governments have significant

problems with O&M and that only marginal (if any) improvements have taken place (Indicator 8.2.2). Wherever data is available on O&M budgets it is frequently noted that allocations are “insufficient” and that considerable maintenance problems are highlighted (see, for instance, examples of *Lebanon*, *Mali*, *Sierra Leone* and *South Africa*). (Indicator 8.2.1)

EC – and other development partners' - support for decentralisation have generally, focused on broader aspects of local government policy and capacity development, with support for service delivery at local level mainly in the form of increased capital investments (e.g. schools, clinics, minor roads, etc) and with very limited focus on operation and maintenance issues. In several of the programmes, the basic premise is that local authorities are permanent institutions with some recurrent annual budgets, and therefore it is by definition at least more sustainable to support local investments under responsibilities of such local governments, rather than simply (as, typically, has happened in the past) support local investments with loosely-defined “community” responsibilities for operation and maintenance. (Indicators 8.2.1 and 8.2.2)

However, in many of the countries reviewed, it is reported that there are substantive problems with O&M of facilities under the responsibility of local governments (e.g. in countries as different as *Mali*, *Lebanon* and *South Africa*). In several of the countries, it can be noted that the responsibility for O&M is shared between central governments and local governments, and that successful O&M hinges on well-defined (and resourced) intergovernmental arrangements. In most of the countries reviewed, central government and relevant sector ministries maintain responsibility for training, deployment, payment and supervision of staff such as health workers and teachers working in schools and clinics constructed by local governments. O&M issues may therefore frequently be more effectively addressed in relevant sectors (e.g. education, health, roads, etc) rather than within a decentralisation reform programme. For instance, in *Tanzania*, it is evident that local governments' road maintenance has improved, which can be ascribed almost entirely to the establishment of the Road Fund and to related systems and financing arrangements of LGs' road maintenance – developed as part of road sector support, rather than as part of general LG reform support. (Indicator 8.2.2)

3.8.3 Most of the EC support to decentralisation has contributed to some expansion of local infrastructures (aimed at improving health access, education and roads), but the effects of the support on the quality of locally-provided services is limited. (JC8.3)

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 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 for local projects) or *South Africa* (€ 100 million) has been very significant and without doubt led to increased access to various services in selected local governments. (Indicator 8.3.1)

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 (EQ 5), increasing capacities (EQ 6), and enhancing local governance (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 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. (Indicator 8.3.1)

With regard to the extent to which EC support to decentralisation has led to qualitative improvements of locally-provided services (Indicator 8.3.2), 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 delivery⁴⁴.

⁴⁴ http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2006/705_docs_en.htm

3.9 Overall assessment of the EC Strategy

The EC has, during the period evaluated (2000-2009) managed to establish an enabling policy framework for support to decentralisation reforms in partner countries. This has been in response to a growing need in partner countries – partly in the form of emerging reform needs and new decentralisation reforms initiatives, and partly in the form of increasing importance of local governments in delivery of poverty-oriented services. EC support to decentralisation has in the light of these trends been **highly relevant** in the period under evaluation. However, direct EC support to decentralisation reforms has been relatively focused on a small group of (mainly Francophone) African countries where decentralisation reforms are in the very early stages (where LGs have relative limited public service responsibilities, employ small numbers of staff and typically account for less than 10% of public expenditures). In these countries, the EC has played a very significant role compared to other development partners. However, it has in comparison proved more challenging for the EC to engage substantively with relevant support activities in countries with more mature local government systems (where local governments manage a significant share of public expenditures).

EC support has incorporated a broad range of objectives related to decentralisation reforms, but some aspects are more frequently emphasised than others. Table 9 below summarises the focus and results of EC support to decentralisation in the 10 field country cases.

EC support has been **most effective** in selected aspects of reform – in particular: development of decentralisation policies, transfer of fiscal resources to LGs, strengthening capacities of LG staff in areas of planning and PFM, and provision for improved access to selected services in LGs. However, EC support has been **less effective** in achieving deeper legal reforms (in particular, for harmonisation of sector legislation), transfer of human resources, building of central government reform management capacities, extending the degree of LG autonomy (except for management of discretionary grants), and quality aspects of local services. Measuring the wider impact of reform initiatives is very challenging, and can mainly be documented where nationally-owned reform policies and related M&E systems are in place.

It can also be concluded that in general, the **efficiency** of EC support to decentralisation processes has improved with the increased willingness of the EC to use joint funding modalities and the introduction of new aid modalities which, in particular, helped reducing fragmentation of the support. However, although inefficiencies are decreasing there is still scope for significant improvements. EU capacities for design of and adjustments to innovative and aligned support modalities remain a challenge. The level of **sustainability** of support is highest when aligned to nationally-owned reform programmes that are based on realistic political assessments. In general, support to decentralisation processes in countries without declared policies and with limited government support reforms has had more modest objectives of “piloting” innovations that may deliver immediate local service delivery results, but which rarely led to sustainable effects in terms of reform outcomes. The **EU value added** has certainly been evident in its allocation of considerable financial resources in selected countries where the size of contributions has made a difference. However, value added has, in many countries, also been constrained by the limited technical expertise/human resources available both at EUDs and HQ. EUDs have nevertheless managed to play significant roles in donor co-ordination related to the sector. This has mainly been in sector support modes, whereas EUDs’ engagement with decentralisation-related indicators within the framework of GBS has been more limited. In the ongoing quest for increased **co-ordination and complementarity**, including with EU MS, the EC has been among the key drivers and has significantly contributed to efforts for aid harmonisation in support of decentralisation.

Overall, it appears that direct EC support to decentralisation reforms peaked around 2007/08, as reflected in increased levels of financial contributions and staff dedicated to work with this thematic area. Recent reorganisation of some EU institutions has led to a reduction in HQ staff directly working with decentralisation, and recent years have also witnessed a slight decrease in direct support to decentralisation processes. The recent “Agenda for

Change⁴⁵ states that “EU support to governance should feature more prominently in all partnerships”, and generally emphasises the importance both of overall public sector reforms and the role of local authorities. Thus, the general policy-level commitment to support for decentralisation reform is still broadly in place although remains to be fully articulated.

EC support to decentralisation reform has been initiated with two main objectives in mind: (1) to contribute to improved local governance (e.g. more democratic and accountable administrative structures, increased citizen participation in governance); and (2) more effective and efficient delivery of local services⁴⁶. It is the overall conclusion of this evaluation that these objectives remain of outmost relevance – particularly in poor and fragile countries where efforts aimed at state building and public sector reforms are needed. These objectives may, to a certain extent, be integrated within sector interventions (e.g. health, education) or even GBS. However, this evaluation demonstrates that the objectives are best achieved when supported through nationally-owned reform programmes, and that EC sector interventions and GBS support can integrate decentralisation related objectives in a meaningful manner only where EU staff also engage with general decentralisation reform work and have the capacity to work with this type of reform issues.

Box 3 Key conditions for success

It is challenging to synthesise general conditions for success, because interventions have to respond to specific country needs. However, the following emerge as key lessons⁴⁷:

- Proper situational analyses are critical for the design of relevant, effective and sustainable interventions. It is increasingly recognised that this also requires analysis of the “politics of reform”.
- High quality policy dialogue is critical for successful reforms. This requires adequate EU staff resources as well as support to national capacities for policy dialogue – both in government and within civil society.
- Emphasis should be placed on EU comparative advantages. This may differ from country to country, but the EU is, for example, generally better suited to relatively large-scale support, rather than managing many small interventions.
- Support to fiscal aspects of reform is commonly a most productive entry point.
- Combinations of added fiscal resources, incentives for organisational performance and traditional forms of capacity building are leading to the most significant capacity improvements in local governments.
- Continuous monitoring of reform results and lessons is often under-prioritised, but is necessary for quality results and continuous political support.

⁴⁵ Agenda for Change - COM(2011) 637.

⁴⁶ These two main objectives were derived from objectives of the specific interventions analysed as part of the evaluation. The EC Reference Document 2007 (Supporting Decentralisation and Local Governance in Third Countries) states a number of possible objectives for decentralisation support that can be summarised into the two objectives mentioned here, however the rationale for the EC support to decentralisation globally has not been explicitly stated in one overall strategic document.

⁴⁷ Elaborated in further detail in the Evaluation Report for each of the relevant areas of interventions – e.g. support for policy reforms (EQ5), support for capacity building of stakeholders (EQ6), support for local governance (EQ7), and service delivery (EQ8).

Table 9 Focus and results of EC support in case study countries

	National policies	National legislations	LG resources	LG autonomy	Capacity - central	Capacity - local	Capacity - NSA	Participation	Accountability	Transparency
Benin	≈	≈	+	0	+	≈	≈	≈	0	≈
Honduras	≈	0	≈	≈	0	0	≈	≈	0	0
Lebanon			-			≈	≈			
Mali	≈	+	≈	0	≈	+	0	≈	≈	≈
Peru					0	≈	≈	≈	0	0
Philippines			≈			≈	≈		≈	
Rwanda			≈			≈	≈	≈		≈
Sierra Leone	+	≈	+	≈	+	+	≈	+	+	+
South Africa			+			+	≈	≈		
Tanzania	+		+	≈	≈	+		+	+	+
Overall assessment	≈	≈	+	0	≈	+	≈	≈	≈	≈

Colour	Level of EC support - Scale	Description
	significantly	Intervention objectives or activities do explicitly, and to a significant degree, address the result area, and the interventions are of relative significance compared to overall EC support to decentralisation.
	partly	Intervention objectives or activities only partially or marginally address the result area, and/or the concerned interventions are relatively small compared to overall EC support to decentralisation.
	not at all	EC support in the country does not 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 been achieved (compared to objectives) in this result area.

4 Conclusions and recommendations

Four clusters of conclusions emerge from the findings and the analysis made in this evaluation:

- EU Policy framework;
- Response to specific country contexts;
- Strategic focus of the EC support;
- Operational management.

4.1 Conclusions

4.1.1 Cluster 1: EU policy framework

4.1.1.1 The EU policy framework for support to decentralisation is still “work in progress”

Conclusion 1: The EU policy framework for support to decentralisation in third partner countries has developed in a positive manner over the period evaluated in response to general trends of decentralisation reforms in partner countries. However, the framework is not yet underpinned by operational guidelines and clear strategic intervention responses that plainly embed support for decentralisation within broader public sector reform approaches.

This conclusion is based mainly on EQ1, EQ2, EQ3, EQ4.

Over the last decade, the EU has established a policy framework that encourages direct and indirect support to decentralisation in third countries. The broad policy framework points to the importance of local governments as stakeholders and their relevance for governance and service delivery. However, the relative importance of this particular theme of work is unclear compared to other competing development priorities.

EC financial support directly aimed at decentralisation has increased in absolute and relative terms from almost nil in 2000 to around € 100 million per annum by the end of the period evaluated. However, this constitutes only approximately 2.5% of total EC development assistance, and the EC is considered a lead donor in the field of decentralisation support in not more than five partner countries. In these countries, EC support to decentralisation is clearly embedded within a larger context of public sector reform and capacity building. However, EC support is in many other countries largely limited to capacity building in selected local governments, without explicit ambitions for broader public sector reform (among the field phase countries this includes *Lebanon* and *South Africa*). The recent institutional location of EU HQ expertise on decentralisation within the theme of “support for non-state actors and local authorities” may further divert EC support for decentralisation and local governance away from more strategic public sector response strategies.

Future refinement and operationalisation of the EU policy framework require clarification of the nature of and relative importance of the “decentralisation reforms theme”. If it is to develop into a more significant area of development co-operation, it will therefore require significant further work to strengthen internal capacities of the EU to work in this area. At present, the policy framework is considered to be “unclear” by half of all EUD staff actively working with decentralisation support programmes. In addition, relatively few EUD staff have been trained in decentralisation reform issues, and they request more operational guidance and technical skills in areas such as fiscal decentralisation.

EUD staff generally complain about lack of “time for strategic thinking” and instruments that would allow them to undertake more in-depth analyses of decentralisation reform issues. Additional training, guidelines and instruments that would allow EUDs to be more proactively engaged in analyses, would be beneficial. However, while all of this needs to be developed and implemented with assistance from dedicated decentralisation expertise from within the EU, the already limited technical expertise in EU HQ has recently been further reduced, and is no longer institutionally embedded within a dedicated public sector reform unit.

4.1.1.2 The EU has a unique but unrealised potential for global support to decentralisation in third countries

Conclusion 2: The EU has a unique but unrealised potential for global support to decentralisation in third partner countries, working locally, worldwide in outreach, supporting international networks and building on global experiences.

This conclusion is based mainly on EQ1, EQ2.

The EU is a truly global organisation working in more third countries than any of its member states. In addition, the EU represents a wide range of local government traditions among its members – a richness and variation that provides a potentially rich source for technical expertise, guidance and support. Importantly, this European diversity is embedded within one commonly-shared vision for what constitutes good “local governance”, reflected in the European Charter of Local Self-Government – a document that is ratified by all the EU Member States.

The EC also has a strong relationship with European local government associations – reflected, for example, in the recent 2nd Assises on Decentralised Co-operation (March 2011), the ongoing work of the Committee of the Regions and Platforma (the European Platform of Local and Regional Authorities for Development), and the recently-completed Structured Dialogue that was launched for discussion on involvement of civil society organisations and local authorities in EU development co-operation (2009-2011).

This provides great potential for learning both from EU and third countries’ experiences of decentralisation reforms, and for disseminating these globally. However, this potential is not yet realised. On the contrary, although EC support to decentralisation has increased significantly over the period evaluated, its financial allocations for such support are, to a large extent, concentrated on only a few (particularly Francophone) African countries. In this manner, EC support to decentralisation is also focused on a group of countries that are largely in the very early stages of decentralisation reforms (reflected in, for example, the LG share of their total public expenditure) and where public sector administrative experiences are mainly informed by French traditions and concepts. In a similar vein, EC relationships with European LGs in support of decentralisation in third countries has, to a large extent, focused on enhancement of the direct role of European local and regional authorities (and non-state actors) in development work, rather than on how European LG expertise can add value to the work of the EU in its support for decentralisation.

Extracting the rich experiences of European local government (associations) will, however, require significant enhancement of internal capacities of the EU for knowledge management in this area.

4.1.2 Cluster 2: Response to specific country contexts

4.1.2.1 EC support has increasingly been aligned with partner country priorities

Conclusion 3: EC support to decentralisation in third partner countries has successfully increased its alignment with partner country policies and priorities. However, the EC has not promoted decentralisation reform policies very proactively, and EC policy advocacy for decentralisation support has generally been modest – possibly too modest.

This conclusion is based mainly on EQ3, EQ4, EQ5.

The evidence regarding increasing alignment of EC programming with national policies and priorities is very significant (EQ3). EC country strategies are consistently related to national development strategies and poverty reduction plans, and EC support to decentralisation has increasingly been aligned with specific nationally-owned decentralisation reform strategies. The increase is linked not only to greater consideration of country needs and increased policy dialogue, but also to the shift towards greater use of more “joint” aid modalities (i.e. sector support, basket funds, trust funds and SBS) that go hand in hand with the development of sector plans, and thus give a clearer articulation of priorities by partner governments. These positive findings on alignment are partly a result of EC general commitments to the aid harmonisation agenda (the Paris Declaration) as well as the increasing number of explicit decentralisation reform strategies in partner countries.

However, there are still a significant number of cases where decentralisation is supported through “bottom-up” approaches, with less direct country alignment. This is mainly in cases where national decentralisation reform strategies or related local government sector strategies are not in place. Through these approaches, the EC has often been in the position to combine support to immediate local service delivery with subtle efforts of advocacy for more comprehensive national decentralisation reform efforts. In a similar vein, the EC has been active in several countries with sectors (such as health, education, roads, etc) where the involved sector ministries not always fully share declared decentralisation policies. The EC has generally (in both the bottom-up approach and the case of the support to a sector in a decentralised contexts) relied on their main government partners in policy dialogue even when other national stakeholders (such as local government associations) express alternative views and point to policy contradictions (inconsistencies between local government and sector policies and legislation are common in many decentralising countries). It is, of course, a difficult balance to achieve: on one hand, to recognise that decentralisation reforms have to be highly context specific and aligned to partner countries official policies, while, on the other hand, also being aware of other country stakeholders’ views (e.g. local government officials and NGOs that may advocate for reform, while central government may resist), just as it also could be observed that certain governance elements of decentralisation reforms almost have a universal nature (e.g. people’s rights to local participation, the European Charter on Local Self-Government).

As further discussed below, the EU has sufficient policy mandate to pursue a more normative local governance agenda. The relatively modest levels of EU advocacy for reform in partner countries is, however, largely a reflection of limited EUD capacities, rather than an explicit policy choice.

4.1.2.2 The EC has not sufficiently taken into account the fact that decentralisation reforms are highly political

Conclusion 4: Decentralisation reforms that implicate significant transfers of powers and resources to elected local governments are highly political. In several cases, the EC has not yet gained sufficient insight into the “politics of reform”.

This conclusion is based mainly on EQ5.

Reforms that implicate significant transfers of powers and resources to elected local governments are highly political. The effective transfer of functions, powers and resources to local governments is only successful in countries where “political will” for decentralisation reforms is continuous (EQ5). In some countries, decentralisation reforms progress without EC or other external support. In several of the countries supported by the EC, it can be noted that initial enthusiasm for reforms wanes over time, but that reasons for policy changes frequently are poorly understood or broadly referred to as “change of political will”. Deeper analyses of the political aspects of decentralisation reforms have begun to be undertaken by other development partners, but not yet the EU⁴⁸. The importance of understanding the politics of reform is now starting to be recognised at a general level within the EU, but is not yet practised.

Understanding the “politics of reform” will not only inform decisions about whether to support decentralisation reforms, but also how to do so. Central political drivers of reform may be situated within, for example, the MoF or President’s Office, rather than obvious collaborating partners (typically, MoLG). Sector ministries frequently have concerns about decentralisation policies, and these concerns need to be understood and addressed frankly, in order for reforms to succeed. EU Programme interventions may have to adapt to such new institutional insights. In a similar manner, political and governance analyses may reveal the need and opportunities for the EU to support the building of political bases for reform over time within local governments and CSOs.

⁴⁸ With the possible exception of *Madagascar*, where some analysis of “reform politics” were undertaken – although not fully-fledged analysis in line with guidelines such as those in: <http://www.danidadevforum.um.dk/NR/rdonlyres/FB02D927-ED20-4027-AA89-B66E9E6D487D/0/POLITICALECONOMYANDGOVERNANCEANALYSESfinalversion.pdf>

4.1.2.3 The EC has been most successful in countries at the very initial stage of reform processes

Conclusion 5: The different stages of decentralisation reform and maturity of LG systems in partner countries require very different EC responses. The EC has been most successful in countries at the very initial stage of reform processes.

This conclusion is based mainly on EQ5, EQ6, EQ7.

Progress on decentralisation reforms is most evident in countries with significant internal political support for reforms and with explicit strategies. However, political incentives for reform differ significantly across countries, as well as over time. Likewise, it is evident that partner countries are at very different stages of decentralisation reforms. Four broad categories can be identified, each requiring corresponding responses from EUDs:

1. Very weak LG structures and no explicit decentralisation reform agenda. This occasionally includes fragile states (e.g. *Lebanon, Madagascar*), but can also include relatively stable states (e.g. *Kenya*): Here, the EC have in several cases ensured that LGs are involved in “local projects” and have supported activities that demonstrate potential capabilities of LGs in service provision. The EC has (with the exception of *Madagascar*) been less engaged in policy studies that could identify options for reforms.
2. Explicit decentralisation reform agenda in early stages (e.g. *Mali, Benin*). The EC has assisted in translating emerging reform policies into operational programmes and has jointly supported these, in collaboration with other relevant DPs.
3. Explicit decentralisation reforms in mature stages (e.g. *Uganda and Tanzania*). Reforms in these countries typically start to develop in a more “uneven” manner as, for example, social sectors are included, the size of the LG sector requires significant investments, and systems of LG PFM and HRM are becoming more complex. Resistance to reforms from, for example, sector government bureaucrats typically becomes more frequent at this stage. Policy dialogue becomes accordingly more complex and demanding. This evaluation did not find evidence of strong EUD positions on decentralisation issues in any such countries. Other DPs will typically be lead partners in support to such countries’ decentralisation reforms.
4. Relatively mature LG structures (e.g. *Philippines, South Africa*). In some partner countries, the degree of decentralisation has reached a significant level, and further relative transfer of functions and resources may not be indicated as an explicit decentralisation reform agenda. However, significant challenges for the improvement of the overall system and capacity challenges typically remain. Local governments are critical for the delivery of basic services, and involvement in such “decentralised contexts” makes it unavoidable for the EU not to work through LG systems. A typical EU response is to use a relevant lead sector ministry (e.g. health) as point of entry, or to focus on selective capacity-building issues in selected LGs. Such support can assist partner countries in achieving some local or sector-specific results, but it requires significant additional efforts to engage in such a context in a manner that assists in improving the wider systematic relationship between central government and local governments.

The overall pattern that emerges is that the EC generally has been most successful in developing support strategies in countries with decentralisation reform strategies at the very early stages. The work has furthermore been focused mainly on Francophone African countries. This has not been the result of a deliberate EU policy or strategy, but rather reflects some particular programming opportunities that arose in these countries (where EC support for decentralisation programmes typically grew out of earlier experiences with support to rural development programmes that increasingly recognised challenges with the institutional sustainability of earlier approaches), and also the particular experiences of key EU staff assigned to work on decentralisation reforms. It has proved more difficult for the EU to engage substantively and directly in countries with more mature decentralisation reforms and local government systems. As discussed above, the size and complexity of the local government sector in these countries require specialised and in-depth knowledge on issues related to

fiscal decentralisation and decentralised public service management beyond what is currently applied in existing EC analytical work (for instance, during the programming of country strategies). If the EU is to work more actively with decentralisation reforms in such types of countries, it will require additional technical expertise, and probably also greater policy clarification on the overall importance of this thematic area.

4.1.2.4 EC support for decentralisation has contributed to increased access to local services but less directly to improvements in the quality of services.

Conclusion 6: EC support for decentralisation reforms has contributed to improved local service delivery in various ways: indirectly, by establishing a broadly enabling environment; and, more directly, by providing additional resources for local services. The latter has mainly contributed to increased access to services but less to improvements in the quality of services.

This conclusion is based mainly on EQ8 – and partly on EQ5, EQ6 and EQ7.

EC support for decentralisation has contributed to improvements in the delivery of services provided by local governments in partner countries in two ways:

1. By supporting improvements in the broader policy framework (e.g. decentralisation policies) and general aspects of capacity building of local governments (in particular, strengthening local capacities for planning and capacities for local financial management). These changes have contributed to the establishment of an overall enabling environment for improved service delivery that ultimately may lead to both improved access and quality of services. However, the link is very indirect.
2. By providing additional financial resources for local service delivery. The contribution to the (quantitative) expansion of local services is evident in many of the larger EC interventions supporting decentralisation processes. However, the same interventions have not made significant contributions to improvements in the quality of local services.

Improving the overall quality of service provision (e.g. quality of teaching) appears to be a far more complex task than expanding access to services (e.g. increase number of schools and enrolment) and this cannot be addressed within decentralisation reform programmes alone. However, the EC may seek to address this issue more effectively by better linking the objectives and activities of interventions supporting decentralisation to the ones of sector interventions and, for instance, by increasing the attention paid to local government capacity strengthening for operation and maintenance.

4.1.2.5 The EC has supported institutional arrangements for reform co-ordination, but these are yet to be fully partner-led

Conclusion 7: The EC has been relatively active in supporting institutional arrangements for decentralisation reform support co-ordination. However, these are yet to be fully partner-led.

This conclusion is based mainly on EQ4 – and partly on EQ7.

The EC has actively developed or participated in a number of national co-ordination mechanisms, and has frequently led such efforts. While the support has led to some strengthening of government-donor co-ordination mechanisms, it has often failed to enable partner governments to take full charge, and has frequently been less successful in strengthening internal government management of reforms. In particular, at the more mature stages of decentralisation reforms, it is often found that sector ministries or other central government institutions resist reform efforts or pursue alternative ways of decentralising reforms than otherwise advocated by the supposed lead ministry (typically, the ministry in charge of local governments). In addition, the participation of civil society, political parties or local government associations is often very weak or non-existent in the institutions established for reform co-ordination.

Improved modalities for partner-led reform co-ordination should include a wider range of stakeholders, and also improved systems for partner-led monitoring of overall reforms. This may be supported by, for example, supporting local research institutions or by regional/international peer review mechanisms. The latter could, for example, be inspired by the review mechanism associated with the European Charter on Local Self-Government.

4.1.3 Cluster 3: Strategic focus

4.1.3.1 EC support for decentralisation has been most successful when provided through nationally-owned reform programmes

Conclusion 8: EC support for decentralisation has been most successful when provided through national joint government-DP assisted programmes. However, this is yet to be fully reflected in overall EC policy and strategy.

This conclusion is based mainly on EQ1, EQ5, EQ6, EQ7, EQ8.

EC support for decentralisation has been most successful when provided through joint government-DP assisted programmes undertaken as a comprehensive public sector reform effort. The aid modalities applied have included sector budget support, basket-funded programmes or the EC's use of WB Trust Funds. The use of various joint funding modalities or SBS is fully in line with EU general policies for aid harmonisation. However, the realisation that support of decentralisation reforms is most effective when undertaken as part of a comprehensive public sector reform is yet to be fully reflected in overall EU policy and strategy.

On the contrary, it can be noted that EU dialogue on policies and strategies for support to decentralisation reforms to date has paid very significant attention to one thematic funding instrument "support to NSAs and LAs". The recent "assises for decentralised co-operation", in its deliberations on aid delivery mechanisms, concluded "no mechanism is a panacea". Yet, within the "structured dialogue", most attention was still paid to this particular thematic instrument – probably because it is an instrument that also can be directly assessed by local government authorities themselves. In a similar vein, it can be observed that EU HQ expertise on decentralisation reforms recently has been placed within the office closely associated with the same thematic funding instrument. In summary, the institutional anchoring of EU HQ expertise and much of the EU dialogue with European and third country partners tend to be drawn into a very limited type of engagement with individual or smaller groups of local governments, rather than anchoring the theme of "decentralisation" more firmly within the realm of public sector reform, where it most appropriately is placed.

4.1.3.2 GBS support and support to various sectors rarely significantly contribute to wider decentralisation reforms

Conclusion 9: EC support through GBS and to various sectors (e.g. health, education) is supporting wider decentralisation reforms in only a very limited way.

This conclusion is based mainly on EQ4 (and EQ5, EQ6, EQ7, EQ8).

Lack of coherence between general decentralisation policies and sector policies and practices has remained a persistent issue in many of the partner countries. This evaluation notes that the coherence between EC support for various decentralised sectors (e.g. health, education) has improved over the period evaluated. The evaluation found that these programmes generally did "no harm" when operating in a decentralised context. However, these programmes rarely contribute significantly to progress on decentralisation. The evaluation identified some selected good examples of work in sectors with decentralisation issues. This includes for instance improvements of planning of health services and related minor improvements in sub national PFM (in *the Philippines*). However, the same case also pointed to limitations of sector specific approaches. In *the Philippines* it was therefore decided by the EC to embark on a wider (not health specific) support programme for improvement of financial management issues in local governments. GBS is rarely reported by the EUDs as being explicitly supportive of decentralisation. However, a few cases can be identified where both policy dialogue and variable tranches are directly related to progress on decentralisation reform (*Tanzania* and *Ghana*). In these cases it can generally be concluded that discussion of policy issues related to decentralisation has improved, but that progress of reforms depends on the national policy commitment to reform and the quality of underlying specific local government reform programmes. One particular area where GBS generally has had some indirect positive impact on the local government sector is by the related use of PEFA work at sub national levels – this has in general triggered more attention to the quality of LGs financial management as well as the entire systems of fiscal transfers. Engagement by DPs in GBS policy dialogue on decentralisation issues is therefore closely related to the relative engage-

ment of DPs in these underlying reform programmes. The evaluation concludes that quality of EU engagement in decentralisation issues within sector programmes and in GBS depends on EUD staff's expertise and knowledge of local decentralisation reform programmes. Therefore, effective work on decentralisation issues within particular sectors or as part of GBS hinges, to a large extent, on EU engagement in direct decentralisation reform work. Thus, work through various sectors or GBS cannot on their own be a substitute for direct support to local government reform, if decentralisation objectives are to be achieved.

4.1.3.3 EC support for decentralisation reforms have targeted only selected reform areas

Conclusion 10: EC support for decentralisation reforms typically target only selected areas of reform, yet it is important to ensure that all relevant areas of the decentralisation reform agenda progress in a balanced way.

This conclusion is based mainly on EQ5, EQ6, EQ7, EQ8.

Decentralisation reforms in partner countries generally encompass a wide range of institutional, legal and capacity changes related to transfers of functions from central to local governments. However, it appears, from the analysis made, that the EC has tended to focus only on selected areas of reform. For example, the EC has:

- Provided some support for general decentralisation reform policies and strategies, but provided very limited support to subsequent follow up on, for example, expenditure assignments, legislative reforms, sector reform.
- Provided some support to issues related to fiscal decentralisation (IGFT in particular), but provided limited support to LGs' own revenue generation or human resource devolution.
- Built capacities of LG stakeholders in planning and PFM, but provided less support to capacity building in other areas and to central government reform management.
- Supported efforts for participatory planning at LG levels, but provided less support for broader institutional reforms that would strengthen citizen engagement (e.g. LG electoral reforms, access to information legislation) or empowerment of relevant NGO advocacy groups and LG associations.

Successful decentralisation reforms are comprehensive in nature. The transfer of functions, and the related legal and institutional changes, is at the core of such reforms. However, they will have to be accompanied by, for example, corresponding human and fiscal resources, new systems for decentralised funding, planning, procurement, contracting arrangements. Stakeholders at central and local government levels require capacities strengthened in multiple areas, just as measures have to be put in place to facilitate effective citizen engagement in local government structures.

The particular selective focus of EC support is, in some cases, a reflection of a deliberate division of labour among various development partners and the national government. In *Tanzania*, for instance, it was deliberately decided that specific EU Member States should take the lead in supporting the more general aspects of LG reforms, while the EC contributed to the LG grant system. Support for LGs' own revenue generation is also a theme that frequently is supported by other development partners, and therefore is not a reform issue that generally is completely unsupported. However, during the field stage of the evaluation, it was evident that some decentralisation reform areas are, in general, very rarely supported – such as decentralised human resource management⁴⁹ and broader institutional reforms for strengthening citizen engagement (e.g. reforms of LG electoral procedures). In-depth work on fiscal decentralisation within specific sectors is also rather rare. In summary, there are definite “pet”, or favoured, reform areas – such as “decentralised participatory planning” and “capacity building for improved PFM” – that always receive support from development partners, including the EC, while others are frequently overlooked.

⁴⁹ However, a new EC initiative in Ghana will from 2012 specifically seek to support personnel management issues in the Ghanaian decentralisation reform process.

4.1.3.4 The EC has rarely linked support for bottom-up demand for accountability to wider systemic decentralisation reforms

Conclusion 11: EC support for the bottom-up demand for accountability has rarely been linked with wider systemic decentralisation reforms.

This conclusion is based mainly on EQ7.

Effective decentralisation requires not only substantive reforms of the public sector, such as transfers of powers, functions and resources, but also active engagement by citizens in elections, in participatory planning, and by holding elected councillors accountable for delivery of relevant and good quality services. The EC has provided some support in these areas, but mainly in the form of smaller, discrete projects with limited linkages to overall public sector reform efforts. A significant part of the support has taken the form of grants – applied for by NGOs and other stakeholders – that typically finance short-term (1-3 years) projects. Wider systemic improvements of the framework that would allow better citizen engagement are usually non-existent. Some support has been provided to local government associations that, over time, may be able to influence wider reforms⁵⁰. However, the support is typically of a short-term nature and is provided for specific project-based activities, rather than for long-term efforts supporting institutional development. In a similar manner, the EC has supported a few research institutions that engage in local governance research, but not in any long-term and comprehensive manner that would enable these institutions substantially to inform reform policies and strategies.

4.1.3.5 The EC has been relatively successful in support of local government grant systems

Conclusion 12: In all of its major decentralisation support programmes, the EC has included elements of reform of the Intergovernmental Fiscal Transfer (IGFT) systems. These reforms have, in general, proved successful entry points both for systemic reform of how LGs are financed and as ways of capacity building and supporting immediate improvements of LG services.

This conclusion is based mainly on EQ5, EQ6, EQ8.

The EC has, in all its major decentralisation reform programmes, included some elements of support to local-level funding mechanisms. These have generally taken the form of “local government grant systems” – that is, potentially permanent elements of IGFT systems that, in the long-term, would be fully financed by the national governments. Some of these are still overwhelmingly donor funded (e.g. *Mali*), whereas others already are substantively financed by the national governments (e.g. *Tanzania*). Funding of these types of grant systems requires substantive levels of funding in order to function, and EC contributions have, in many countries, been critical in the initial establishment of the systems. Size matters in this context, and the EC has, in many cases, been in a good position to make available the required crucial amounts of funding.

The added availability of funding for local service provision at LG levels has led not only to an increase in physical outputs by LGs (typically, various small-scale infrastructure projects involving, for example, schools, clinics, water facilities, roads), but it has also enabled LGs to make practical use of various training and other capacity-building activities that thereby were effectively translated into real organisational change. In addition, many of these LG grants have also served to demonstrate the potential for further decentralisation – in particular, in countries in the early stages of reform (e.g. *Mali, Benin, Madagascar*).

A number of particular LG grant design practices are emerging as particular “good practices”:

- Systems that provide transparent and foreseeable amounts of funding for a wide range of local services (instead of narrow targeting of specific services) enable truly participatory local planning and budget processes.

⁵⁰ e.g. the ARIAL (supporting and strengthening Local Authority Associations) programme seeks to strengthen LG associations in ACP countries – the programme started only in 2009, and in 2012 will be analysed in a mid-term evaluation.

- LG grants that have incentives for good performances built in (e.g. in *Tanzania*) are likely to enhance capacities of LGs in targeted areas in very visible manners, as a lack of incentives (rather than mere “lack of capacity”) frequently are common obstacles for institutional change.

The EU is currently trying to introduce these types of systems in some countries where they are still absent (e.g. *Lebanon*), but the use of such “good international practices” could be further strengthened if the internal knowledge management of the EU was enhanced.

The development of such systems can either take existing intergovernmental fiscal arrangements as the point of departure (by gradually reforming existing systems) or start from scratch by introducing innovative systems. The latter has been most common for the EC-supported programmes, but carries the risk of ending up as donor-funded “parallel” funding mechanisms and require serious policy dialogue to transform it into sustainable local government funding modalities. In the case of Madagascar, such initial successful steps have been completed by “demonstrating” good practices that later have been adopted by government, using its own funds. In the case of Tanzania, the dialogue (and added funding) from GBS has been instrumental in embedding the initial donor-funded grant system into a permanent government-funded grant mechanism for local authorities.

4.1.4 Cluster 4: Operational management

4.1.4.1 EC technical expertise on decentralisation reforms is inadequate

Conclusion 13: Throughout the entire period evaluated, EC specialist decentralisation reform expertise has been limited to two-four persons at HQ, and has recently been reduced to only one person. This is inadequate for the required tasks, and is very low compared to expertise in other development organisations.

This conclusion is based mainly on EQ2.

The EC has tried to enhance the general knowledge of staff working in EUDs by providing short (five days) training. However, less than half of the staff who actually work on decentralisation support programmes have attended such training. The existing guidelines are considered “unclear” by many EUD staff and they have not been able to keep abreast of latest guidelines, but request dialogue with and guidance by EU HQ staff.

Within the EU HQ, staff assigned with specific technical expertise in decentralisation reforms increased gradually during the period evaluated from one to almost four persons by the end of 2010. However, the recent (2011) reorganisation of the offices saw this reduced to only one person. Even when the unit was better staffed, it still lacked detailed technical expertise in, for example, fiscal decentralisation, and also had comparatively limited expertise from Anglophone countries. This number is very low compared to technical expertise within this field in organisations such as the World Bank, the Asian Development Bank, UNDP, and even many bilateral organisations.

A basic minimum of technical expertise in decentralisation reforms at HQ is required in order to:

- Develop appropriate guidelines for EU support to decentralisation reforms.
- Provide country-specific support missions and assist EUDs in undertaking relevant analyses and designing relevant support interventions.
- Engage in dialogue with, for example, European local governments, and local government associations for appropriate support to decentralisation in partner countries.
- Participate in international events and seminars to learn and disseminate good international practices.
- Work in support of improved donor harmonisation, co-ordination and division of labour within the field of decentralisation reform support.

4.1.4.2 Monitoring of EC decentralisation support has been weak, but there have been occasional qualitative learning exercises

Conclusion 14: The EC's monitoring of its support for decentralisation has been weak, although there have been occasional qualitative learning exercises.

This conclusion is mainly based on EQ1, EQ2.

EU standard M&E systems (such as ROM and CRIS) are weak tools for monitoring decentralisation support. The systems for basic (DAC code) classification of interventions have not been fully in place during the period evaluated, and categorisation of interventions in, for example, this evaluation thus had to be made on subsequent qualitative review of programme documentation. ROM focuses on the extent to which EC interventions achieve specific EC programme objectives – in most cases, without wider analyses of context. The most successful interventions analysed as part of this evaluation are the larger joint development partners' supported programmes. Only limited documentation from these programmes is shared globally within the EC system through, for instance, CRIS.

Decentralisation reform processes are complex administrative and political reforms that currently are poorly captured by EC routine reporting and monitoring systems. Better monitoring would require better analysis from the start. In order to feed into a system of global learning, this would require common terminology and use of some common indicators. This is in part captured by the recent (2009) Decentralisation Programming Fiche, but has not yet been applied in practice.

The EC has tried to compensate for these deficiencies by undertaking various qualitative learning exercises, such as the review leading to the 2007 Reference Document and this current thematic evaluation.

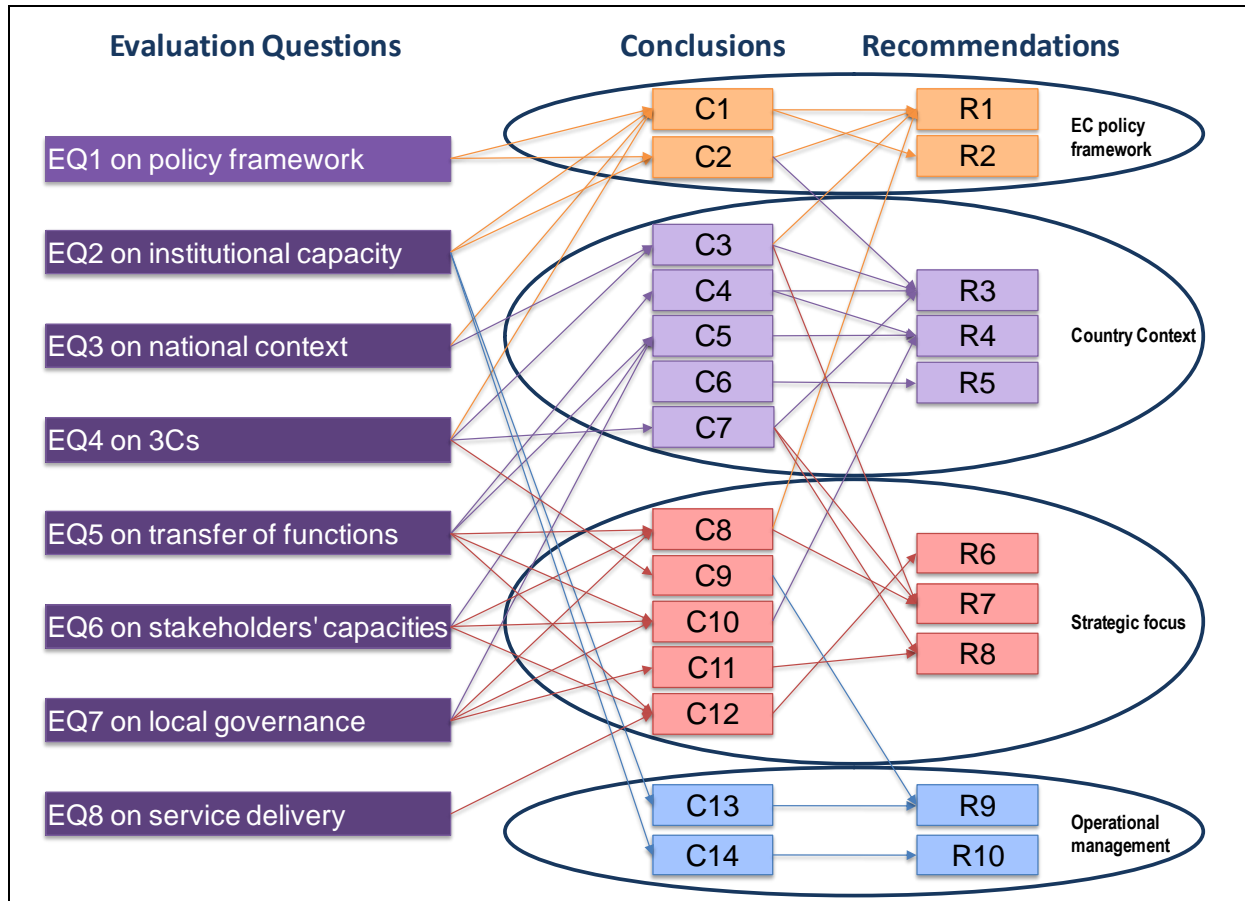
4.2 Recommendations

The following key recommendations emerge from the conclusions. They are presented in the same clusters used for the conclusions in the preceding section, namely:

Recommendations 1 & 2	EU Policy framework
Recommendations 3 to 5	Response to specific country contexts
Recommendations 6 to 8	Strategic focus
Recommendations 9 & 10	Operational management

The linkages between EQs (findings), conclusions and recommendation are illustrated in the following figure.

Figure 7 Major links between EQs, conclusions and recommendations



The table below provides an overview of the level of priority in terms of importance of the recommendations and the urgency (agenda) of their realisation. This information is also provided schematically in the following figure.

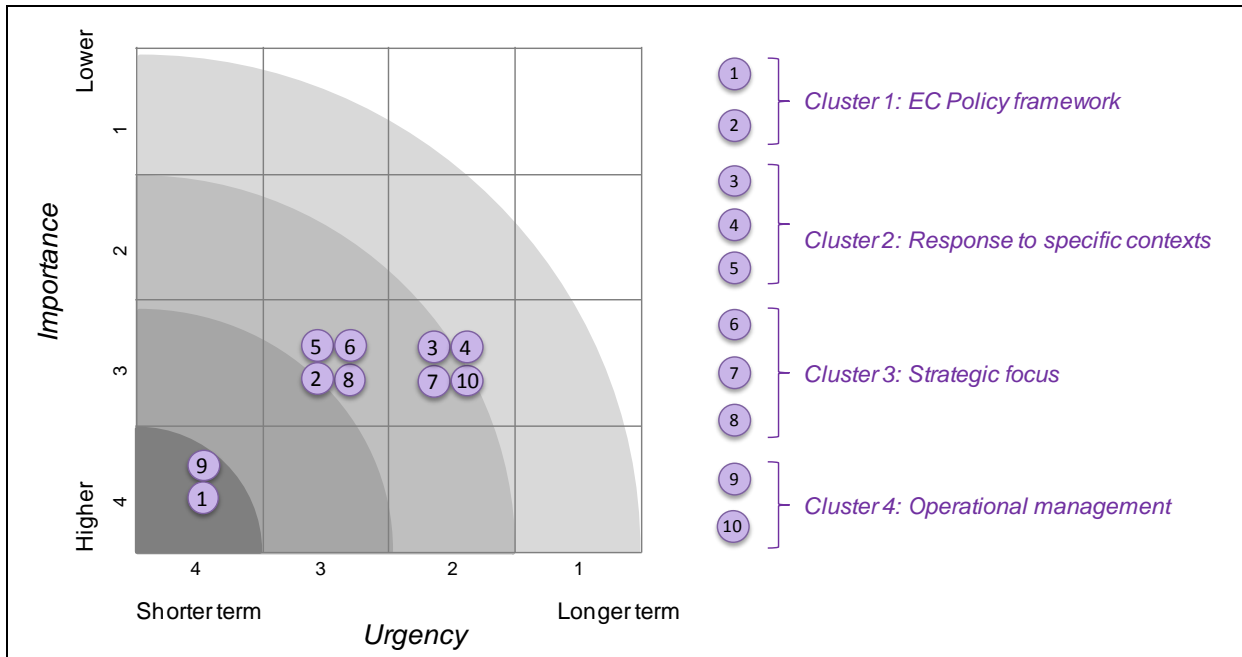
Table 10 Prioritisation of recommendations

No.	Issue	Importance*	Urgency*
1.	Clarify and strengthen EU Strategic Framework for Support to Decentralisation	4	4
2.	Operationalise and disseminate EU policy framework	3	3
3.	Strengthen country ownership – but retain EU policy advocacy role	3	2
4.	Strengthen EU country-specific and comprehensive responses to decentralisation in all partner countries	3	2
5.	Prioritise EU support for IGFT and LG Fiscal Reforms	3	3
6.	Strengthen qualitative aspects of LG service delivery	3	3
7.	Strengthen efforts for donor harmonisation in support decentralisation in partner countries and globally	3	2
8.	Strengthen partner countries' monitoring of decentralisation reforms	3	3
9.	Strengthen EU staff expertise on decentralisation reforms	4	4
10.	Strengthen EU monitoring of decentralisation support	3	2

* 1 = low, 4 = high

The following figure depicts this assessment graphically.

Figure 8 Prioritisation of recommendations, schematic overview



Addressing these priorities requires interventions by different actors. Therefore, each recommendation includes suggestions for operational steps for putting it into practice, and identifies implementation responsibilities.

4.2.1 Cluster 1: EU Policy framework

4.2.1.1 Strengthen the EU strategic framework for support to decentralisation

Recommendation 1: Clarify and strengthen the EU's global role in support to decentralisation by clearly anchoring that support within partner countries' wider public sector reform agenda, by acting proactively, and by clarifying the comparative advantages of the EU.

Based on conclusions 1, 2, 3 and 8.

Main implementation responsibility:

- Any relevant persons at HQ in charge of designing the relevant aspects of the EU policy framework.

The EU has exceptional, but unrealised, potential for global support to decentralisation in third partner countries – working locally, worldwide in outreach, supporting international networks and building on global experiences.

Experience indicates that decentralisation support is most effective when clearly embedded within a wider public sector reform agenda, yet a great deal of EU support within this theme is still in the form of discrete projects for selective capacity building of local governments, just as the recent reorganisation has further removed EU HQ expertise from the wider theme of public sector reform.

The EU support to decentralisation reforms in third countries has, overall, been increasing over the last 10 years – as has the interest of other development partners and EU Member States. Efforts have been made to share experiences and harmonise work approaches among EU Member States⁵¹. However, steps towards division of labour in support to decentralisation and local governance have so far been country specific and have not yet progressed at global level. The European Consensus on Good Local Governance (as reflected, for instance, in the European Charter of Local Self-Government) and the broad principles for defining the particular role and comparative advantages of the EU (as reflected, for instance, in the European Consensus on Development) represent an exceptional potential for clarification and strengthening of the EU's global role in support of decentralisation.

⁵¹ Through e.g. the informal Development Partners Working Group on Decentralisation and Local Governance (<http://www.dpwg-igd.org>).

The EU has a unique relationship with European LGs for support to decentralisation and local governance in partner countries. This is institutionally anchored in, for example, a Structured Dialogue, Assises of Decentralised Co-operation for Development and the Committee of the Regions. The dialogue has hitherto mainly emphasised the direct and independent role of European LGs in development work, but could also be translated into an enormous resource base of the EU's own support to decentralisation reforms in partner countries – such as expertise on LG fiscal reforms, personal reforms, establishment of LG associations, systems for training of LG councillors. This will, however, require stringent internal knowledge management within the EU, and the establishment of modalities for provision of technical advisory services from the European local governments.

Implementing this recommendation would include the following elements:

- **Clarification of decentralisation as a central element of public sector management reform:**
 - Anchor EU support to decentralisation within a broader theme of public sector management reform.
 - Consider the establishment of a separate technical unit, under DEVCO.D, with expertise in public sector reforms – such as decentralisation/local government reforms, civil service reforms.
 - Enhance EU analytical and technical capacities in support of decentralisation and local governance (see also recommendations 9 and 10).
- **Enhancing dialogue with partner countries and EU Member States:**
 - Enhance dialogue in informal DPWG-LGD, and pursue development of recommendations regarding specific EU focus on relative comparative advantages – such as size/critical mass of funding, global presence, and co-ordination of development partner approaches.
 - Ensure that future structured dialogue in, for example, the Assises of Decentralised Co-operation for Development and the Committee of the Regions generates further debate on the role of the EU in enhancing nationally-owned decentralisation reforms, rather than ad-hoc support for a limited number of local authorities.

4.2.1.2 Operationalise and disseminate EU policy framework

Recommendation 2: Operationalise and disseminate EU policy framework.

Based on conclusions 1 and 9.

Main implementation responsibility:

- Decentralisation sector specialists at HQ.
- EU desk officers in DG DEVCO.
- Other EU services in charge of specific expertise (e.g. thematic budget lines, Aid Delivery Methods, o-QSG).

The EU policy framework for support to decentralisation has developed gradually during the period evaluated and has become more explicit, comprehensive and coherent. However, it is not yet fully translated into more practical operational guidelines or been fully disseminated. The relative vagueness of guidelines has also made the EU rather modest in its policy advocacy role. There is a need for improving and disseminating *operational* guidelines in area such as how to work with sector wide approaches to decentralisation reforms, and how to work with reforms of LG fiscal framework.

Implementing this recommendation would include the following elements:

- **Developing practical and operational guidelines for support to decentralisation:**
 - One key priority would be to formulate a guideline on the development and management of Decentralisation Sector Support Programmes. This should include discussion on how and when to use SBS. The guideline should provide examples and references to further guidance, but otherwise be kept brief.
 - Another key priority would be the formulation of a guideline on EU Support to Fiscal Decentralisation. This should be developed in a way that will make it of relevance for work on GBS, as well as work in other sectors such as education and

health. Issues to cover in the guideline would include discussion of expenditure assignments, fiscal transfers systems, LG tax issues, and local government PFM issues including how to analyse them as part of PEFA assessments.

- **Strengthening processes of dissemination of policies and guidelines:**
 - Disseminate existing and new EU guidelines to EUDs and EU staff through seminars and e-learning.
 - Ensure that decentralisation-specific guidelines and policies are well reflected in overall EU programming guidelines.
 - Encourage use of the existing “Decentralisation Programming Fiche” (2009),
 - Review recent guidelines (e.g. on political economy analyses of decentralisation) from “The Informal Development Partners Working Group on Decentralisation and Local Governance Portal – DeLoG”⁵², adjust to specific EU requirements, and disseminate as relevant.

4.2.2 Cluster 2: Response to specific country contexts

4.2.2.1 Strengthen country ownership of reforms, but retain EU policy advocacy role

Recommendation 3: Strengthen and broaden country ownership and co-ordination mechanisms for support to decentralisation reforms, but retain proactive EU advocacy role.

Based on conclusions 2, 3, 4 and 7.

Main implementation responsibility:

- EUDs.

The dialogue on appropriate decentralisation reforms needs strengthening at several levels – first, and foremost, strengthening an informed dialogue within partner countries. The ministry responsible for local government typically manages national reform co-ordination, but there is a need to include a wider range of stakeholders at central and local levels.

Successful decentralisation reforms embrace overall reorganisation of the public sector – including decentralisation of functions and resources to LG – as well as effective citizen use of the new avenues for public participation and local accountability. In many countries, such citizen engagement needs to be nurtured. Public debate on decentralisation and local governance reform add quality to reforms and the likelihood of continued political support for reforms. This can be supported through NGOs engaged in policy and advocacy or through support to local associations of elected representatives of local authorities.

Furthermore, it should be noted that development partners themselves also frequently engage with different interpretations of local development strategies, and the EU should therefore actively engage with these to ensure that donor efforts support a mutually understood and nationally-owned reform strategy. The reform management process should be supported by quality analyses. The EU should engage more proactively and transparently on the basis of the European normative consensus on “good local governance”. The EU should engage based on better understanding of the local politics of decentralisation reforms – but should retain its stance on the importance of decentralisation reforms and the strengthening local authorities.

Implementing this recommendation would include the following elements:

- Assess country needs and strategies.
- Undertake analyses of the “politics of reform”/studies of “political economy of decentralisation reform”.
- Undertake open and constructive dialogue with relevant lead ministry (e.g. ministry responsible for LGs), but also with relevant sectors, Ministry of Finance, political parties, local government, CSO representative, as well as other development partners.

⁵² See <http://www.dpwg-lgd.org>

- Strengthen capacities of local actors to analyse and influence reform processes – for example, by supporting (long-term) research and analytical capacities of local government associations and of local research institutes.
- Identify relevant local government associations with research and policy advocacy capabilities, and support these where relevant.
- Assess wider institutional hindrances to citizen engagement in local governance (such as electoral systems, citizens access to information, etc), and seek ways to address these through e.g. advocacy by local government associations.
- For EUDs, engage actively in relevant policy forums.

4.2.2.2 Strengthen EU country-specific responses to decentralisation in all partner countries

Recommendation 4: Strengthen EU's country-specific and comprehensive responses to decentralisation in all partner countries.

Based on conclusions 4, 5 and 10.

Main implementation responsibility:

- EUDs.

Progress on EU support for decentralisation reforms is most evident in countries in relative early stages of reform, with significant internal political support for reforms and with explicit strategies. Progress of reforms has been uneven and EU responses could have improved if more attention was given to understanding of the political incentives for decentralisation reforms in partner countries. The EU has to date generally been most active in a relative small number of mainly Francophone African countries, but with greater analytical effort it will be possible also to identify significant and relevant response strategies in a wider range of countries including those with more mature local government systems. Decisions on possible interventions should be guided by in-depth analytical work as well as consultations with partner country stakeholders and other development partners. Several broad categories of stages of reforms can be identified, each requiring specific types of responses⁵³:

- Non-existent or very weak LG structures and no explicit decentralisation reform agenda – frequently found in (post) conflict countries.
- Explicit decentralisation reform agenda in early stages.
- Explicit decentralisation reforms in mature stages, with either continued effective political support or dwindling support/elements of centralisation.
- Mature LG structure without explicit decentralisation reform agenda.

Central political drivers of reform may be situated within, for example, the MoF and President's Office, rather than obvious collaborating partners (typically, MoLG). Sector ministries frequently have concerns about decentralisation policies, and these concerns need to be understood and addressed frankly in order for reforms to succeed. Political bases for reform may, over time, be built within LGs and CSOs.

Implementing this recommendation would include the following elements:

- Assess country needs and strategies for decentralisation and local government reforms through in-depth analyses. The guidance provided by the 2009 Decentralisation Programming Fiche is most useful as a starting point.
- Undertake political economy analyses to determine, for example, potential drivers of reform and areas of likely resistance.
- Encourage partner countries' efforts for comprehensive reform strategies.

⁵³ The importance of tailoring decentralisation support to the specific country context and the proposed broad categories of countries based on "maturity of decentralisation reforms" is also highlighted in the document adopted by the informal Development Partners Working Group on Local Governance and decentralisation (December 2009): "Specific Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation that will apply to specific country contexts". The document has been discussed and adopted by EC representatives.

- Consult with partner country stakeholders (relevant government representatives, but also wider stakeholders such as local government associations and relevant NGOs),
- Consult with other development partners and partner countries on division of labour for support to decentralisation and local government reforms.
- Identify relevant entry points for EU support:
 - Non-existent or very weak LG structures and no explicit decentralisation reform agenda: the relevant response from the EU would be to support policy and advocacy work for policy reform options, support local initiatives that demonstrate potential for decentralisation (bottom-up approach with explicit policy ambitions – e.g. Madagascar case).
 - Explicit decentralisation reform agenda in early stages: the relevant EU response would be to support development of decentralising reform strategies and corresponding broad sector programme support. Joint donor-funded programmes or possibly SBS would be relevant aid instruments (e.g. Mali or Sierra Leone cases).
 - Explicit decentralisation reforms in mature stages: the development of relevant EU responses becomes more complex as the number of stakeholders and overall importance of the LG sector increases. Relevant EU support to deepen decentralisation requires thorough sector analyses, and policy and advocacy work informed by political economy analyses. EU support may entail support to joint financed reform programmes, but the EU would typically also be required to find its relevant niche appropriate to its comparative advantages – for example, one specific area could be deepening fiscal reforms (see recommendation 6).
 - Mature LG structure without explicit decentralisation reform agenda: the relevant EU responses may take many forms and would, as above, require initial thorough sector analyses – including relevant analyses of the “politics of reform”. Support may entail several entry points – such as support for the “local government sector” more broadly by, for example, supporting core central institutions for management of the sector, support for overall sector monitoring (see recommendation 8), support for improvements of the financing modalities, and/or support for relevant local government associations.

EUDs would be the main stakeholders in addressing this recommendation and related actions. However, implementing them will also require strong involvement of decentralisation reform expertise from HQ. It is recommended to include guidance on development of response strategies as part of the operational guidelines referred to in recommendation 2.

4.2.2.3 Strengthen qualitative aspects of LG service delivery

Recommendation 5: Strengthen qualitative aspects of local government service delivery in EU support for decentralisation reforms.

Based on conclusion 6.

Main implementation responsibility:

- EUDs.
- EU desk officers in DG DEVCO and any other relevant persons involved in the decisions on the EU approach in partner countries.

EU support to decentralisation has had more immediate impact on quantitative aspects of local service delivery (expansion of services and citizens access to services) than on qualitative aspects.

This is explained by the fact that qualitative aspects of service delivery take time to materialise and are dependent on a wide range of external factors (for instance, health and education outcomes depends on general socio-economic developments or children's nutrition). They are also typically less under the control of local governments than initiatives related to the expansion of services (for instance, the number and quality of teachers and health staff deployed in schools and clinics constructed by local governments are typically determined by

central government rather than local governments). Nevertheless, there is scope for increased attention to quality aspects of service delivery in EU interventions supporting decentralisation processes. In particular, this complex task requires strengthening the linkages between the ministries in charge of decentralisation and sector ministries. EU support for decentralisation should also pay greater attention to issues related to local governments' capacities for operation and maintenance of facilities, and systems for local monitoring of quality aspects of service delivery.

Implementing this recommendation is highly context specific and would include the following elements:

- Support the analysis of quality aspects of local service delivery which are under the management of local governments – in most countries, this is typically done largely with sector specific perspectives. EU may facilitate local government perspectives in such sector analyses or support general analyses of quality aspects of service delivery in local governments.
- Identify areas of local government legislation, procedures and capacities that impact on quality of local service delivery. This includes: thorough analysis of existing modalities for financing recurrent services; analysis of costs of local operation and maintenance of facilities; and identification of areas where recurrent functions are possibly transferred to local governments as unfunded mandates.
- Emphasize aspects of central government fiscal transfers for recurrent aspects of service delivery as well as the use of local revenue generation and user fee contributions in a manner that enhance sustainability of local investments as well as poverty issues (it is important to take care not to drop certain responsibilities, for instance, responsibilities related to poor communities / poor local governments).
- Emphasise operation and maintenance issues as a key concern in interventions supporting decentralisation processes by providing specific assistance for the analysis of these issues and for the development of improved procedures, local capacities as well as related systems for monitoring of local operation and maintenance.
- Assist partner countries in building systems for monitoring of local service delivery in a manner that enables local governments and communities to better identify constraints for improvements of the quality of local services.

4.2.3 Cluster 3: Strategic focus

4.2.3.1 Prioritise EU support for IGFT and LG fiscal reforms

Recommendation 6: Prioritise EU support for IGFT and LG fiscal reforms.

Based on conclusion 12.

Main implementation responsibility:

- EUDs.
- Depending on the regions, EU desk officers in DG DEVCO and any other relevant persons involved in the decisions on the EU approach in partner countries.

EU support to IGFTs, as part of LG fiscal reforms, has proved to be among the most successful interventions in support of decentralisation reforms in partner countries. The EU has, because of its size, a significant comparative advantage for engagement in such support. Partner countries often find external support in such modalities less intrusive and with immediate local benefits that may add impetus to reforms. Support for IGFT is an area that warrants specific EU attention and prioritisation. Encouraging models of “good practices” have emerged that link funding through IGFT with incentives for LGs to perform, and can be further refined and adapted to specific country circumstances. The quality of EU support to this area needs, however, to be strengthened by additional technical expertise (see also recommendation 9).

Implementing this recommendation would include the following elements:

- Develop an overview of “good practices” based on international experiences within the EU and in partner countries.
- Prioritise support for IGFT in country programmes as part of a division of labour with partner countries and other DPs supporting decentralisation reforms.
- Continuously monitor and disseminate experiences learned.

4.2.3.2 Strengthen efforts for donor harmonisation

Recommendation 7: Strengthen efforts for donor harmonisation in support of decentralisation in partner countries and globally.

Based on conclusion 2, 3, 7 and 8.

Main implementation responsibility:

- Relevant staff at HQ and EUDs.
- Depending on the regions, EU desk officers in DG DEVCO and any other relevant persons involved in the decisions on the EU approach in partner countries.

The EU has, during the period evaluated, increasingly contributed to donor co-ordination mechanisms in partner countries, and also has contributed to the joint work of development partners in the Development Partners Working Group on Decentralisation and Local Governance (DeLoG). These efforts should continue, but should also be further strengthened.

Implementing this recommendation would include the following elements:

- Strengthen country ownership of reform efforts (see recommendation 3) and increase understanding of the political dynamics of such reforms.
- Engage actively in the work of DeLog – which, in turn, would imply also strengthening EU internal management of its support to decentralisation (recommendations 9 and 10).
- Implement agreed actions of the document “Busan and Beyond: Localising Paris Principles for More Effective Support to Decentralisation and Local Governance Reforms” (DeLoG, November 2011).
- Continuously monitor and disseminate experiences learned.

4.2.3.3 Strengthen partner countries’ monitoring of decentralisation reforms

Recommendation 8: Strengthen partner countries’ monitoring of decentralisation reforms.

Based on conclusions 7 and 11.

Main implementation responsibility:

- EUDs.
- Depending on the regions, EU desk officers in DG DEVCO and any other relevant persons involved in the decisions on the EU approach in partner countries.

Lack of proper M&E hampers the management of decentralisation reforms. Systems for country-specific M&E of decentralisation reforms may entail M&E of:

- Policy progress – such as legislative benchmarks, transfers of functions.
- Resources at LG levels – such as staff, finances.
- Capacities at LG level – such as organisational performance in areas of planning, PFM.
- Service delivery results – impact on access to services as well as quality of services.
- Governance outcomes – such as citizen participation, accountability transparency, corruption indicators.

Systems may typically include both routine monitoring and inspection, such as systems for planning, budgeting and expenditure reporting, service delivery surveys, and governance surveys. Systems may be managed by the responsible LGs, the central ministries and local research institutes.

In addition, it can also be beneficial to have regional peer reviews. This is, to some extent, already part of the general African Peer Review mechanism and various broad governance

assessments, but it could be made more detailed and linked to regional collaborations. The European Charter of Local Self-Government, and related assessment procedures, may serve as inspiration for partner countries.

Global statistics on, for example, LG share of public expenditures are available for OECD countries, but for very few developing countries.

Implementing this recommendation would include the following elements:

- EU to assist in the assessment of country-specific systems for monitoring overall progress of decentralisation reforms: policy progress (e.g. legislative benchmarks, transfers of functions); resources at LG levels (e.g. staff, finances); capacities at LG level (e.g. organisational performance in areas of planning, PFM). This may be linked to various forms of regional peer review mechanisms.
- EU to assist in the development of M&E systems for LG monitoring of service delivery results – addressing impact on access to services, as well as quality of services. This will typically require technical work with the ministry in charge of local governments, and significant co-ordination with relevant sector ministries.
- EU to assist in the development of governance outcomes, such as citizen participation, accountability transparency, corruption indicators. This may best be done by local research institutions – possibly using indicators that are agreed at regional or international levels for comparative uses.

4.2.4 Cluster 4: Operational management

4.2.4.1 Strengthen EU staff expertise on decentralisation reforms

Recommendation 9: Strengthen EU staff expertise on decentralisation reforms.

Based on conclusion 9 and 13.

Main implementation responsibility:

- Responsible at HQ (mainly DG DEVCO).

EU staff expertise has only partially been developed during the period evaluated. In general, more staff resources have been assigned to EUDs, but their access to training opportunities and learning materials has been limited. Expertise at HQ level increased during the latter part of the period evaluated, but has recently been reduced again. If the EU is to play a significant role in decentralisation reforms in partner countries, it is imperative that its internal expertise is strengthened. This should follow a two-pronged approach:

- Establish a strong central unit (part of wider public sector reform expertise) that can advise EUDs and the EU generally on programming in support of decentralisation reforms, as well as on sector programmes and GBS in “decentralised contexts”. The staff should have in-depth experience of local government reforms, decentralised local service delivery arrangements and local government financing in particular. The staff should have broad geographical expertise.
- Provide short-term training to other staff in EUDs and HQ. This may be through existing training courses⁵⁴ or by the development of new and more cost effective modalities for e-learning.

⁵⁴ See <http://www.train4dev.net/?id=109>

4.2.4.2 Strengthen EU monitoring and evaluation of decentralisation support

Recommendation 10: Strengthen EU monitoring and evaluation of decentralisation support.

Based on conclusion 14.

Main implementation responsibility:

- Decentralisation sector specialists in HQ.
- Evaluation Unit.

To date, the EU has undertaken various occasional assessments of its decentralisation support – including this evaluation, as well as the earlier consultations related to the 2007 Reference Document. However, routine M&E systems should be improved. These include:

- Systems for coding programming interventions in support of decentralisation should be implemented. The use of DAC codes is becoming more consistent, but is not yet fully applied for records in the CRIS data base.
- Country-specific evaluations of decentralisation support should be shared effectively within the EU. “Lessons learned” of relevance for other countries and for EU generally should be extracted.
- International and regional systems for decentralisation monitoring should be encouraged. These would include systems for basic statistical information (e.g. LG share of public expenditures, size of LGs, LG functions) as well as governance peer reviews (e.g. modelled on the European Charter of Local Self-Government).
- Future global evaluations on decentralisation issues may appropriately be undertaken as joint efforts with EU members states (and other development partners) and explore specific issues more in-depth (experiences with support for fiscal decentralisation, experiences with national decentralisation reform programmes, etc).

Implementing this recommendation would include the following elements:

- Implement consistent use of DAC coding of all interventions in CRIS.
- Provide time and HQ decentralisation expert staff resources for review of all relevant evaluations in partner countries for synthesis and dissemination to EU staff working in these thematic areas.
- Continuously monitor and disseminate experiences learned.
- Identify and support relevant regional and international institutions for decentralisation monitoring. These may include, for example, *United Cities and Local Governments (UCLGs)*, and similar regional institutions.