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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE  
EUROPEAN PARLIAMENT**

**OVERALL ASSESSMENT OF THE OPERATIONS FINANCED BY THE  
COMMUNITY UNDER THE REGULATION ON DECENTRALISED  
COOPERATION**

## **1. INTRODUCTION: CONTEXT AND OBJECTIVES OF THE ASSESSMENT**

Since its creation in 1992, budget line B7-6002 (ex B7-6340) has been used to implement decentralised cooperation in the context of the Community's relations with third countries. It has been a material expression of the Community's political will to help partner countries' local authorities and civil society play an active role in the development process.

The legal basis for this budget line is Regulation (EC) No 1659/98. After an external evaluation, this Regulation was extended and amended by Regulation (EC) No 955/2002, which expires on 31 December 2003. Article 12 of the Regulation stipulates that "Eight months at least before this Regulation expires, the Commission shall submit to the European Parliament and the Council an overall assessment of the operations financed by the Community under this Regulation, accompanied by suggestions concerning the continuing promotion of decentralised cooperation and the involvement of civil society."

The Commission ordered this assessment at the beginning of 2003 in order both to fulfil its obligations under the Regulation and to obtain information, in the form of recommendations based on the instrument's performance since the 2001 evaluation, to help it decide whether to extend the application of the budget line's legal basis. A team of four spent 42 days on the assessment: they interviewed Commission staff, examined the basic acts and project documents, sent questionnaires to beneficiaries, potential decentralised cooperation actors and delegations and conducted a statistical analysis of projects. Their remit was:

- to assess the tool's relevance, value added, consistency with other instruments and the results obtained from its implementation in terms of efficiency, impact and viability;
- to make practical suggestions to render the instrument more operational in the future.

## **2. CONTEXT**

Regulation (EC) No 955/2002 entered into force at a time of radical change and reform of the Commission's external aid practices. This period was marked by a number of key events:

- the creation first of the SCR and then of AIDCO and the "reunification of the project cycle";
- an overhaul of the programming process (CSP and RSP);
- the devolution of project management from Headquarters to the delegations.

At the same time the signing of the Cotonou Agreement in June 2000 enshrined the main tenets of decentralised cooperation, and in particular the role of non-state actors in the development process and the complementary roles of state (including decentralised administrations, municipalities and provinces) and non-state actors, in a broad cooperation agreement for the very first time.

The strategic importance of participatory approaches is also confirmed by the joint statement by the Council and the Commission on the European Community's development policy (20/11/2000), which recognises ownership of their strategies by the partner countries as the key to the success of development policies. To that end, the most wide-ranging participation of all segments of society is to be encouraged. The subsequent Commission communication

on the participation of non-state actors in EC development policy (COM(2002)598 final) emphasises the strategic importance of promoting capacity-building for non-state actors in the developing countries and the role of EU non-state actors in transferring know-how and skills to other development agents in the partner countries.

### **3. MAIN ISSUES EXAMINED IN THE REPORT**

The assessment report is of good quality and satisfies the terms of reference. After examining the concept of decentralised cooperation and its place in the various cooperation instruments and referring to the reform of the management of Community aid, the assessment report examines in depth the consistency and overall relevance of the budget line (Chapter 3), the machinery for the management and monitoring of implementation (Chapter 4) and the results attained over the period covered (2000-2002). The report ends with recommendations on a number of levels.

The main topics addressed by the assessment report are as follows:

#### **3.1. Consistency with the principles of decentralised cooperation and with other Community instruments**

The assessment of the line's consistency varies from one level to another and is presented in the report as follows.

##### *3.1.1. With the principles of decentralised cooperation*

The assessment of the consistency of the operations carried out with the principles and objectives of decentralised cooperation is very positive. It highlights the emphasis on institution building and the involvement in policy programming, which are reflected in integrated operations guaranteeing a long-term process approach, i.e. a dynamic approach differing from a project-based approach in that it focuses on dialogue and seeks to strengthen and mobilise endogenous resources. Recent years have also seen a significant increase in the proportion of contractors originating in the South.

To conclude, the projects financed in the course of decentralised cooperation are broadly consistent with the Regulation's objectives (participatory development, strengthening civil society and grassroots democratisation) and fields of activity.

##### *3.1.2. With other Community instruments*

The assessment criticises the lack of structured coordination, in the regions eligible for heading B7-6002, between operations under programmes governed by the same principles as decentralised cooperation and operations financed under the decentralised cooperation heading. It recommends that experience acquired under other programmes be pooled and that networks be gradually set up to disseminate information and provide assistance to the various actors and to improve the quality of proposals. The assessment considers Community programmes applying the decentralised cooperation approach in Asia and Latin America an example of good practice in this area (integration of databases and harmonised presentation of information and procedures).

The possibility of calling on actors in the South directly and the overall flexibility of the line are two aspects that both partners and the Commission's delegations greatly appreciate.

As regards the ACP countries, the Cotonou Agreement assigns civil society a major role in both implementing and programming cooperation. The decentralised cooperation heading has definitely stimulated this area of activity in the ACP region, though its impact in other regions is perhaps less apparent. However, there is likely to be an institutional trend in this direction. For instance, Article 10 of the EU-Chile Agreement signed in November 2002 provides for the setting-up of a Joint Consultative Committee and Article 11 for regular consultations with civil society. Similar clauses are planned for the impending association agreement with Mercosur, and the Commission is planning to include them in the new partnership and cooperation agreements to be negotiated with the Andean Community and Central America.

### **3.2. Relevance to decentralised cooperation actors**

A clearer distinction should be drawn between the decentralised cooperation and NGO cofinancing lines by defining the value added by the decentralised cooperation line more precisely and by targeting each line's actors more specifically. To that end, the role of NGOs from the North should, for the purposes of the decentralised cooperation line, be confined to that of facilitator for NGOs from the South.

It is recognised by everyone that the line is already supporting the participation of all decentralised cooperation actors, including those of the South, which especially appreciate the possibility of working in direct partnership with the Commission. A closer examination of the types of actors involved to date nevertheless shows a marked concentration of actors, with NGOs absorbing more than 40% of the funding allocated. The decentralised cooperation line has not yet managed to involve all categories of potential actors.

According to decentralised cooperation actors, the national authorities should play an indirect role by disseminating information and choosing sectors but should not be directly involved as an actor in decentralised cooperation.

### **3.3. Management of the budget line**

#### *3.3.1. Selection process*

The assessment is that the transparency of the selection process and the information needed to draw up proposals in the requisite format remain inadequate, especially for actors from the South. There have been considerable delays between the submission of proposals and the signing of contracts, delays likely to disadvantage actors with limited means or with political or administrative deadlines to meet. The 2002 call for proposals brought in proposals for about 490 projects and a total budget of €3.2 billion. The result was a disproportionate workload for selectors and growing frustration among the actors.

#### Position of the Commission

This remark was particularly pertinent in the years 2000-2002, a transition period which saw the administrative reform of the Commission's cooperation activities. A

number of measures taken during and since that period have brought appreciable improvements in this area:

- All management tools and responsibility for their application have been concentrated in the hands of AIDCO.
- A website now offers a wealth of standardised information and scope for responding to calls for proposals online.
- Calls for proposals have been introduced to make project selection more transparent. In order to limit the selection workload and needless frustration among actors, the Commission is looking into the possibility of splitting the process into two parts: an initial call for expressions of interest and, after an initial selection, a call for proposals.

### *3.3.2. Monitoring and evaluation*

The assessment severely criticises the failure to monitor and evaluate projects. It argues that project cycle management has been heavily dominated by evaluation at the expense of monitoring, which, despite the small number of projects financed, has been confined to contractual and budgetary issues. It concludes that there is still no real evaluation system.

#### Position of the Commission

- Projects financed in the course of decentralised cooperation are intrinsically more difficult to evaluate than others because they pursue results which, being less tangible, are hard to quantify.
- The priority initially given to selection was dictated by the pressing need to respond to the many proposals submitted to the Commission. A review of the selection process should enable the Commission to spend less time selecting projects and more time monitoring them.

## **3.4. Results achieved**

### *3.4.1. At the level of projects*

There is very little documentation on the impact and results of projects. However, most projects have completed the activities planned and have often involved new actors from civil society.

Since 2000 there has been increased interest in operations aimed at enhancing political and social dialogue or strengthening the institutional fabric. This major trend is undoubtedly related to the introduction of country strategy papers and the preparations for the Cotonou Agreement, which take the same approach. Since 2000 there has been a greater emphasis on building institutions rather than specific capacities.

According to the actors, the long-term survival of projects, and in particular their financial sustainability, has yet to be guaranteed. Other Commission financial instruments, for instance the national indicative programmes, could guarantee continuity; otherwise projects will remain unrelated one-offs.

### *3.4.2. In terms of the guiding principles*

The progress achieved over the years is real, but it remains frail and sometimes contradictory. It is often difficult to distinguish the material achievements from the incidental effects of such progress, the increase in the number of partners from the South being the most striking development in recent years.

The types of activity and the partners eligible for the NGO cofinancing and decentralised cooperation lines have never been clearly differentiated, a situation which has given NGOs an appreciable comparative advantage over other actors.

### *3.4.3. At the institutional level*

At the institutional level, the creation of this line appears to have been the trigger for a discussion on the concept of decentralised cooperation, so paving the way for the changes introduced by the Cotonou Agreement as regards the participation of civil society.

As a result, even if sustainability at project level seems shaky, this new dimension to cooperation has enhanced sustainability at institutional level.

## **3.5. Conclusions and recommendations**

### *3.5.1. Conclusions*

The overall conclusions of the assessment concern the consistency, relevance, value added, results and management of the decentralised cooperation line.

Though decentralised cooperation is judged relevant, it appears to lack consistency because it is not sufficiently coordinated with other financial instruments pursuing similar goals and because a lack of resources prevents it achieving the desired impact.

As for value added, the assessment sees it primarily in the instrument's flexibility, especially the possibility for actors from the South to conclude contracts directly, and the in-house dialogue at the Commission, which led, among other things, to the inclusion of civil society in the Cotonou Agreement.

The line's management is considered to be too centralised in view of the devolution process under way and too heavily focused on contractual and budgetary considerations. This is at the expense of the technical monitoring and evaluation stages, which are seriously underdeveloped. There is, moreover, a failure to capitalise on experience, identify good practice and disseminate results, even though these figure among the obligations listed in the operational guide.

The results are generally achieved in terms of activities, but they remain of limited viability, even though they are institutionalised. They show greater progress in the working of institutions than in participation in political dialogue.

### *3.5.2. Recommendations*

The assessment's recommendations concern improving the consistency and quality of proposals and results, the specific nature of the line and cost-effectiveness.

The assessment proposes that the instrument's consistency and relevance be improved by having the new Regulation target the line more precisely. Two targeting options are put forward, each with its pros and cons:

- broad geographic targeting (with three sub-options: by region, regional grouping or country category);
- even tighter geographic targeting, confining the use of all the line's resources to the exclusive benefit of the ACP countries, where, the assessment suggests, there are currently neither decentralised cooperation programmes based on the "process approach" in the NIPs/RIPs, though the Cotonou Agreement provides for them, nor regional programmes comparable to the MEDA, Tacis and ALA horizontal programmes.

As regards the quality of proposals and results, the assessment proposes a number of options:

- The use of networks could be stepped up to increase the transfer of know-how from North to South by promoting one-to-one relations. Such networks would also facilitate communications between actors in the South, helping them to exchange experience and know-how. The major ALA and MEDA horizontal programmes, which involve universities, SMEs, municipalities, etc. in networks with counterparts from civil society in the North, could serve as a model.
- Technical assistance networks could be set up for actors in the South.
- Monitoring and evaluation could be stepped up to help increase knowledge of the impact of operations and to provide a sounder basis for deciding whether to extend them. Monitoring should also serve as support for decentralised cooperation actors. All pilot projects for which a second stage is planned should be evaluated. The communication on the July 2000 assessment [SEC(2000)1051] provided for pilot and preparatory operations to undergo ex-post evaluation, especially if they were to be continued as programmes.
- The website's content could be improved by creating links to other decentralised cooperation partners (Member States, international organisations, etc.).

To enhance the line's specific nature, it is suggested that:

- the decentralised cooperation line be distinguished from the NGO cofinancing line;
- the participation of all potential actors, and in particular those from the South, be fostered;
- the arrangements for the participation of NGOs from the North be changed by focusing on their role as an interface with their counterparts in the South, offering them experience and know-how.

In order to improve cost-effectiveness, it is proposed that the line's financial resources be increased, which will also enhance the impact of operations. The division of tasks between Commission Headquarters and the delegations should also

be improved. Lastly, it is suggested that the minimum size of projects be reduced in certain instances from €200 000 today to €15-€30 000.

#### **4. THE FUTURE OF THE BUDGET LINE IN THE LIGHT OF THE ASSESSMENT REPORT**

The Commission has considered all the recommendations in the assessment report and endorses many of them. It drew on them when preparing the proposal extending and amending Regulation (EC) No 1659/98.

Of the options for the geographical focus, the one concerning countries with characteristics in common would seem to be the most appropriate both in political terms and from the standpoint of the practical implementation of the decentralised cooperation instrument. It is reflected in the draft Regulation's proposal that support be focused on "difficult partnerships", in which official aid is unable to make any significant contribution to participatory development. The assessment report cites the advantages of targeting aid by country category as being: consistency with NIPs and the specific characteristics of decentralised cooperation in the country, the major impact achieved when the number of countries is limited, the possibility of targeting countries with similar problems and the possibility of achieving complementarity with other decentralised cooperation instruments in the country. Among the potential disadvantages or difficulties of this approach, the assessment report cites the possible scattering of funds across a wide area, the difficulty of carrying out network-style horizontal or regional projects and, lastly, the fact that setting priorities might prove complex. There should also be a special emphasis on the need for the decentralised cooperation instrument to make a significant contribution to diversifying the type of actors involved in activities under the heading to ensure that all groupings of civil society are represented, with a special emphasis on support for actors in the partner countries. Along the same lines, consideration should be given to reducing the eligibility threshold for Community funding (currently fixed at €200 000) to enable partners from the South working in countries experiencing political, economic and social difficulties to submit admissible proposals.

Last but not least, calls for proposals should also emphasise the need for a certain degree of consistency between the projects submitted and Community programmes under way or planned in the countries concerned and, in so far as is possible, with national and local development strategies. Such consistency would help ensure the long-term viability of operations and enhance their visibility.