

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

Final Report

Volume 2c

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Evaluation for the European Commission





Aide à la Décision
Economique
Belgium



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

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

**Ref.: EuropeAid/122888/C/SER/Multi
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**Thematic global evaluation of the
Commission support to decentralisation
processes**

FINAL REPORT

February 2012

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

The evaluation is being managed by the Evaluation Unit of DG DEVCO.

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

Thematic global evaluation of the Commission support to decentralisation processes

Final Report

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4. Conclusions and Recommendations

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9. South Africa
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**Thematic global evaluation of the EC
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**Field Phase - Country Note
Benin**

Prepared by: Hans Olsen

July 2011

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by Particip GmbH***

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List of Abbreviations

ANCB	Association Nationale des Communes du Bénin
ANMB	National Association of Municipalities of Benin
BTC	Belgian Development Agency
CEFAL	Centre de Formation pour l'Administration Locale
CFAF	CFA Francs (currency)
CONAFIL	fr: Commission Nationale des Finances Locales (en: National local government finance commission)
CRIS	Common Relex Information System
CSO	Civil Society Organization
CSP	Country Strategy Paper
DANIDA	Danish International Development Assistance
DED	Deutscher Entwicklungsdienst (German Volunteer Service)
DGAT	Direction Générale de l'Administration Territoriale (MDGLAAT)
DLG	Decentralisation and Local Governance
DP	Development Partner
DTCA	German Programme to Support Decentralization and Local Development in Benin
EC	European Commission (Commission of the European Union)
EDF	European Development Fund
EMAC	Equipes Mobiles d'Appui aux Communes
ENA	Ecole Nationale d 'Administration
EPA	Economic Partnership Agreement
EQ	Evaluation Question
EU	European Union
EUD	European Union Delegation
EUR	Euro (currency)
FADeC	Le Fonds d'Appui au Développement des Communes
FENU	Fonds d'équipement des Nations Unies
GBS	General Budget Support
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation; formerly GTZ)
GoB	Government of Benin
GPRS	Growth Strategy for Poverty Reduction
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation; now GIZ)
HRM	Human Resource Management
IMF	International Monetary Fund
JC	Judgement Criterion
KfW	Kreditanstalt für Wiederaufbau (german Development Loan Corporation)
LA	Local Authorities
LEPI	Liste Electorale Permanente Informatisée
LG	Local Government
MDEF	Ministry of Development, Economy and Finance
MDG	Millennium Development Goal
MDGLAAT	Ministère de la Décentralisation, de la Gouvernance Locale, de L'Administration et de L'Aménagement du Territoire
MDP	Municipal Development Programme
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
PACTE	Programme d'appui aux collectivités territoriales
PAP	Priority Action Programme
PAPDC	Action Program to support the implementation of Communal Development Plans
PDC	Plan de développement des communes (Communal development Plans)
PDDI	Plan Départemental de Développement Intersectoriel

PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PONADEC	Politique Nationale de Décentralisation et de Déconcentration
PRGF	Poverty Reduction and Growth Facility
PRODECOM	Programme d'appui au démarrage des communes
PRSP	Poverty Reduction Strategy Paper
SBS	Sector Budget Support
SCRP	Stratégie de Croissance pour la Réduction de la Pauvreté
UNCDF	Capital Development Fund United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USD	US Dollar (currency)
WB	World Bank
WG	Working group

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

The purpose of the evaluation is to gain key relevant lessons learnt and to provide recommendations for future support to decentralisation processes; it covers aid delivery over the period 2000-2009 taking into account the different entry points used by the EC to delivery its support to decentralisation processes. The overall thematic evaluation is partly based on a number of country case studies to be carried out during the field phase and the present report is a summary of findings from a field visit to Benin.¹

The field visit to Benin had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. This note should by no means be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered foremost at the single country level, but have been formulated for use at the global level and are a subset of the findings using the full set of collected data from the desk study and the different field phase country case studies.

The reasons for selecting Benin as one of the field studies were:

- *Importance of EC/EU support:* The decentralisation support has increased in importance over the evaluation period and constitutes an increasing portion of the overall country portfolio of up to 5% under 9th EDF and up to 7-8% under 10th EDF;
- *Aid modality:* The period 2000-2009 has seen a focus on area based project support being replaced by a more coordinated and systematic support to overall decentralisation process and the latest support is given as Sector Budget Support (SBS) for direct investment at municipality levels;
- *Geographical specificities:* Benin is a francophone West African country that is among the 20th poorest countries in the world.

The field visit was undertaken between 09/05 and 16/05/2011 and was carried out by Hans Olsen (Team Leader) and Faustin Djagba (National Consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Benin has specifically looked into the following aspects:

1. Over the last 10 years, the EC/EU and other donors have pursued a gradual approach to working with the decentralisation process by supporting local development planning and increased investment at municipal level. The question is how committed the Government of Benin is to this process?
2. Is sector budget support an effective instrument in dialoguing with the Government regarding the decentralisation reform process?
3. What have the outcomes of the EC/EU support been in terms of improved service delivery from local councils?

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

development partners, as well as the overall decentralisation process in the country. This review concentrated on the EC/EU support to PRODECOM (2003-2006) the follow up programme PACTE (2008-2011) and the latest years support to the implementation of PONADEC (MDGLAAT) through FADeC.

In addition to studying the documentation, the team also interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country. A host of government and donor partners were interviewed (full list of people met is included in Annex 1). The Team also had the chance to attend the annual sector review of decentralisation and deconcentration and local governance, at which meeting all the major national and international stakeholders participated.

The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency. Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with informants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation and local governance portfolio of the EC/EU. Rather it is an attempt to learn from the Benin experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description decentralisation process in the country

The decentralisation process in Benin has gradually evolved from the early 90's onwards. In 1993, a new administrative division of the country was decided and a Ministry of Local Government and Decentralisation was set up and an inter-ministerial committee was tasked with drafting laws on decentralisation. In July 1996 the Government adopted various draft decentralisation laws. The Head of State later promulgated the following laws:

- Law No. 97-028 on the organization of local administration of the Republic of Benin,
- Law No. 97-029 on the organization of Municipalities in the Republic of Benin,
- Law No. 98-005 on the organization of Municipal Special Status,
- Law No. 98-007 of Municipal Financial System in the Republic of Benin,

In 2000, the Head of State promulgated Law No. 98-006 on the communal / municipal electoral system in the Republic of Benin,

In December 2002 and January 2003 the first municipal elections were held and in March 2003 the first municipal councils were installed. The second local elections were held in March 2008.

The legislative provisions for the administration of local government through elected bodies was adopted by the National Assembly and promulgated by the Head of State in 2000 and a first round of local elections were held. Five laws govern the new administrative organisation of Benin which focuses on the general principles summarized here after: (i) has a unique level decentralisation; (ii) legal personality and financial autonomy of municipalities; (iii) Prefect of the Department supervises the communes/municipalities; (iv) municipalities will have greater powers in matters of development and sectoral policy; (v) the law provides for simultaneously transferring skills from the state to the common resource transfers to exercise those skills; (vi) municipalities have their own resources; (vii) municipalities will be headed by elected municipal council, chaired by a Mayor elected from among its members.

Table 1 Decentralised Political Structures

Structure	Number	Status	Authority	Election Process
Département (région)	12	Circonscription administrative	Préfet (1 Préfet manages to regions)	Conseil des Ministres
Commune	77	Collectivité territoriale décentralisée	Maire	Elected among the conseillers communaux
Arrondissement	546	Unité administrative locale	Chef d'arrondissement	Elected among the conseillers communaux
Village/ quartier de ville	3628	Unité administrative locale	Chef de village ou de quartier	Voted by village/quartier

The second round of municipal and communal elections was held in January 2003. End of March 2003, the installation of 77 Municipal Councils took place. The EC/EU supported the community project PRODECOM ("*Programme Support for start-up of Communes*"). PRODECOM aimed to improve the living conditions of populations in the context of democratic governance at local level. The launch of the project just after the elections and the establishment of Mayors is a strong signal of the EC/EU support to the decentralisation process. In 2007 (decree 2007-448 of 2 October 2007 on the duties, organization and operation), a ministry was specifically created for devolved and decentralized administrations, and the government at the sub national level. In 2008, a "*Fonds d'Appui pour le Développement des Communes*" (FADeC), replacing the Solidarity Fund, was established and the missions of the "*Commission Nationale des Finances Locales*" (CONAFIL) were reformulated. In 2009/2010, a National policy of decentralisation and devolution was adopted to better articulate and operationalise the decentralisation laws. The above-mentioned activities have all been supported by the EC/EU.

According to Law No. 97-028 of 15 January 1999 on the organization local administration in the Republic of Benin, "the town is a local authority with legal personality and financial autonomy..." to allow the Council to assume its full powers, including that relating to financial independence without which it can not achieve the main objective of decentralisation. The Parliament passed Act No. 98-007 (Municipal Financing) which provides the legal instruments by which local officials can mobilize and manage local financial resources/revenues. The central government through the Ministry of Local Government and Decentralisation is charged with putting in place any grant transfers mechanism to local governments, with the support of the technical/financial donor partners. The most important (or only direct grant/subsidy to municipalities) is the FADeC.

The objective of the decentralisation reform was intended to strengthen democracy and political participation to ensure the involvement of people in the process of local development and transfer of authority and decision-making power to local authorities in particular in the area of service delivery. The decentralisation laws of 1999 created a level of local government and transferred the authority and decision-making at this level, particularly in the area of essential services. To support decentralisation, the Government has also engaged in a process of devolution of central government. In this framework, departments (especially in social sectors) have initiated their own programmes of devolution of funds for their activities at the local level.

The municipality has its own functions as a local or regional authority (specific functions). It also has the control of the supervisory authority of other powers under the jurisdiction of the state (shared competences). The powers transferred to the municipalities by law cover virtually all aspects of local development and include: local development planning, urban development and housing, infrastructure, transport and equipment, sanitation and the environment, nursery and primary education, health, social and cultural sectors, and finally commercial and economic development.

There is only one level of devolution, which means that the Department (regional level) has neither the legal nor financial autonomy. The number of departments increased from 6 to 12 in 1999. A "prefect" who is the representative of the Government in the Region is the head of the Department. The Department has a supervisory and regulatory function vis-à-vis the municipalities and the functions include:

- Assistance and advice to the municipality;
- Support the activities of the municipality and to harmonize its actions with those of the State;
- Control legality of acts adopted by the council and the mayor and the municipal budget.

The Prefect chairs the departmental administrative conference that brings together the heads of county departments and the county council, which includes representatives of municipalities (the mayors and their deputies) and civil society.

To guide and ensure close monitoring of the implementation of the decentralisation process, a national policy of decentralisation and devolution (PONADEC) was prepared and adopted by the Government in October 2009. The PONADEC provides a unique reference and consensus to achieve progress in decentralisation and deconcentration, while strengthening their links. It provides a common framework of accountability and coordination of all actors of decentralisation: central, local elected officials, government at all levels, development partners and local people. Its main objective is to create institutional and organisational conditions for a sustainable and balanced development based on collaborative local governance and the promotion of local authorities to boost the grassroots development. The PONADEC defined a 10 year vision (2009-2019) and focuses on five strategic directions: (i) local development is at the heart of public policy, (ii) decentralisation and devolution are key drivers of modernization of the state, (iii) the role of the local government is recognized and democratic expression is enhanced, (iv) the fight against poverty is part of the decentralisation policy, and (v) institutional capacity of actors is strengthened by a better allocation of public resources and appropriate support.

Given the limited resources of municipalities, it is not surprising that financial transfers from central government are an important source of revenue for municipalities, especially for small rural communities. Over the period 2004-2010, they accounted for nearly 30 percent of total revenue of local governments with a range from 10,5 percent for the municipality of Lokossa to 87,8 percent for the town of Za-Kpota. For more than 35 percent of municipalities this proportion exceeds 40 percent and has tended to increase in recent years with the introduction of the FADeC (Development Fund for Municipalities). Transfers and state subsidies to municipalities have more than doubled over the period 2004-2009 and total 51 billion FCFA. This means that most local governments depend heavily on the state for their resources, which limits their autonomy. Therefore, capacity building of local government staff as well as enhancing the local administration of revenue collection is a major challenge for the decentralisation process in Benin.

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC/EU-funded interventions considered.

Table 2 List of the major EC-funded interventions

<i>Intervention title</i>	<i>Budget (in mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Appui a la décentralisation et développement local	0,37	EDF/1999/014-378	Direct project funding
Programme d'appui au démarrage des communes - PRODECOM	8,15	EDF/2002/015-861	Programme support to support capacity building of municipalities
Programme d'appui à la décentralisation	13,7	EDF/2007/019-049	Sector budget support to the decentralisation policy implementation
Projet de développement local et d'accompagnement au processus de décentralisation dans les 6 communes du département des Collines (Bénin)	0,37	CDC/2003/005-002 // 55442	

The partnership between the EC/EU and Benin is seen as strong and has strengthened over time in terms of a political dialogue that mainly centres on the development issues facing Benin. The dialogue with the EU Member States represented in Benin and the Government is intense. This dialogue takes place within the framework of Article 8 of the Cotonou Agreement, on the initiative of the Government or a partner, or finally in the framework of sectoral dialogues.

The contribution of the European Union in the fight against poverty in Benin within the framework of the Poverty Reduction Strategy has been supported through the 9th and 10th EDF focused on strengthening governance, infrastructure development and acceleration of growth by budget support. Outside these areas of concentration, the EC supports civil society, the fight against child trafficking, the private sector and the environment. The 9th EDF had more than 205 billion FCFA (313 million

EUR) of support that was fully committed. The 10th EDF has an overall allocation of 219 billion FCFA (334 million EUR). The support focuses on the following areas:

1. In the infrastructure sector is included the continued development work of the Exit Northwest Cotonou (40 million EUR), preparation of road works Bérébouay-Parakou (63 million EUR), continued cleanup of flooded neighbourhoods west of Cotonou (27 million EUR) and support to the Road Fund.
2. In the area of governance, the 9th EDF had accompanied the rehabilitation of 8 Courts of First Instance, the construction of two Courts of Appeal and two new Courts of First Instance. Besides these facilities, the Legal Support Project had 12 million EUR to support the modernization and computerization of criminal and civil information systems. This support has continued through the 10th EDF favouring the development of a sectoral approach to empowering the sectors, and 25 million EUR have been provided for this purpose.
3. In the area of decentralisation and local development, the EC/EU support is for the process of decentralisation through the PACTE Programme for an amount of 15 million EUR under the 9th EDF and 45 million EUR has been allocated under the 10th EDF as mainly sector budget support.

Note: a detailed list of EC/EU-funded interventions directly supporting decentralisation is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Ind 1.3.1:

The various national stakeholders find that the EC/EU policy interventions on decentralisation and local governance have been pertinent and very clear but that the actual policy documents are less well known. To which degree that the policy statement or documents have been communicated widely is not evident, but the mere fact that the EC/EU has consistently been playing a lead role in the decentralisation and local governance field over the past 5 years, has also meant an increased visibility and also a shared vision for work with other key development partners (DPs).

Ind 1.3.2:

The development partners interviewed all find that the EC/EU policy framework has developed over the past 10 years and the EC/EU has become more active in decentralisation interventions. In Benin, the change from mainly area-based projects in the various regions supported by various donors to Programme support (PONADEC) and to sector budget support has all been accompanied by the EC/EU and the EUD staff has been instrumental in advocating for this change. The EC/EU strategy is therefore seen as clear and pertinent to the situation in Benin.

Ind 1.3.3:

The key staff dealing with decentralisation in Benin has been involved from the beginning in developing the EC/EU strategies on decentralisation and local governance and have been involved in training and regional meetings. For them there is clear guidance now for the decentralisation and local governance interventions and they work very much to increase harmonisation and alignment in the decentralisation area with all key stakeholders. The Government is very weak and therefore the DPs have in many ways taken the lead on the DLG agenda and not least the EC/EU through the EUD.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1:

The issues of decentralisation and local governance are actively discussed within the EUD and with the government partners. The on-going dialogue within the EUD and with external partners is intensive in terms of DLG issues. In the early process and under project implementation the procedures were often found to be both bureaucratic and excessive. Many of the implementing partners found that under project approaches the EC/EU procedures were very cumbersome and bureaucratic with many externally set and driven audits and reporting formats. However, over time a number of programmatic and sector budget support initiatives are found more flexible and useful for furthering the DLG issues. E.g. one of the components of the PACTE programme implemented with the help of a specific programme unit was delegated to GTZ (GIZ) as they were found to be technical sound in the capacity building area and the focus of the component was the capacity building of the deconcentrated services in the regions.

Ind 2.1.2:

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

Ind 2.1.3:

Since mid-2000, a dedicated DLG expert has been working on DLG issues. Within the last 2 years this has become a unit as one more employee has joined the EUD and at least 1½ staff resources are being used for monitoring and coordinating DLG activities.

Ind 2.1.4: No comments.

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1:

The Governance portfolio is important in EUD and increasing support to DLG issues over the evaluation period. The EUD has dedicated increasing staff resources to DLG over the period with 1 full time from 2006 onwards and now 1,5 person. The EUD DLG focal point has been lead donor for

several years over the evaluation period and appreciated by stakeholders. Some of the staff in the EUD has attended the training/workshops for DLG issues offered by the EC in 2007/8.

Ind 2.2.2:

The overall knowledge and capacity of the staff in terms of DLG issues is excellent and they have played a major role in the last 3-4 years in coordination and harmonisation of activities. Recent additional staff resources have bolstered the DLG section under the Governance umbrella.

Ind 2.2.3:

The training opportunities have been used in the past as well as wider participation in dialogues and regional workshops with headquarters.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1:

The M&E of decentralisation and local governance is both present in the general budget support framework as well as in the sector. The annual sector review for DLG functions as the main M&E framework for monitoring progress within the national policy (PONADEC) and relates to issues of administrative, human resources and fiscal decentralisation at national, regional and local levels. Sectoral coordination is ensured within the Working Group. This Working Group is the natural forum for donor coordination and alignment of external support on national sectoral priorities. The dialogue culminates in the annual sectoral review of decentralisation and the joint review of the PRSP between the Government and donors (in June). In 2009 and 2010, the EUD is leading development partners in the overall sector and therefore assumes responsibility for the secretariat. The presentations at the annual review by the Ministry (MDGLAAT) are fairly comprehensive in terms of giving the latest overall information on capacity building issues at LG level as well as fiscal decentralisation indicators and implementation over the past year.

Ind 2.3.2: N/A

Ind 2.3.3:

While it may not be possible to talk directly of a single "driver of change" in the EUD it is recognised by both the EUD itself and by DPs that the EC/EU has been very active in the dialogue with the GoB over the past 4-5 years and especially in terms of forming the PONADEC in 2009 and ensuring that more reliable investment transfer are secured for the municipalities under the FADeC.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance*

Main findings from the field mission:Ind 3.1.1:

In the area of governance, the EUD participated actively in political dialogue in justice and local governance, being the lead donor in these two areas. The EC/EU is the largest provider of project preparation to the permanent voters list Computerization and participates actively in its management. The EC/EU support the PONADEC happens in active partnerships with several DPs who have supported the Government of Benin in the course preparing the PONADEC including EUD, BTC, KFW/GTZ, and Danida. This has enabled a more harmonised approach to supporting DLG activities from 2008/9 onwards and systematically supported by EC/EU and most recently through SBS. The President and official government policy mentions decentralisation as one of the key reform initiatives of the Government, but how active the support is throughout the government for this reform is not clear. The larger sector ministries seem slow to catch on to the reform focus of building capacities at local levels.

Ind 3.1.2:

The alignment is evolving and has been first and foremost pushed by donors present in the DLG area. However, a more systematic and encompassing sectoral transfer system from central to local government do not exist at this moment. The municipalities only disburse about 5% of the national budget and this is mostly linked to salaries and administrative costs and very little infrastructure development.

Ind 3.1.3:

The dialogue between GoB and the DPs is strong within the DLG field and has become even stronger over the evaluation period. While one might argue that the DLG agenda is mainly pushed and supported by the donors, and to a lesser degree government itself evidenced through very weak sectoral responses to DLG agenda at local level, the dialogue is strong and evolving. This is not least the case since 2009 and the PONADEC, which enables a more targeted and strategic discussion of the DLG issues and the joint annual review of decentralisation taking place between the donors and GoB.

Ind 3.1.4:

Reference to decentralisation and local governance is made throughout the CSP both for the 8th, 9th and 10th EDF.

3.3.2 JC3.2. The choice of entry points (including their sequencing or combination) reflects national contexts**Indicators:**

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:Ind 3.2.1:

There is no doubt that the approaches to supporting DLG in Benin have evolved considerably over the past 10 years and has gone from the scattered project approach focusing only on limited districts/municipalities to a more national and programme approach through the PONADEC. However, the donors still favour district-based programmes that only target a limited number of municipalities/communes per donor, and the support to e.g. capacity building is still scattered and not well coordinated. Attempts are being made under the PONADEC for MDGLAAT to design a more strategic approach to capacity building of LGAs. The overall importance of GBS and SBS has also grown considerably during the evaluation period. SBS is now in principle the modality for support to FADeC and should increase over the coming years in line with GoB funding priorities for local government investments. The GBS support framework has specific indicators for decentralisation that are aligned to the PONADEC and the FADeC.

Ind 3.2.2:

To some degree this has been addressed at the programming stage and a higher degree of interaction between DPs and government on approaches and interventions shows that this is the case.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as "When and how to use sector budget support?" or "what are the risks related to the") are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1:

The EC/EU response strategies in the area of decentralisation have been aligned with national policies, first to kick-start the capacity building of the municipalities and then in more programmatic and SBS forms. The partners are responding to the Governments' priorities / activities in the field of DLG. However, it is not clear to what degree other larger sector ministries also share this decentralisation reform process imperative, as overall decentralisation of functions and funds to carry out mandated functions at LG level is very limited in Benin.

The choices of entry points and aid delivery methods have been appropriate to national contexts as discussed above. This can be seen foremost in the extent of emphasis on DLG issues a one of the prominent and specific indicators being monitored under the GBS. The role of decentralisation in sectors dialogue seems less prominent and very little evidence of the dialogue and the prominence of DLG issues in the sectors was found during the mission. Regarding the DLG agenda pushed by donors: it is not clear how much this policy is based on political reality and priorities or whether it is only a statement not actively pursued by Government.

Ind 3.3.2:

N/A

Ind 3.3.3:

This is discussed actively within the EUD and especially during the development of the CSPs. An active debate is on-going also with SBS support and how this can be best applied in the case of DLG support.

Ind 3.3.4:

N/A

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

Ind 3.4.1:

It is clear from the assessed programmes and documentation that the EC/EU support is based on detailed analytical work relating to the decentralisation reform process and actors. This has led to a clear strategy and analysis of both the institutional and financial constraints of the sector.

Ind 3.4.2:

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

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind 4.1.1:

Several levels of coordination are in place in Benin, at (1) of the European Union (Commission Heads of Mission and the 5 member states present in Benin), (2) heads of mission, bilateral and multilateral agencies (3) experts in thematic coordination groups. The activity of the working groups (WGs) for sectoral and thematic coordination has been uneven and the GoB leadership lacking in many WGs. E.g. in 2007, the EUD had the lead for Groups (1) Monitoring PRSP and Budget Support, (2) Decentralisation, (3) Justice (4) Transportation and (5) Aid Harmonisation and also active in Health, Water and Energy, and the private sector WGs. The dialogue with civil society was also intensified during this period 2007/8 and should continue through all phases of the implementation of the 10th EDF. These initiatives are in line with the wishes of the GoB, which is to strengthen the dialogue with stakeholders in society, through what is called "collaborative governance".

Ind 4.1.2:

N/A

Ind 4.1.3:

The EUD has played a lead role in the dialogue on DLG with the GoB over the past 3-4 years and this has been very much appreciated by all stakeholders. The coordination and general harmonisation of approaches has been seen and the Joint Annual Reviews have become institutionalised, which shows a degree of maturity, coordination and collaboration between the various stakeholders.

Ind 4.1.4: N/A

3.4.2 JC4.2. There is complementarities between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1:

Local development, decentralisation and devolution: the sector is subject to collaboration between the EC/EU, France, Germany and the Government, although other partners are also involved. The preparation of the PONADEC was launched with the support of the Delegation of Belgium and, in collaboration with the Ministry of Decentralisation, Local Governance, Administration and Spatial Planning (MDGLAAT). The development of PONADEC was also supported by the EUD. The EUD was

the lead donor in 2007, Germany and France took over in 2008, and the EUD then took over again in 2009 as lead donor in the decentralisation working group.

Ind 4.2.2:

Donor Practices and efforts have been undertaken over the last 3-4 years to improve the coordination of partners and alignment with national procedures. Development partners seek to uphold the principles of the Paris Declaration on alignment and harmonization. The programming support of their projects is most often in connection with the preparation of budget proposals. But the predictability of aid is still insufficient. Development partners also aligned on national procedures for procurement, but still refer to their own procedures for accounting records and payments, audits and monitoring.

Ind 4.2.3:

N/A

Ind 4.2.4:

Yes participation is there in both national reviews and international conferences.

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- Ind 4.3.1. *Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- Ind 4.3.2. *Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- Ind 4.3.3. *Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1:

There was no evidence of this having taken place to any larger degree. Of course the other sector programmes follow developments within the decentralisation sector but there is generally speaking a lot resistance to decentralisation in the larger sector ministries.

Ind 4.3.2:

This does not figure as a major concern in the documentation reviewed from the EUD.

Ind 4.3.3:

The EC/EU has been instrumental in establishing and implementing the DLG coordination mechanisms with major donors and GoB. The EC/EU-funded PACTE programme was implemented in coordination with other donors – delegated authority to GTZ for component 3. The EC/EU support to decentralisation processes is generally coherent with other (sector and GBS) activities, and has had a prominent place in the governance debate (see earlier discussion of the GBS indicators). The harmonisation of donor activities is now more clearly prominent under the PONADEC umbrella and very clearly present in the work of CONAFIL/FADeC as investment funding for municipalities is increasing being channelled through the FADeC formula-based grant mechanism.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- Ind 5.1.1. *Existence and quality of national decentralisation policy and specific devolution processes*
- Ind 5.1.2. *Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1:

The National Policy of Decentralisation and Deconcentration (PONADEC – "*Politique Nationale de Décentralisation et de Déconcentration*") is the GoB's strategy for enacting the development aim of involving local governments in administrating their own proper activities and contributing to increased

service delivery. The focus of the strategy/policy is on the implementation of policies of decentralisation, de-concentration and planning and how this is done at local government levels. PONADEC was finalised in 2009. This means that the focus of PONADEC is the creation of the institutional and organisational conditions for a sustainable and balanced local development based on grassroots development. There are three specific result areas namely:

1. Implement a policy of planning and balanced development, incorporating the entire country to achieve sustainable and equitable development.
2. Ensure the implementation of the principles of good governance in modernisation of local administration.
3. Reduce the level of poverty by improving access to basic services and enhancing the economic potential of municipalities.

PONADEC has an implementation horizon of over 10 years to be able to achieve grassroots democracy, good governance and sustainable local development through a decentralised unitary state which ensures the harmonious development, on the basis of the national solidarity, universal access to basic services, and the potential regional and interregional balance.

Ind 5.1.2:

There are all the key actors such as the Ministry of Local Government (MDGLAAT) the association of local government (ANCB) as well as inter-ministerial coordination mechanisms.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1:

In July 1996 the Government adopted various draft decentralisation laws. The Head of State later promulgated the following laws:

- Law No. 97-028 on the organization of local administration of the Republic of Benin
- Law No. 97-029 on the organization of Municipalities in the Republic of Benin
- Law No. 98-005 on the organization of Municipal Special Status
- Law No. 98-007 of Municipal Financial System in the Republic of Benin.
- In 2000 the Head of State promulgated Law No. 98-006 on the communal / municipal electoral system in the Republic of Benin.

In December 2002 and January 2003 the first municipal elections were held and in March 2003 the first municipal councils were installed. The second local election was held in March 2008. The brief overview of functions of the municipalities is included in section 2.1 above.

Ind 5.2.2:

During discussion with key stakeholders in Benin it was made clear that large parts of the existing sector legislation is not aligned with LG legislation and decentralisation policy and needs to be reviewed with this in mind. The EUD supports this work, as it is part of PONADEC to effectively implement the decentralisation policy and make more effective the deconcentrated levels of sector services.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

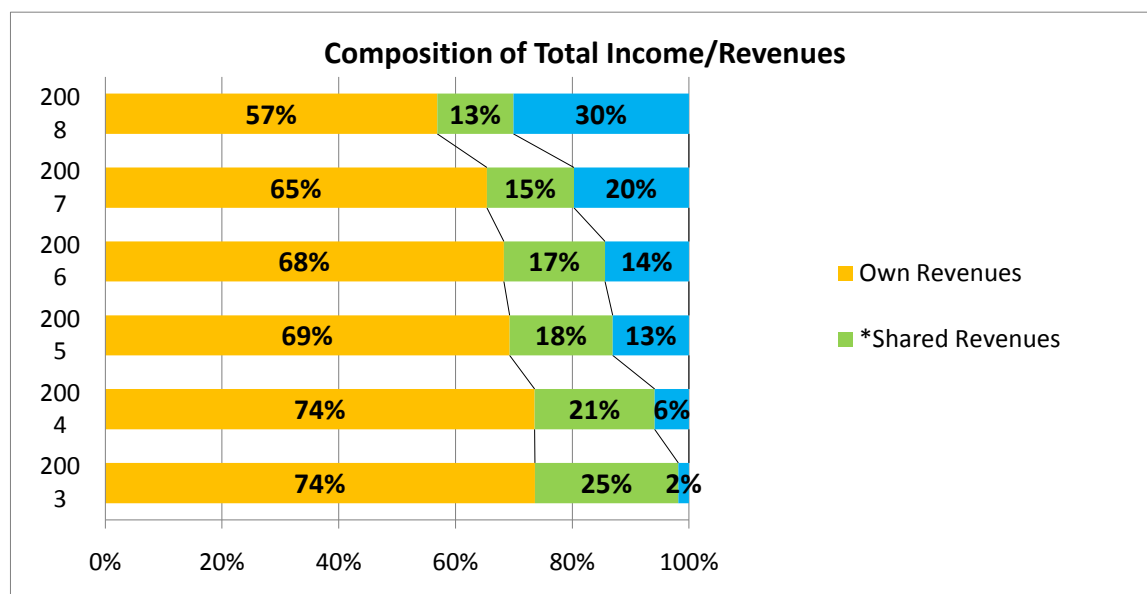
Ind 5.3.1:

The mission could not get exact figures.

Ind 5.3.2:

Even the recent Public Expenditure Review (PER 2010) from the WB does not have a full overview of the fiscal position of LGs. As can be seen from the below table the evolution of revenues for LGs has over time changed from reliance on own revenues to in fact over the past 3-4 years to receive more revenue in terms of government grants and shared revenue sources. The total budget available to LGs has risen slightly over the past 5 years but this is also accompanied by a reduction in own source revenues. In real terms the budgets of LGs has doubled. This is a development supported by EC through the FADeC.

Figure 1 Composition of LG Income and Revenues



3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)
- Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.
- Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.

Main findings from the field mission:

Ind 5.4.1:

Benin has moved rapidly recently towards a more unified, harmonized approach and political commitment towards a strong decentralisation and deconcentration (and territorial management) policy and the creation of the corresponding Communal Development Support Fund (FADeC, 2008). The donor community and especially the EUD in Benin, equally has moved closer towards a sector wide, more unified, aligned and harmonised approach in their support to the national 2D-policy (creation of well functioning donor working group, increasing use of the modality of global and sectoral budget support, increasing channelling of their ODA through the FADeC Fund as single instrument for supporting Benin's communes). A number of external development partners follow more or less also still their existing projects (project modality) due to previous contracts signed or because they have certain reservations still in regard to channelling their resources fully through the FADeC. However, even those more contribute, at least nominally, in parallel also to the FADeC. The FADeC, after a good start in 2008 and 2009, in 2010 suffered a setback in terms of Government's level of funding. Also, many communes complain about the late arrival of funds and still weak efficiency of fund allocation, distribution and efficient fund management from the side of the central and departmental administration. Also, the communes themselves lack for a large part the resources and capacities to manage the new PONADEC priority action programme and FADeC adequately.

Ind 5.4.2:

A local civil service has not been effectively created yet and the hire and fire of service delivery personnel often rests with the sector ministry concerned.

Ind 5.4.3:

In roles and functions are described in the legislation but in practice it is not yet down in the spirit of the law as sector ministries continue to work in a deconcentrated fashion also implementing activities.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively
- Ind 6.1.2. Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved
- Ind 6.1.3. Existence and use of M&E system
- Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy

Main findings from the field mission:

Ind 6.1.1:

Key central government bodies involved in decentralisation policy formulation and implementation have improved capacities over the last 5 years. This is definitely the impression of key stakeholders in the DLG process and this has been supported by EC programmes PRODECOM and PACTE over the past 10 years. Local governments capacities have also improved over the evaluation period but in limited fashion and in a very disjointed way as some of the larger municipalities have increased capacities and staff compliments but many rural municipalities have very weak and limited staff and own resources. The formation/implementation of PONADEC is an important element in this improvement. Numerous ministerial and inter-ministerial committees are being or have been put in place.

Ind 6.1.2:

See above

Ind 6.1.3:

The M&E is generally weak but the annual sector review of decentralisation does concentrate on presenting updated M&E figures on the most relevant capacity building and fiscal decentralisation issues.

Ind 6.1.4:

N/A

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- Ind 6.2.1. Evidence of improved financial management in local governments
- Ind 6.2.2. Evidence of improved planning in local councils
- Ind 6.2.3. Evidence of improved HRM in local governments
- Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level

Main findings from the field mission:

Ind 6.2.1:

Decentralised structures are still weak. The focus is on deconcentrated levels for PFM training but also lowers levels. Local Government training is carried out through CEFAL (*Centre de Formation pour*

l'Administration Locale) and has been underway since 2008. Plan for implementation in all Prefecture (regions) underway with some sector ministry participation but the plan is behind schedule and is not actively supported by all government sectors. Local accountability of local governments still weak – seems that NGO and CSO involvement in this area is very weak as most are focused on service delivery and not advocacy. The recent 2007 PEFA has a rating scale from A (good) to D (low), and none of the 27 indicators is scored A, only 4 had a score B, with the remainder scoring C or D. This means that the general PFM is weak and very poor. The PRODECOM and PACTE have focused on capacity building issues for LGs. The emphasis on enhancing PFM capacity of national, regional and local level is a top priority of EC/EU support within the governance sectors. Fund utilisation and accounting of these under e.g. FADeC and other sector resources at LG level are very weak.

Ind 6.2.2:

Increased local development planning was an objective of PRODECOM. The priority under PACTE has been to further develop capacities at national and local level. Basically all municipalities have development plans today but since the relationship between plan and budget and the level of budget execution is still very low it is a sign of very serious capacity problems in terms of planning.

Ind 6.2.3:

Since only 2-3% of the national budget is utilised by LGs there isn't much in terms of HRM to focus on. The largest part of the staff dealing with municipalities are still deconcentrated and under the control of sector ministries.

Ind 6.2.4:

N/A.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1:

The EC PACTE programme was working closely with the ANCB, which is still a very weak organisation that plays an increasingly more strategic role in the analysis of the decentralisation process, but which hasn't been able to manifest itself properly till date. The overall objective of PACTE is to improve the social and economic conditions of the people in the context of democratic governance at local level. The specific objective is that the municipalities provide services to people, mobilize the means to ensure their viability and their mission to facilitate local development in an institutional environment adapted to the challenges of reform. The three results areas are:

(R1) The municipalities strengthen their capacity to administer and promote local development through the ANCB authorized by them to provide them with local services and participate in their name in the dialogue on national policies.

(R2) The municipalities are implementing their PDC in this context and provide the administrative, social, economic and cultural means to meet the challenges of development and inter-communality,

(R3) The institutions responsible for steering the implementation of the reform of local administration ensure supervision of local authorities to improve their performance.

The ANCB is basically a mirror image of the municipalities meaning that it exists on very limited own source funding and is forced to seek project funds for basic activities. This does not further a strong and independent minded organisation.

Ind 6.3.2:

The NGOs working with advocacy and information around decentralisation are very few and far between. Most NGOs in Benin are focused on service delivery issues in the sectors health, education and water and sanitation.

Ind 6.3.3:

N/A

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1:

Local elections have improved over the past 10 years from the first local elections held in 2003 and all the local elections have been supported by the EC/EU. Two elections have been held in 2003 and 2008, the first which allowed, in addition to the introduction of municipalities, the emergence of the National Association of Municipalities of Benin (ANCB), the second election saw the renewal of up to 80% elected councillors. Recent support from the EC/EU has been through LEPI which is an attempt to make available computerised voter lists at local level.

Ind 7.1.2:

N/A

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Ind 7.2.1:

In general, local accountability of local governments still weak – seems that NGO and CSO involvement in this area is very weak as most are focused on service delivery and not advocacy. The Team could not verify this directly at LG level but it seems that issues of this nature have been addressed under the various donor-funded programmes and also the PRODECOM and PACTE but very little concrete evidence could be found.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

Ind 7.3.1:

Increased transparency in fund allocation is evident in terms of the FADeC and local budgets. The difference in the FADeC is between the funds that are conditional and un-conditional. For un-conditional there is free choice of the sector, projects and / or activities to be funded. That is to say in effect that the funds are in addition to the municipalities own revenues to be subject to local planning. On the other hand, FADEC is sending funds made available to municipalities for sectoral activities and these activities may relate only to this sector. Often, resources are allocated for specific activities, but this is not binding. Indeed, there is a wide range of options - for example, for investments, we can go from a situation where the Ministry of Education has already identified the sites for the classroom situation or a ministry that provides resources for 'infrastructure sector' without consulting the LGs. FADeC is working on increasing the un-conditional part of the investment grant to municipalities. This interest is understandable because it would increase the investment budget for the municipalities own priorities and the donors would develop a mechanism to support the communes in the whole country (replacing the geographical support, but taking into account the equalization criteria) through the national system. Some progress has been made for the FADEC budget line for unconditional investment grants.

While donors have hesitated to start co-financing, the GoB took a decision to commit funds (although this was helped by the GBS support, especially including from the EC). Since 2008, municipalities have actually received investment resources to finance priority actions according to their CDPs. With the increase in transfers of investment also increases the amount invested (although transfers also seem to have replaced the use of own resources for local investment). The FADeC grant formula is based on a combination of a fixed amount (called "endowment structure"), variables representing spending needs, the variables being proxy (a proxy) for the ability to generate (other) revenues (collectively called equalization grants), and a premium to boost performance.

Ind 7.3.2: N/A.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

Ind 8.1.1:

Actual figures on service delivery in the municipalities is hard to come by but as the below table demonstrates there is a very large gap between annual planned budgets at LG level and actual expenditures. This is normally an indication of poor capacity to transfer, manage and implementation funds for investment in service delivery improvements – an area that the EC/EU and other partners have concentrated on in larger sector programmes and also for investment purposes through the FADeC in the last 3-4 years. But with only 5% (PER 2010) of the national budget being spent through LGs the issue of decentralised service delivery is clearly more a centrally sector driven prerogative than a local development planning one.

Table 3 Average % expenditure against budget 2004-2009

	2004	2005	2006	2007	2008	2009	Average 2004-2009
Administration/Functions	75	64	76	125	60	67	78
Investments	41	30	48	42	88	76	54
Total Expenditure	58	47	62	83	67	70	65

Ind 8.1.2:

Decentralisation in Benin started with elections for the 77 Municipal Councils in 2004. The municipalities were given a number of tasks mandated by law, amongst others the construction and maintenance of rural roads, primary schools and rural water supply. The municipalities were similarly assigned a number of revenues, amongst others tax de voirie, sales tax etc., however their most important source of income from the outset was transfers from the central government. With only about 5% of the national budget being spent through the municipalities this remains extremely low also in comparison with other developing countries. Benin has in recent years taken further steps in promoting decentralisation. In 2007, a Decentralisation Ministry (MDGLAAT) was established, and in 2008 elections for the second generation Municipal Councils were held. 2008 further saw the creation of FADeC (*Fond d'Appui au Développement Communale*), a block grant (formula based) for the municipalities, and CONAFIL (*Commission Nationale des Finances Locales*), a policy advisory body, which provides oversight of the allocation of FADeC funds. Finally, in late 2009, a National Decentralisation Policy PONADEC was adopted as a guide for the decentralisation process in a 10-year perspective. All of this has been supported actively by the EC/EU. The proposed formula-based grant for investment purposes is described above under Ind. 7.3.1.

Ind 8.1.3:

There are examples of public-private partnerships in delivery of services in Benin. Through 15 years of concerted effort initiated in Cotonou, the system of pre-collection of solid waste by NGOs working at

the household level has been well conceived and implemented. In the main urban areas, the NGO's serve from 60-85% of establishments of their zones and receive payments regularly and adequately for their efforts. This high level of service is based on a high level of commercial establishment participation, offsetting the lower household level of participation. Cotonou has precise pre-collection zones and the pre-collectors work with official authorization. The authorization specifies performance criteria and appends a terms of reference and is given annually. The NGO's then enter annual contracts with each household they serve. The fee for service in Cotonou is based on the city's tariff structure, which takes affordability into consideration for each area and enables extra charges for additional volumes collected per source of generation. This is an area especially supported by the WB.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

Ind 8.2.1:

The Evaluation Team while in Benin could not make a full analysis of the question of operation and maintenance budgets at local level. Normally municipalities have been using their own small revenue sources for O&M budgets, but these have fallen considerably over the past 5 years. Only the larger municipalities of Cotonou and other cities have some local revenue sources that allow for some meagre O&M budgets. The FADeC unconditional grants will have a degree of operation and maintenance built in to them.

Ind 8.2.2:

N/A

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *Ind 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *Ind 8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.1:

The Communes funding is only marginally higher – most funds are expended through deconcentrated sectors and therefore in principle the central government. However, the GoB has received considerable Budget Support funding from the EC over the past 5-6 years. And following observations can be made in terms of the overall improvements in service delivery:

- The total revenues of communes show an increase in transfers and a decrease in importance of own resources;
- The budget for local investments has increased over the past few years but the actual expenditure of local budgets compared to planned ones is extremely low with an average of 65% over the period 2004-2009 in municipalities.

Ind 8.3.2:

The recent 2010 PER by the WB states that even if the operating costs accounted for an average of nearly 70 percent of total public expenditure over the period 2004-2009 for LGs, their share dropped to 61,6% in 2009. By contrast, after several years of decline, the evolution of public investment spending has experienced a reversal of trends from 2006. The share of investment expenditure in total public expenditure increased from 23,7% in 2006 to 38,4% in 2009. This increase is mainly due to increased capital expenditure domestically financed nearly 28,5% per year while that of foreign-financed expenditure was limited to 3%. In particular, it should be noted that capital expenditure domestically financed doubled between 2008 and 2009. This change in the economic composition of public spending in part reflects the will of the authorities in Benin (aided through GBS) to provide basic infrastructure to improve the competitiveness of the economy and support growth in the medium and long term. How this has translated into improved quality of service delivery at local levels is still too early to say.

4 Conclusions concerning the hypotheses and main challenges to be discussed in the synthesis phase

Over the last 10 years, the EC/EU and other donors have pursued a gradual approach to working with the decentralisation process by supporting local development planning and increased investment at municipal level. The question is how committed the Government of Benin is to this process?

Benin's administrative system of local governance is characterised by a strong emphasis on central Government, with 12 deconcentrated departments throughout the country's territory, vis-à-vis 77 decentralised, but administratively still weakly developed "*Communes*" (municipalities). The departmental level functions more as a kind of central Government secretariat and less as a full-fledged intermediary administrative level between the Centre and the "*Communes*". A Government plan is underway to reform the departmental level of administration in the country (creation of 6 Regions and up to 29 Departments closer to the "*Communes*"), including departmental inter-sectoral development plans (PDDI) to fill the gap between the 77 Communal Development Plans (PDC) at one hand and the overarching national development policies (Benin Alafia 2025, MDGs / PRSP).

At the moment, most communal structures are still very weak, and suffer from funding well below their needs and mandates entrusted to them by the GoB. They also suffer still from major institutional weaknesses and in terms of their human resources and technical skill level. Their budget execution rate is still below capacity. Departmental advisory assistance services for municipalities are still not very well functioning. Line ministries have only deconcentrated their services towards municipalities by an average of 20% of their total operations.

While Benin's "2D" policy still has to go a long way to become fully operational, a good foundation has been laid by having developed a clear sectoral policy framework (PONADEC) with a clear priority Action Plan (around 25 million EUR for the period 2008-2013). And with the creation of FADeC, despite temporary funding and capacity gaps in its optimal execution, there are good prospects for reaching a better, more direct and efficient funding of municipalities in the near future (annual funding level of at least 10 billion FCFA). The fact that DPs in future have been invited to use this unified instrument as main funding modality is positive. In addition, DPs continue to increasingly use the budget support modality (general and sector budget support) – which is very well in line with the spirit of the Paris Declaration. The annual joint review and sector reviews in place offer the DPs the opportunity to enhance the necessary corresponding M&E framework to measure real impact of their support on the achievement of the MDGs. All of this has been supported by the EC/EU. The major question in the future will be how effectively the GoB to support the decentralisation reform efforts that will need the full support of larger sector ministries to be successful.

Is sector budget support an effective instrument in dialoguing with the Government regarding the decentralisation reform process?

The EC/EU has actively participated in the design and development of PONADEC (National Policy of Decentralisation), which today is the framework within which all programming and implemented interventions for decentralisation are taking place. A logical framework specifies the basic indicators to monitor progress towards the results within the DLG field. This has partly been based on the achievements of PRODECOM, and PACTE has capitalized and used the methodological tools developed by the government and donor support projects. The EC/EU has provided significant financial support to the FADeC. And these funds are already fully disbursed.

The EC/EU through the PRODECOM and later PACTE has contributed greatly to strengthening the capacities of local communities in Benin. But overall the capacities of LGs are still very limited and weak and in need of further support.

The EC/EU participated in the development of professional PDC (especially first generation) who engages in conduct of activities and projects at the commune level. And most importantly, the EC/EU has participated through the PACTE project capacity building of municipal actors. These different supports have certainly contributed to a better performance of service by the various municipalities but with mixed results.

These developments point to a further deepening of decentralisation in Benin over the years to come, where municipalities are likely to become increasingly responsible for public service delivery in terms of primary education and health facilities and public transport as well as local economic development. The success of this undertaking, however, hinges on the ability of the Beninese authorities amongst others to maintain a coordinated approach and develop a system of intergovernmental fiscal relations that is in balance. In this regard CONAFIL, as an advisory body, is intended to and well placed to

undertake the policy research, which would be a prerequisite for sound decisions the development of such a system.

So it looks like the mix of SBS over the last 3-4 years and the programme approach has worked well in terms of dialoguing with GoB surrounding the decentralisation reform process.

The EC/EU contributes to strengthening the institutional framework for decentralisation in Benin. It has been one of the lead donors for years in the Working Group for DLG. The EC/EU actively participates and contributes to the annual sector review in the field of decentralisation, and financially supports the FADeC/CONAFIL. Through programmes like PRODECOM and PACTE, the EC/EU has been strengthening the institutional framework for the management of decentralisation in Benin over the past 10 years.

The programmatic support and sector budget support to local authorities which was launched in January 2009 aim, firstly, to accompany the municipalities and their associations and, secondly, to support the strengthening of local government administrations. During sector reviews, debate and criticism are very objective, sincere and constructive.

In Benin, there is a very active WG group on decentralisation and good governance, which meets regularly to harmonize their activities and ensure compliance with the national framework for decentralisation. This group is one of the most operational WGs in Benin. The EC support under PACTE was 15 million EUR and a SBS including budgetary support of 10 million EUR for the realization of the development plans of the municipalities in terms of investments. The support has focused on: (i) a project owner which MDGLAAT and Ministry of Development, Economy and Finance (MDEF), (ii) support to ANCB, (iii) and with a budgetary aid to support the financing of municipal budgets through the national budget. All of this is closely coordinated with other donors in the WG.

What have the outcomes of the EC/EU support been in terms of improved service delivery from local councils?

The local government spending in Benin in 2008 totalled 3.374 FCFA per capita, against 2.530 FCFA in 2007, an increase of 33%. This increase was attributable to an improved level of collection of own resources by the municipalities from 2007 to 2008 from 16,0 to 19,1 billion FCFA (19% increase) and the increase in transfers of the GoB, whose share of the total general budget expenditure of the state increased from 1,5% to 1,9% between 2007 and 2008. The trend continued in 2009 with a budget transfer for investment (FADEC) of 7.436 billion FCFA against 5.436 in 2008. This has been supported by the EC/EU both through GBS but also especially through SBS for decentralisation.

If we look at 2008, own resources of municipalities for recurrent costs stood at an average of 53% of total resources. This share increases with the size of the town, between 20% and 56% for municipalities with over 90.000 inhabitants. The capital, Cotonou, stands out with an own revenue source for recurrent costs of about 80%. The share of investment expenditure in total expenditure in turn decreases with the size of the municipality by 49% to 24% to an average of 33%. This shows that the resource poor and rural municipalities have difficulty in meeting both recurrent and investment needs. This is the background for the work that the EC/EU spearheads with other DPs in terms of securing an equitable and more demand driven transfer system through FADeC.

The central government transfers to municipalities have increased sharply since 2006 (up 14% in 2007, up 42% in 2008 compared to 2007). In 2008 a total of 10,3 billion CFA francs has been paid to the municipalities, of which 53% allocated to investment and from the FADEC. So while the service delivery improvements can only be called tentative at most the EC/EU has been instrumental in securing increased funding for LGs for key functional needs and for local investments.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Last name</i>	<i>First Name</i>	<i>Organisation</i>	<i>Designations</i>	<i>Date of interview</i>
PAZOU	Victorin Azehoun	MDLGAAT/DGDGL	Director	10/05-2011
GNONLONKOU	Toussaint	MDGLAAT/DGAE	Director	10/05-2011
CHABI	Sébastien	MDGLAAT/DCL	Director	10/05-2011
MEDEGAN	Symphorien	MDGLAAT/DPP	Director	11/05-2011
DJACOTO	Victorin	CONAFIL	Secretary general	11/05-2011
Robert	Tossou	CONAFIL	Assistant	11/05-2011
NANA KO	Cossoba	UNCDF	Programme Officer	11/05-2011
RENAUD	Pierre-Yves	PACTE	Coordinator	12/05-2011
LAHLOU	Taoufik	France	Governance	12/05-2011
BADOLO	Loussir	KFW	Economist	12/05-2011
SCHMITT	Gérald	GTZ	Local Governance and Decentralisation Expert	12/05-2011
TRIPPOLINI	Ivar	GTZ	Governance Advisor	12/05-2011
GALLEZ	Alain	Belgique	Local Governance Adviser	12/05-2011
Edinger	Kristian	Royal Danish Embassy	Head of Cooperation	13/05-2011
DEGBE	Sylvain	Royal Danish Embassy	Economist	13/05-2011
BARBE	Jean	EUD	Adviser Social and Good Governance	10-13/05-2011
DECOUX	Alain	EUD	Adviser Decentralisation	10-13/05-2011

5.2 Annex 2: The list of documents consulted

- EU Vol 1 + 2, Evaluation Stratégie Pays Benin, Février 2005,
- EU - Stratégie de Coopération Pays, Benin (Addendum 2003-2007)
- EU - Stratégie de Coopération Pays, Benin 2008-2013
- MDGLAAT - PONADEC – Politique Nationale de Décentralisation et Deconcentration – Document de Cadre Politique, juin 2009
- EU – PACTE – Programme d’appui aux collectivités territoriales, MDGLAAT
- Projet d’aide-mémoire de la revue sectorielle décentralisation, deconcentration et aménagement du territoire, Cotonou, 12 mai 2011
- EU – A Review of Territorial Development, examples from the field and Good Practice for Donor Support, Global Report Final, HTSPE, October 2010.
- World Bank, Revue des Dépenses Publiques Renforcer la décentralisation pour améliorer la fourniture de services publics, (Public Expenditure Review), in collaboration with Dutch Embassy, Danish Embassy, Belgium Technical Cooperation, German International Cooperation October 2010
- Décentralisation au Bénin, en Afrique et ailleurs dans le monde, ADJAHO, R, Première édition, Cotonou, 2002.
- Coopération décentralisée et coopération multilatérale francophone, Agence de coopération culturelle et technique.

Laws and regulations

- Loi n°90-032 du 11 décembre 1990, portant Constitution de la République du Bénin ;
- Loi n°97-028 du 15 janvier 1999, portant organisation de l'Administration territoriale de la République du Bénin ;
- Loi n°97-029 du 15 janvier 1999, portant organisation des communes en République du Bénin ;
- Décret n°2005-763 du 09 décembre portant approbation de la politique nationale de coopération décentralisée ;
- Décret n°2005-764 du 09 décembre 2005 portant définition et modalité de la coopération décentralisée en République du Bénin ;
- Décret n° 2007-448 du 02 octobre 2007 portant attributions, organisation et fonctionnement du MDGLAAT.

Web links visited:

- http://ec.europa.eu/europeaid/where/acp/country-cooperation/benin/benin_en.htm
- Ministère de la Décentralisation, de la gouvernance locale, de l'administration et de l'aménagement du territoire: <http://www.decentralisation.bj/spip.php?rubrique207>
- GTZ: <http://www.gtz.de/en/weltweit/afrika/577.htm>
- <http://www.aménagement-afrique.com/>
- Website of the PDM (Municipal Development Programme): <http://www.pdm-net.org/>
- UEMOA website: <http://www.uemoa.int/index.htm>
- LARES NGO: <http://inco-claims.gret.org/uk/theme/index.htm>

5.3 Annex 3: Detailed list of EC-funded interventions

Table 4 Detailed list of EC-funded interventions related to decentralisation in the Country

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Appui a la décentralisation et développement local	1999 - 2009	0,37	0,37	EDF/1999/014-378	Top-down	N	Grant	-
Programme d'appui au démarrage des communes - PRODECOM	2003 - 2007	8,15	8,15	EDF/2002/015-861	Bottom-up	N	Grant to the GoB	Government of Benin
Programme d'appui à la décentralisation (PACTE)	2006 - 2008	13,7	7,8	EDF/2007/019-049	Top-down	N	Mixed of Grant and Budget support	Government of Benin
Projet de développement local et d'accompagnement au processus de décentralisation dans les 6 communes du département des Collines (Bénin)	2003 - 2006	0,37	0,37	CDC/2003/005-002 // 55442	Bottom up	L	Grant	EU MS (France)

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Programme d'appui au démarrage des communes – PRODECOM

Budget: 8,15 million EUR

Start date: 2003

Objectives and expected results

Strengthening of local governments' capacities, increased participation of civil society in local development and strengthening of the role of national institutions involved in the decentralisation process.

The overall objective

The overall objective is to improve the living conditions of the population through the development of democratic governance at local level.

The specific objective

The specific objective is the establishment of local governments ("communes") that can improve the standard of services delivered to the population (based on a participative approach) and the strengthening / support of the local governments ("communes").

Expected results:

1. Management capacities of 77 municipalities ("communes") are reinforced:

- The municipalities carry out their various tasks for the administrative, financial and technical management, particularly in developing and managing budgets, development plans and project ownership,
- The officials of the municipalities have the capabilities to perform their tasks and provide a minimum service to the people,
- The municipalities mobilize growing local financial resources,
- The municipalities engage collaboration within and between the municipalities.

2. The participation of civil society in the development process at local level is effective:

- People understand the decentralisation reform and are involved in the life of their community;
- Organizations of civil society and the private sector become partners of municipalities and local development partners;

3. The institutions in charge of decentralisation have enhanced their capacity to perform their respective tasks

- The bodies in charge of decentralisation complete the strategic regulatory and technical framework and ensures its steering role of decentralisation;
- The House of Local Governments performs its tasks of training and advisory support of municipalities;
- The 12 "prefectures" ensure their support and advisory role within the municipalities;
- A structured communication is taking place between the central institutions that are responsible for decentralisation and the municipalities.

Activities:

The activities of the programme have put in place an institutional support to the service of the municipalities:

- A **technical assistance** to the 77 municipalities²

² in the form of mobile support teams to local municipalities intended to bring them in situ the information that they need, a basic training within the action, advices and answers to problems that they find in their start-up (organization, procedures, methods, system management, definition of the rules, implementation of minimum services, etc.) on the basis of their specific needs or those identified by the authority and by institutions responsible for guiding the reform. This same assistance will also be charged to facilitate links between

- **A specific technical expertise** (engineers, architects, planners, industry experts, social activists, etc.) at the request of the municipalities in response to their needs;
- **Actions of technical training** for government staff and elected municipals. These actions will be defined with the House of Local Governments on the basis of needs identified by the EMAC³ and implemented notably with the support of the Municipal Development Programme (MDP) and the "Ecole Nationale d 'Administration" (ENA);
- **Communication activities.** The priority actions will also support the municipalities in their own communication activities;
- **Specific studies:** this component is to conduct studies firstly in order to support the "Mission of decentralisation" in its responsibilities for controlling the reform (establishing the modalities of transfer of jurisdiction, the terms of alignment of sectoral policies, reorganization of the decentralisation of services and redefining the roles of central government, etc.) and the House of Local Government to prepare its training modules; in addition, in order to prepare pedagogic information tool (development and dissemination of technical guides, systems management common procedures and modalities of the project owner , etc.);
- **Assessments and audits.**

5.4.2 Intervention 2

Title: PACTE - Programme d'appui à la décentralisation

Budget: 13,7 million EUR

Start date: 2008

Objectives and expected results:

Overall objectives:

- Improving conditions of social and economic life of people in a context of democratic governance at local level

Specific objectives:

- Initial support to accountability of actors
- Provision of user services, mobilization of resources by the municipalities and new opportunities for citizen participation to ensure their viability and their mission to facilitate local development within an appropriate institutional environment
- Establishment of a project management unit located with the National Association of Municipalities of Benin (ANMB), which will be responsible for:
 - Conducting of all the activities necessary to the achievement of result 1
 - Monitoring and evaluation of the system of municipal funding as a driver of achievement of the result 2 in the context of sector budget support to the decentralisation / devolution
 - Support of services and supervision of local authorities

Expected results:

1. Strengthened municipalities' capacities and promotion of local development through ANCB which is mandated to bring their local services and participate in their name in the dialogue on national policies.
2. The institutions in charge of piloting the implementation and supervision of local authorities improve the performance of their duties in the perspective of development administration.
3. Accompanying the budget support, the national control system of funding provided to the municipalities is monitored and evaluated
4. Strengthening of capacities to support the decentralisation of both local governments and national oversight bodies
5. The DGAT provides a monitoring and evaluation system of the implementation.

municipalities and their local (civil society and private sector), partners regional (decentralised services and other municipalities of the state) and national (state) partners and to bring back to the relevant central institutions (R, MCL, Ministries of Finance and Decentralisation and Prefectures) the data that are necessary to perform their respective functions

³ Equipes Mobiles d'Appui aux Communes

Activities:

1. Compile and analyze the needs of ANMB and of the municipalities in relation to their strategic visions of their development, testing and implementation of their PDC, in relation to their institutional capacity (to audit), and develop plans for strengthening their capacities
2. Develop a system of collection, analysis, access and dissemination of information on issues of common interests, experiences, tools, methodologies, available national expertise, regulation, etc.;
3. Develop activities of capacity building and advisory support: training and coaching, expert point, study missions, development of methodological tools, etc.;
4. Pooling of collective actions and inter-municipal support particularly through the harmonization and dissemination of methodological tools, the organization of common services, the promotion of initiatives of local authorities, etc.;
5. Improve communication between the association and its members through meetings, dissemination of information materials, the promotion of relations of cooperation and coordination with departmental associations of municipalities that will also receive support, etc.
6. Strengthen the communication compared to the communal reality against other national, regional and international actors
7. Defend the interests of local governments with public authorities by promoting the participation of the ANCB in national areas of cooperation and by facilitating their participation in national policy dialogues.

5.5 Annex 5: Detailed country context

(Source: EUD Note on Decentralisation and Development in Benin)

5.5.1 Economic and social and poverty analysis

Benin is a low-income country, in terms of human development index, it ranks 161st in the ranking of 182, according to the UNDP Human Development Report 2009.

The majority of the workforce is employed by the primary sector (agriculture) and tertiary (commerce and industry). In 2009, the sector contributes 53% of GDP, the primary sector for 34% and 13% for secondary sector. The service sector remains heavily dependent on re-export to Nigeria, the operation of the autonomous port of Cotonou and telecommunications activities. The primary sector, in addition to food crops, is mainly based on cotton the main source of export.

Annual growth in GDP rose from 2.9% in 2005 to 5.0% in 2008. This growth slowed in 2009 (3.1%) following the global crisis. These advances are likely to be hampered by population growth, estimated at over 3% per year. It is estimated, in this context, a growth of at least 7% would allow a significant and sustainable reduction of poverty.

The National Institute of Statistics and Economic Analysis has estimated that in 2007 one third of the population lived below the poverty line and is concentrated in rural areas. This finding highlights the need for a spatial approach of the European Community aid by supporting the national policy of decentralisation and devolution.

5.5.2 National Policy Development

Benin has a strategic framework for development and the fight against poverty, organized into three levels: [i] a national strategy for long-term "National Studies in Long Term Perspective, Alafia Benin 2025" that "Benin is in 2025, a beacon, a country well governed, united and at peace, prosperous and competitive economy, cultural influence and social welfare [ii]" Strategic Development of Benin from 2006 to 2011 "which define medium-term basis for reviving the economy and the fundamentals for moving towards an Emerging Benin, [iii] a "Growth Strategy for Poverty Reduction 2007-2009" (SCRIP), which provides the framework Short-term fight against poverty.

These documents provide the framework for the sectors in defining their policies.

5.5.3 Sectoral context of decentralisation and deconcentration: Policies and Challenges

Decentralisation has effectively been implemented in Benin since the municipal (commune) elections took place followed by the installation of Mayors in all municipalities in 2003. The expectations concerning this institutional reform are considerable and extend far beyond a simple administrative reorganisation of the various levels of government. Decentralisation aims to promote local democracy, strengthening and deepening. Participation of citizens in governance should promote grassroots development and its adaptation to local realities. Finally, decentralisation offers the opportunity to respond to the profound needs of the population in social justice and equity and reduce poverty by sharing the fruits of growth.

While reform has been slow to establish effective and well-capacitated local governments, the focus from donor and government sides has instead been on the separation of powers, the proper operation of the public services, including elected bodies and the conduct of transparent electoral process, essential for the legitimacy of elected bodies. On the other hand a small, and until now rather weak civil society in Benin, has had the tendency to focus on democratic practices, information sharing, dialogue, debate and open goals, collective decision making, clarity in data reporting by delegates and officials, management transparency and the fight against corruption. The application by the municipality of this approach implies that the elected officials (mayor and council) are listening to civil society and different sectors of the population, they cultivate a dialogue with them, inform them outstanding issues and decisions and they clearly explain to people the decisions taken and their justification.

The development of the decentralisation laws was made in conjunction with the restructuring of political parties. At first, these parties have played an adverse role in exacerbating fears of a withdrawal of the state, focusing their interest on a number of issues such as territorial division, with the emergence of competition between community leaders for the appointment of new chief towns departments.

At the same time, financial and technical partners encouraged the implementation of decentralisation in estimating the urgent and indispensable. Several concerns related to good governance, local

democracy and the fight against corruption coincided with the objectives of decentralisation. They reasoned that there would be less risk of abuse if the funds were managed as close as beneficiaries.

By the early 1990s, several NGOs and projects active in the field of development have introduced new forms of action in the spirit of the forthcoming reform. This includes participatory planning by the transfer of project management to lower levels, and future communication strategies and information on the process of decentralisation. The Constitution stipulates "the territorial self-governing through elected councils and under the conditions laid down by law" (Articles 98 and 150 to 153). This was accompanied by the establishment by the Minister in charge of decentralisation, an interdepartmental committee to develop the monitoring draft laws on decentralisation.

The articles of the Constitution (1996) which create local governments and the decentralisation laws seek to clarify the relations of power, functions and responsibilities in the management of the city between the central state, its various components and decentralized municipal structures from decentralisation. Law 97-029 clearly defines the scope of local powers to enable them to properly secure their autonomy, their skills and compare them to the regulator and the central state (see Chapter 5). The town is the institutional framework for the exercise of grassroots democracy and the achievement of development activities. Benin has a sectoral policy, the subject of this support: the PONADEC.

The 77 communes of Benin are the only level of decentralisation of the country. Based on the observation of a lack of articulation between decentralisation and deconcentration on the one hand and between land reform and government reform on the other hand, the Government of Benin has prepared a national policy of decentralisation and deconcentration (PONADEC) and was adopted October 19, 2009. This national policy is:

- [i] a balanced planning and balanced, incorporating the entire country to achieve sustainable and equitable development,
- [ii] a good territorial governance by an administration modernized and efficient and
- [iii] the reduction Level of poverty by improving access to basic services and enhancing economic potential of Commons.

The PONADEC was budgeted and has a financial tool to transfer to municipalities.

The PONADEC for 2008-2013 has a financial tool (the Fund for Support to Development of Commons FADEC) and an Action Plan (PAP) decreased by shutters. The overall cost of implementing the PONADEC is estimated at EUR 24 million (CFA 16.4 billion). At that cost, plus the matching forecasts FADEC EUR 80 million (55.5 billion FCFA between 2008 and 2013) and amounts allocated FADEC amounting in 2010.

5.5.4 Coordination of external support to the decentralisation / devolution in Benin

Coordination between actors is facilitated by their alignment around the PONADEC under the leadership of the ministry in charge of decentralisation. The Government and the broad participation of key development partners present in Benin characterize the political dialogue between the central Government, local authorities and development partners in Benin. This dialogue allows for monitoring sectoral progress achieved. It revolves around the Technical Working Group on Decentralisation/Devolution/Regional Planning, which meets every two months and the Ministry in charge facilitates the process by conducting the annual joint review between the Government and the donors.

The main donors involved in decentralisation in Benin are concentrated geographically in certain departments: Atacora / Donga for Germany; Mono / Couffo and Atacora / Donga for Belgium; Borgou and some municipalities in Alibori by UNCDF; Zou / Collines for Greater Cotonou by France (AFD). The Ouémé / Plateau and the municipalities of the Atlantic who are not part of Greater Cotonou are not specifically supported. Just as projects to support decentralisation of the 8th and 9th EDF, this project does not target specific region and thus may complement other donor-supported municipalities not covered.

The EUD has since the 8th EDF been active in the area of local development. The project support to local authorities of the 8th EDF (PRODECOM) had prepared the decentralisation process by supporting the programming municipal (communal development plans: PDC). Project 9th EDF one hand, strengthened the capacity of municipalities to implement their PDC (project component) and partly supported (by untargeted sector budget support) the Government in its implementation process decentralisation / devolution. Besides the 9th EDF PACTE programme, several donors currently support the decentralisation and deconcentration in Benin.

Belgium, through its Program to support the implementation of Communal Development Plans (PAPDC) in Atacora / Donga and Mono / Couffo subsidizes municipalities to help them realize the works and planned investments in their communal development plan. The PAPDC has a municipal development fund for the implementation of priority investments included in the municipal development plans (EUR 7.5 million), a fund for capacity building (EUR 1,5 million) and an initiative fund the project to support capacity building activities not covered by the municipalities (EUR 500 000).

Germany, through its Programme to Support Decentralisation and Local Development (DTCA) involves interventions at national and local levels in Atacora and Donga. The DTCA is organized around several axes (fiscal decentralisation, support for the operationalisation of the FADEC and CONAFIL, administrative decentralisation, support for ANCB with DED technical assistance, training support and resource management Human Rural Energy). Between 2010 and 2012, a EUR 4 million is foreseen for capacity building activities, combined EUR 16.7 million for the rural energy sector. KfW is currently considering whether to include sector budget support.

Denmark continues to support decentralisation and plans to support municipal investments through a matching FADEC (3.2 million EUR are planned in that capacity for the period 2010-2012). Over the same period, an amount of 1.1 million EUR will be dedicated to strengthening human capacity in municipalities.

France and the World Bank intervene in urban municipalities. Their actions are focused on investment and urban management.

Many municipalities have twinning arrangements especially with French municipalities.

UNCDF (Capital Development Fund United Nations) has reserved USD 2.6 million over the period 2010-2012 in the form of financial support to the FADEC. Additional support of USD 1.5 million is allocated to strengthening the capacities of actors in the process of decentralisation and deconcentration.

Switzerland between 2010 and 2012 provided \$ 1.9 million EUR, of which will be implemented in the form of budget support through the FADEC. The complement consists of a support administered in draft form.

Several levels of coordination are in place in Benin, in:

- European Union (Ambassadors of five Member States present in Benin and Head of EU Delegation)
- Heads of Mission of cooperation, bilateral and multilateral agencies, development partners and government representatives in the Technical Working Groups.
- The activity of technical working groups is essential for donor coordination and alignment of external support to national sectoral priorities. This dialogue will materialize during sector reviews (which were usually held during the 1st half) and the joint review of the SCRP between the Government and donors (in June). In the case of sectoral support in the subject, it is anticipated that coordination takes place at two levels:
 - with the 10th EDF Programme of support to the Public Finance Management,
 - with all donors grouped in the Technical Group or Decentralisation in Groups covering technical skills communal.

After exercising diagnosis PEFA 2007, the Ministry of Economy and Finance has developed an action plan for improving management of public finances. In March 2009, the Government adopted the plan covering the period 2009-2013. It will cost about 52 million EUR (of which half is funded by the General Budget of the State).

The European Commission has provided with additional support from the Netherlands, Denmark and Belgium (through transfer agreements 3) Operational Support in 2010 that Reform Management Unit which members were recruited will manage this process. This program aims to strengthen public financial management throughout the chain of public expenditure.

Germany has prepared during the 1st quarter of 2010 a Memorandum of Understanding between the technical and financial partners of the FADEC on the harmonization of financing and technical assistance measures. Besides Germany, Belgium, Denmark and UNCDF consider signing this agreement, which provides both a list of criteria for financing of the FADEC and secondly a framework for harmonization of technical assistance activities related to the FADEC. The European Commission does not support targeted FADEC and therefore cannot accede to this Protocol. However, this project will be part of harmonization of technical assistance to the FADEC, and open for support also by non-signatories.

5.5.5 Human Resource Management

Benin has already an institutional framework for advisory assistance to municipalities. It also prepares the revision of the Statute of the Public Service (to include employees of local authorities) and the creation of a permanent tool for unifying and strengthening the capacities of local authorities (Centre for Training Administration Local Cefalà).

Based on the recommendation of the Supreme Court to bring the statutes of the state officials (central level) and municipal officials, a joint committee (Government and staff representatives) has finalized amendments to the Statute and intended to convey the project to the Government for transmission to the Supreme Court and then to the National Assembly.

In December 2008, the Government has adopted the principle of creation of the Training Centre for Local Government (Cefalà). The Cefali will be responsible for the training of B and C of the local authorities and local politicians.

Monitoring and evaluation

The PONADEC itself was equipped with a control system. Benin has since 2008 a system of indicators to measure sector performance.

The PONADEC provides a Steering Committee, chaired by the Ministry in charge of decentralisation and composed of the Ministry in charge of administrative reform, the Ministry of Development, Ministry of Labour and Public Service, the Ministry in charge of relations with institutions and the National Association of Municipalities of Benin (ANCB). The CONAFIL is a joint state / local government commission responsible for managing and monitoring specific FADEC.

Since 2008, Benin has a sectoral information system that gives rise each year, at the sectoral review of decentralisation, a measure of performance based on indicators whose targets (at least for a subset of indicators) are validated in the matrix of indicators for joint budget support to the implementation of the PRSP.

5.5.6 Macroeconomic Management

Following the government's commitments to ensure better fiscal discipline, the macroeconomic framework remains oriented towards stability.

The latest agreement between Benin and the IMF under the Poverty Reduction and Growth Facility (PRGF) expired August 4, 2009. The year 2009 has witnessed an alarming deterioration of the macroeconomic framework characterized by an increase in off-budget spending, deferrals massive budget and an increase in failure to control the wage bill. Declining fiscal resources and the global financial crisis has cut funding requirements of the Government.

Following the government's commitment to redress the budget situation, which led to overruns in 2009, and progress in implementing necessary structural reforms, 14 June 2010, the IMF granted to Benin from its Facility Extended credit. IMF calls on national authorities to continue to execute their program of structural reforms and prudent macroeconomic policies (which implies in particular to contain the growth of payroll). The IMF program also includes important elements in improving the management of public finances.

Budgetary support from development partners, sectoral and global, the V-Flex CE, offer the opportunity, if the Government keeps its commitments to bridge the financing gap of State Budget, estimated by the IMF in 2010 to 50 billion FCFA (about 76 million EUR).

5.5.7 Financial Administration

Although subject to many challenges, management of public finances has a framework for improving shared and supported by the donor community

Benin is confronted with a number of challenges for public finance management, the principal residents of the low rate of implementation of the General Budget of the State.

Following the PEFA assessment conducted in 2007, an action plan for improving the system of public financial management was developed and its implementation begins to start. As part of its project to support the 10th EDF for the reform of public finances, the European Commission supports the implementation of this comprehensive reform, together with Belgium, Denmark, the Netherlands and participates in policy dialogue and to monitoring the implementation of this plan through joint reviews of General Budget Support (GBS). The eligibility criterion relating to the management of public finances is the same for this budget support (SBS) for GBS. This program will cover both in its dimension in the budgetary support component of the project, specifically its local dimensions through the sector review and policy dialogue.

In terms of local public finance, the control system of transfers to municipalities is now in place. The Finance Act 2010 has provided a local development tax that will be renovated an essential tool for strengthening the financial autonomy and accountability between administration and municipal administration. Significantly, the willingness of the central government has resulted in an increase of about 20% between 2006 and 2009 local government spending per capita (from 2900 to 4700 FCFA). The first reason for this development lies in the development of transfers to municipalities, transfers controlled by the FADEC. In 2010, allocations for the FADEC unallocated amount to 15 million and EUR 8 million EUR for the FADEC sectoral allocations.

5.6 Annex 6: Key Aspects of 10th EDF

The partnership between the EU and Benin is dynamic and has strengthened over time and it revolves around a political dialogue and development activities.

5.6.1 Political dialogue

The dialogue between EUD and EU Member States represented in Benin and the Government is intense. This dialogue takes place within the framework of Article 8 of the Cotonou Agreement, on the initiative of the Government or a partner, or finally in the framework of sectoral dialogues.

In 2009, EPA⁴ negotiations have continued. It was noted significant progress in the field of fishery products with a mission of the Veterinary Office European Commission has proposed to allow exports of Benin (mainly shrimp), while by monitoring the Action Plan developed by the Competent Authority (Directorate of Fisheries) and approved by the Veterinary Office.

Finally, the Commission, such as community development partners are engaged in a fruitful dialogue sectoral policy embodied by the meeting of technical groups, keeping the sector reviews and a general review of the status of the SCRP contribution to the development of the new SCRP.

5.6.2 Cooperation measures

The contribution of the European Union in the fight against poverty in Benin within the framework of the SCRP⁵ through the 9th and 10th EDF focuses on strengthening governance, infrastructure development and acceleration of growth by budget support. Outside these areas of concentration, the EC/EU supports civil society, the fight against child trafficking, the private sector and the environment.

The 9th EDF has more than 205 billion CFA francs (313 million EUR) has to date been fully committed.

The 10th EDF with 219 billion CFA francs (334 million EUR) is running.

The shares outstanding following are underway:

- In the infrastructure sector include the continued development work of the Exit Northwest Cotonou (26 billion CFA francs - 40 million EUR), preparation of road works Bérubouay-Parakou (41 billion CFA francs - 63 million EUR), continued cleanup of flooded neighbourhoods west of Cotonou (18 billion CFA francs - 27 million EUR) and support the Road Fund.
- In the area of governance, the 9th EDF has accompanied the rehabilitation of 8 Courts of First Instance, the construction of two Courts of Appeal and two new Courts of First Instance. Besides these facilities, the Support Project Integrated Programme for Strengthening legal and judicial systems with 8 billion CFA francs (12 million EUR) has supported the modernization and computerization of criminal and civil chains. This support will continue through the 10th EDF favouring the development of a sectoral approach to empowering the sector, 16 billion CFA francs (25 million EUR) have been provided for this purpose.
- In the area of decentralisation and local development, the European Commission together with Benin in its process of decentralisation through the PACT Program for an amount of 10 billion CFA francs (15 million EUR) on the 9th EDF support focused 30 billion CFA francs (45 million EUR) under the 10th EDF.

The Commission supports the preparation of LEPI for \$ 4.6 billion FCFA (7 EUR million) through a common basket supplied by the Government and a number of development partners.

The EC/EU continues to support the Government of Benin in the implementation of the SCRP through the budget support coupled with a strengthening of public financial management. In 2009, an amount of 36 billion CFA francs (55 million EUR) was paid to Benin under budget support.

⁴ Economic Partnership Agreement.

⁵ Stratégie de Croissance pour la Réduction de la Pauvreté.



European Group for
Evaluation EEIG
Germany



Aide à la Décision Economique
Belgium



Particip GmbH
Germany



Development
Researchers' Network
Italy



Deutsches Institut für
Entwicklungspolitik
Germany



European Centre for
Development Policy
Management
The Netherlands



Overseas Development Institute
United Kingdom

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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Honduras**

Prepared by: Philip Bottern

October 2011

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

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List of Abbreviations

ADEL	Program of Local Education Development Associations
AECI	Agencia Española de Cooperación Internacional
AMHON	Association of Municipalities of Honduras
ASDI	Agencia Sueca de Cooperación Internacional para el Desarrollo (Swedish International Development Cooperation Agency)
AT	Technical Assistance
BID	Inter America Development Bank (Banco Interamericano de Desarrollo)
BM	Banco Mundial
CEDE	Comisión Ejecutiva para la Descentralización del Estado
CFAA	Country Financial Accountability Assessment
COMDE	Consejo Municipal de Desarrollo Educativo
CONASA	National Council on Water Supply and Sanitation
CONCAM	National Committee for Municipal Training and Technical Assistance
CPAR	Country Procurement Assessment Report
CPME	Presidential Commission for State Modernization
CRIS	Common Relex Information System
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DANIDA	Danish International Development Assistance
DDL	Decentralisation para el Desarrollo Local
DFID	Department for International Development (UK)
DP	Development Partners
DP	Development Partner
EC	European Commission (Commission of the European Union)
EDF	European Development Fund (9 th 2002-2007 and 10 th : 2008-2013)
EFT	El Foro Tripartido (tri-party forum)
EQ	Evaluation Question
ERP	Estrategia de Reducción de la Pobreza (Poverty Reduction Strategy)
EU	European Union
EUD	European Union Delegation
EUR	Euro (currency)
FHIS	Fondo Hondureño de Inversión Social (Honduran Social Investment Fund)
FMI	Fondo Monetario Internacional (International Monetary Fund)
FONAC	National Convergence Forum
FTD	Foro Tripartito para la Descentralización (Decentralisation Forum)
GBS	General Budget Support
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development Agency; former GTZ)
GNP	Gross National Product
GoH	Government of Honduras
HIPC	Heavily Indebted Poor Countries
HQ	Head Quarter
HRM/D	Human Resource Development/Management
JC	Judgement Criterion
Jica	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (german Development Loan Corporation)
LA	Local Authorities
LC	Local Council
LdM	Law of Municipalities (Ley de Municipios)
LE	Lempiras (1 EUR=27,4 Le)
LG	Local Government
M&E	Monitoring and Evaluation

MoFED	Ministry of Finance and Economic Development
NAO	National Authorising Officer
NDP	National Decentralisation Policy
NGO	Non government Organisation
NSA-LA	Non State Actors and Local Authorities
ONCAE	Sistema de Compras y Contrataciones
OT	Ordenamiento Territorial
PEDM	Plan Estratégico de Desarrollo Municipal (strategic municipal development plans)
PFM	Public Finance Management
PIB	Producto Interior Bruto (gross domestic product)
POA	Plan Operativo Anual
PROADES	Programa de Apoyo a la Descentralización
PRODEL	Programa Nacional de Descentralización y Desarrollo Local (national programme for decentralisation and local development)
PRSP	Poverty Reduction Strategy Paper
ROM	Result Oriented Monitoring
SAFT	Financial Revenue Management System
SANAA	National Water and Sewerage Service
SBS	Sector Budget Support
SC	Sociedad Civil
SEFIN	Secretaría de Finanzas (Ministry of Finance)
SEPLAN	Secretaría de Planificación y Cooperación Externa
SEIP	Secretaría de Interior y Población (Ministry of Interior and Population)
SERNA	Ministry of Natural Resources and Environment
SGJ	Secretaría de Gobernación y Justicia (Ministry of Governance and Justice)
SIAFI	System of Central Government Finances
SIAFI	Sistema de Administración Financiera Integrada
TF	Tramo Fijo
TSC	Tribunal Superior de Cuentas (National Audit Institution)
TV	Tramo Variable
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAiD	United States Agency for International Development
UTD	Unidad Técnica de Descentralización (Technical Decentralisation Unit)
WB	World Bank

Note: The Evaluation uses the common acronym "EC/EU" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the EC/EU to delivery its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to Honduras had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To asses if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting Honduras as one of the field studies were:

- A large EC/EU support programme with a budget of 34 mEUR,
- Top down entry point for decentralisation reform,
- Sector budget support for decentralisation,
- A country with frequent policy changes to decentralisation during the programme period and a coup d'état in June 2009,
- Geographical specificities (Central America).

The field visit was carried out from 5 to 13 June 2011. The evaluation team was composed of Philip Bottern (team leader) and Marco A. Aguero (national consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Honduras has specifically looked into the following aspects:

1. How has the sector budget support (SBS) to decentralisation worked with the aim to support the national decentralisation programme PRODEL? Does the SBS modality give the EU the necessary flexibility to encourage the inclusion and adjustment towards specific EC/EU priorities?
2. Has the choice of EC/EU support to decentralisation been coherent with other EC/EU sector support programmes in Honduras?
3. What have the results of the EC/EU support been in terms of improved service delivery from local governments and capacity of key government institutions?
4. Has the SBS to decentralisation been effective in a set up with changes in the Government of Honduras (GoH) support to decentralisation?

Based on the above, the following working hypotheses have been made for the field visit to Honduras:

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

1.2.2 Working hypotheses

The following working hypotheses have been developed in the desk phase, which will be attempted to be validated, nuanced or rejected during the field phase:

With the choice of a SBS modality, the EC/EU has limited influence on how the funding is spent by the national government once the funds are released from the EC/EU. On the other hand the SBS gives the recipient country increased flexibility to adjust to needs and actual priorities. This has resulted in the formulation of **two hypotheses**:

1. The SBS modality will result in EC/EU having little influence on how the funds are spent in the national budget,
2. Budget support is an efficient way to give flexible support and adjust to changing national policies.

During a decentralisation process, government programmes supported by development partner must be adequately coordinated with the development in decentralisation – in particular delegation of functions to municipalities and the fiscal decentralisation process.

A **third hypothesis** to be tested in the field is:

3. The EC/EU has established adequate procedures to coordinate programmes with support to specific sectors with its support to decentralisation.

1.2.3 Data collection methods used

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in Honduras.

During the field phase, the team, in addition to continued document review, also interviewed key staff in ministries and development partners with relevant and extensive knowledge of decentralisation in Honduras including NGOs and individual researchers.

Some interviews were carried out as focus group meetings, but the preferred approach was individual in-depth interviews focused on the relevant EQs and the working hypotheses. A list of people met can be found in Annex 1. The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency.

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. The team relied extensively on the related reports and the LC's knowledge about decentralisation in Honduras attempting to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall portfolio of the EC/EU. Rather it is an attempt to learn from the Honduras experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

As a new government started in Honduras in 2010, it has been a special challenge to meet people in ministries with particular knowledge of the PROADES and the implementation of other programmes with the EC/EU² or other development partners.

Statistics: Getting reliable updated statistics in Honduras is difficult as time series are not updated regularly and surveys are not carried out as planned. Furthermore some functionaries in the ministries and public institutions visited were reluctant to provide information and data from before 2010, when the present government started.

² During all interviews with public sector staff or politicians their answers were quickly directed towards the new strategy of the government (from 2010) and likely achievements within decentralisation in the future. Likewise some requests for data during the evaluation period resulted in provision of data from 2010 and 2011.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description of the decentralisation process in the country

Summary of the concept of decentralisation in Honduras

The concept of decentralisation adopted by Honduras is the transfer of competences from central to regional or local levels. The transfer is made under the principles of subsidiarity and graduality, within a legal framework, which facilitates the process. Six major themes exist in the decentralisation process in Honduras: a) strengthening the institutional and policy framework (modernization of the state), b) decentralisation of public services, c) fiscal decentralisation, d) municipal strengthening e) the land management and f) transparency and citizen participation.

Modernisation of the State and the Law of Municipalities (Ley de Municipios)

The decentralisation process in Honduras commenced within the process of modernisation of the State in the 1990's with a series of reforms, accompanied by the adoption of the Law of Municipalities (Ley de Municipios, 1991) and the Modernisation of the State Act, which establishment the Presidential Commission for State Modernization. It brought reforms within administrative, legislative and judicial elements as well as reforms that strengthened the electoral organisation. The Programme for De-bureaucratisation was also created, and the status of the Comptroller General of the Republic changed to the Court of Accounts (Tribunal Superior de Cuentas, TSC). In this process the national program for municipal decentralisation was also born, later called the National Programme for Decentralisation and Local Development (PRODDEL) for the purpose of promoting the development of municipalities' independence and autonomy from the central government.

Decentralisation in Honduras during the last decade

The decentralisation process in Honduras over the past decade can be divided into three stages: a) Momentum of the decentralisation process and strengthening the institutional framework (2001-2005), b) Stagnation of the decentralisation process (2006-2009) c) Reactivation of the decentralisation process (from 2010).

Decentralisation of public services in Honduras do not respond to a policy or strategy of the GoH, but rather to pilot initiatives supported by development partners in several parts of the country. Some of these initiatives have achieved very good results, such as water and health, and it is unlikely that these models would be reversed. Other experiences show uneven development progress from region to region and subsequent setbacks such as the area of environmental management.

According to the amendment to the Law of Municipalities (2009) and in the framework of the national Pact for Decentralisation, between the Government and the Association of Municipalities of Honduras (AMHON) it is agreed to increase budget revenue transfer to municipalities from 5% 2009, 8% 2011 and finally to 11% by 2013 to assure the development in the fiscal part of the decentralisation process.

Municipal Strengthening in the context of decentralisation and local development

The good coordination between the government and its cooperation partners resulted in the design and approval of the National Training and Technical Assistance for the Municipalities. The aim of the policy is to provide more efficient services from the central government to local governments or local organisations.

The Law of the Municipal Administrative Career (Ley de la Carrera Administrativa Municipal) has been adopted recently (2010), supported by the development partners and AMHON. The law is expected to generate sustainable actions at the municipal level, ensuring that the normal high staff turnover during the transitional period after elections (every fourth year) will be avoided. Another intention with the law is that management of the human resources in the municipalities will be to professionalised.

Inter-institutional Coordination in Decentralisation Process

The monitoring of the national program for decentralisation and local development (PRODDEL), and the coordination of the various actors, who interact with the national and local level, has gradually strengthened the Executive Commission for State Decentralisation (CEDE) and recently the Decentralisation Forum (FTD) with participations of GoH, AMHON, civil society and development partners. However, the country's political problems and the lack of a plan to enhance the roles of CEDE, TFD and the Technical Unit of Decentralisation in SEIP, which are not institutionalized sufficiently in the government structure with limited management capacity, are elements that hinder the sustainability of the efforts and achievements in the process, creating a gap in the continuity and

systematization of results, and promoting dispersal or atomization of the management of information for the decentralisation process.

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in Honduras through a number of interventions. The table below summarises the major EC/EU-funded interventions considered in the analysis.

Table 1 *List of the major EC/EU-funded interventions*

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Programa de apoyo a la descentralización en Honduras (PROADES)	33,65	ALA/2004/016-807	The financial agreement was signed in February 2005. Only 18,4 mEUR has been released up to November 2010. An addendum has been signed in 2011 up to 2013 for the remaining funds.
Projects financed from programme for non state actors and local authorities (NSA-LA)			The EUD in Honduras has not been able to provide details on the projects. Apparently 6 projects exist with LGs as implementers.
Reducción de la pobreza y desarrollo sostenible con equidad en 2 municipios del Occidente de Honduras	0,26	DCI-NSAPVD/2009/021-105	

Note: A more detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1

Officials from the Ministry of Interior and Population (Secretaria de Interior y Population, SEIP) were not aware of any EC/EU policy on decentralisation e.g. during the negotiation in 2010 about a continuation of the Support to Decentralisation Programme (*Programa de Apoyo a la Descentralizacion - PROADES*).

A few persons from SEIP also recalled that during the formulation of PROADES in 2004 no specific policies of the EC/EU for decentralisation was discussed rather the PROADES was formulated to support the national decentralisation programme (PRODEL) in a Sector Budget Support (SBS) Modality.

Ind 1.3.2

The development partners met were not aware of a specific EC/EU policy for decentralisation. Some (BID, WB) see however the EC/EU taking an active role in decentralisation in the present situation with the formulation of the new Government of Honduras policy but also in e.g. 2003 and 2004 during the formulation of the national programme for decentralisation PRODEL.

Ind 1.3.2

According to the Delegation of the EU (EUD) in Honduras the reference document on decentralisation from 2007 has been consulted during the recent considerations (2009 and 2010) to prolong the PROADES up to the end of 2013. The staff see however the document as very general without specific guidelines for interventions in decentralisation and in particular in a SBS modality.

The EUD needs guidance for a particular challenge i.e. to define indicators for decentralisation as conditions for releases of tranches for the PROADES during a prolongation. The EC/EU framework for decentralisation has not been supportive for the formulation of indicators.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1

Some flexibility exists in EC/EU procedures with possibility for quick responses to national need and also to select the relevant partner but for selection of support modality the HQ prefers the SBS modality.

This preference for SBS resulted in less flexibility in 2004 when the EUD supported by a consultancy formulated the Decentralisation Support Programme (PROADES) to support the national decentralisation programme (PRODEL). The EUD and the consultants suggested (in coherence with the national partner government) a modified SBS modality linked up to certain sub-sectors within in decentralisation, but this was changed by the EC/EU Headquarters to a normal budget support modality for decentralisation.

In 2010 when an opportunity to prolong PROADES was seen by the EUD and an addendum to the financial agreement from 2005 was signed with the GoH again a sector budget support (SBS) modality to decentralisation was chosen.

Ind 2.1.2

No formal procedures exist within the EUD for coordination of sector programmes with decentralisation. It is done informally between the staff members at occasional meetings or staff meetings.

Ind 2.1.3

In the EUD, one person is responsible for decentralisation. This is his primary responsibility and approximately 10-20% of the working time is dedicated to this. No working group exists for decentralisation in the EUD.

Ind 2.1.4

No incentives or des-incentives exist for risk taking with in decentralisation. There seem however to be a certain incentive for modalities with quick disbursements, which often is the SBS or GBS modalities.

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1

One person in the delegation works with decentralisation and limited time (10%-20%) is dedicated to this. Staff in the EUD expresses that it is difficult to get adequate support from the EC/EU HQ. The EUD has recently communicated with the EU HQ on decentralisation approaches via personal contacts about the prolongation of PROADES – but the HQ has not been able to guide the EUD on new and better indicators for the development in decentralisation in Honduras³.

Ind 2.2.2

The responsible person has achieved knowledge about decentralisation during the 4-5 years he has been in charge of decentralisation in the EUD. Other development partners expressed the risk of the EUD losing the capacity for decentralisation, when the person in charge with decentralisation leaves the EUD.

Ind 2.2.3

An event was arranged in Brussels in June 2009 for EUD staff with responsibilities for decentralisation. The EUD in Honduras could however not participate at the event due to the Coup in Honduras during the same month and the necessity to redefine activities.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1

The EC/EU and GoH agreed on 5 indicators for the fixed tranches for PROADES and 9 indicators to calculate the release of the flexible tranches. The indicators are presented below (see details on the calculations of the 9 indicators for the flexible tranches in annex 8):

Table 2 Indicators for PROADES

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

³ After the consultant's field visit in June 2011 negotiation has continued between the EUD and the GoH on new and better indicators for the SBS with some support from the HQ.

		work plan
7		The increase in local governments' revenue collection
8		Share of municipalities audited by TSC
9		GoH presentation of M&E for development in decentralization

Source: EUD

As can be seen the indicators do not focus on the results (outputs or outcomes) of decentralisation. For the fixed tranches they deal with macro-economic and tax performance, the functioning of the Decentralisation Forum and about setting up a rather advanced system for measuring PROADES' value added. The indicators for the flexible tranche are too many, not focused on decentralisation and oriented toward processes e.g. existence of municipal development plans and social municipal audits and subjective views on PRODEL's annual work plans and the execution of the national PRSP⁴.

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

Table 3 Releases from PROADES

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

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

Monitoring and evaluation is also done by the ROM reporting - according to the EUD the ROM system is not able to cover programmes implemented in a SBS modality and from 2010, the ROM system will not be applied for SBS and GBS.

Ind 2.3.2: No joint learning system or thematic group about decentralisation are established at the internal level of the EUD or with other EUD delegations e.g. in Nicaragua.

Ind 2.3.3: The staff member in charge of decentralisation is active in the EUD to inform colleges about decentralisation and the present discussion about defining relevant indicators for decentralisation in the negotiation with the SEIP for the continuation of PROADES. He has however no formal mandate to be a "driver of change" for decentralisation.

3.3 EQ3: National context

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

⁴Indicators for the SBS with more focus on results could be the municipalities' share of the total public expenditures and the size of the national transfers to municipalities.

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance*

Main findings from the field mission:

Ind 3.1.1

An analysis was made on decentralisation and its status during the preparation of PROADES in 2004 – following the analysis it was decided to support the national decentralisation programme (PRODEL), which is designed to support the National Poverty Eradication Plan (Estrategia de Reducción de la Pobreza, ERP). The analysis presented some serious risks with a SBS modality and therefore it was suggested to apply a modified SBS modality linked up to certain sub-sectors within decentralisation (aporte presupuestario redigido), but this was changed by the EC/EU Headquarters to a normal SBS.

The prolongation of PROADES was handled as an administrative procedure as “a moment of opportunity” to support the new GoH’s Vision 2038 and the Strategic Plan for Decentralisation 2010 to 2014.

The EC/EU is however aware of the risk of using a SBS modality again as the evaluation of PROADES shows that of the 16,4 mEUR released to the GoH, only 4.4⁵ mEUR were allocated for decentralisation i.e. the rest was used for other GoH expenditures.

Therefore the EC/EU is keen to develop some better indicators to assure, that these are more oriented to establishing the overall framework for decentralisation than those applied for PROADES from 2005. The preparation of the addendum for the three extra years has been done locally by the EUD without involvement of consultants⁶.

Ind 3.1.2

The SBS model with transfer to the Ministry of Finance (Secretaria de Finanzas) and from there to SEIP is the national transfer system. This is also applied for other EU sector programmes. According to the national system the SEIP then allocates funds to LGs following the national transfer system with specific allocations to municipalities.

There is however no mechanism to ensure that funds are allocated to municipalities following the formula for transfers. It follows from interviews with BID and SEIP that specific municipalities are often selected by the SEIP, when new funds are available and projects are even implemented at municipal level by SEIP instead of letting more municipalities participate i.e. by using the official transfer formula.

Ind 3.1.3

In 2010-2011 a good dialogue with the government exists on decentralisation and in particular on the indicators for decentralisation for the prolongation of PROADES. The dialogue was of lower quality from 2006 to 2009, when the government did not prioritise decentralisation. In the first half of 2000 the dialogue was much better including during the formulation of PROADES in 2003-2004, when the GoH had a positive attitude to decentralisation.

Ind 3.1.4

Decentralisation was not a priority of the GoH during the formulation of the CSP 2008 to 2013 and as a consequence support to decentralisation was not included in the CSP. Decentralisation was part of the CSP 2002-2007 as the government in 2001 was more favourable to decentralisation.

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*

⁵ According to former staff in the SEIP mEUR 1.1 was provided to an NGO established by a former director in SEIP without any activities implemented.

⁶ See also note 3.

- *Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Ind 3.2.1: The entry point in 2005 was a top down approach with a budget support to decentralisation. This modality was not appropriate to the national context as the GoH according to the EUD and other stakeholders met did not understand the modality.

"Me estaba llamando desde la secretaria sobre si pueden comprar algunos vehiculos" (EUD staff member)

The EC/EU proposed in 2004 a more gradual approach to SBS by starting with a modified SBS with some budget lines, but this was not approved by EC/EU HQ.

Ind 3.2.2: The present addendum to the financial agreement from 2010 has the main objective to support the national plan (Vision 2038), which has decentralisation as a strategy. There has not been a real formulation phase with an analysis of the set-up for decentralisation – but likely there is an inconsistency within the GoH policy, where the planning ministry (SEGEPLAN) is developing a regional strategy while SEIP focuses on the further decentralisation to 298 municipalities.

In 2004 during the formulation of PROADES an in depth analysis was carried out.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as "When and how to use sector budget support?" or "what are the risks related to the") are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1: The entry point in 2005 was a top down approach with a budget support to decentralisation. Some projects are financed from the NSA-LA programme with a bottom-up entry point. EC/EU started out with an SBS modality to support decentralisation in Honduras in 2005 and this approach has continued since.

Ind 3.3.2: The SBS is an inflexible modality for the EUD and efficiency has likely been lost in the Honduranian context with changing government policy to decentralisation compared to a modality (project) with more EC/EU control of the allocations of the funds provided.

This is shown by the final evaluation of the PROADES⁷ (EU, GoH) as only mEUR 4.4 of the mEUR 16.4 released to SEFIN (Ministry of Finance) has been transferred to SEIP (decentralisation), so clearly the programme has not functioned as expected to support decentralisation and GoH has not fulfilled its obligations for a SBS modality. The EC/EU has not followed the funds⁸ after these were released to SEFIN as it is also stated in the evaluation:

"Es Claro que el apopo presupuestario es aquel que convirtiendose en fondos nacionales, pasa a ser de libre disponibilidad del Gobierno, y que la UE no verifica el destino de fondos." (SGJ and EU, Evaluacion Global de PROADES p. 37).

And as the GoH's policy to decentralisation changed from 2006 it is clear that decentralisation was not a priority, which is also seen by the allocation of funds from PROADES.

Furthermore the technical assistance (AT) from PROADES, which started in 2007 and continued to September 2009 in spite of the Coup d'état in June 2009 as the funds could not be stopped as some ongoing activities i.e. various consultancies should be financed. The AT was of limited use starting in 2007 when the government had little interest in decentralisation and staff in SEIP had hardly any knowledge of the ATs' results and documents produced e.g. for devolution of sectors.

⁷ Secretaria de Gobernación y Justicia and EU (November 2010), Evaluacion Global del PROADES.

⁸ This is also the normal procedure for the EC/EU for sector and general budget support (no traceability), so the evaluation of the PROADES seems to be a special case, where the funds actually have been traced.

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

Ind 3.4.1

The EUD staff did not recall any specific analysis on the role of different actors in the decentralisation processes.

Ind 3.4.2

The EC/EU has approved five to six projects⁹ with municipalities as project implementers from the programme for non state actors and local authorities (NSA-LA). Other partner major is the Inter-American Development Bank (BID), which also supported the national decentralisation programme (PRODDEL) and development partners in the sub-group for decentralisation (Mesa de la Descentralizacion).

⁹ A detailed list of the projects could not be provided by the EUD during the field phase.

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind 4.1.1

The development partners established a decentralisation group (mesa de la descentralización) in 1998 after the Mitch natural disaster, with all the development partners in Decentralisation (EU, WB, GTZ, Jica, etc.). The group meets once a month to coordinate actions and share information. The chair is changed every six months. Government institutions and CSOs are invited at particular events to discuss certain issues. The actors share information, views and analyses in the meetings, but the actual programme implementation on the ground is not coordinated well according to the several persons met during the mission.

"La coordinación? - está funcionando en las mesa, si, pero en el terrano, no" (former government official)

Ind 4.1.2

No records exist of the EUD taking a particular role to resolve inconsistencies in decentralisation.

Ind 4.1.3

The EU participates as a normal member in the decentralisation group, but some development partners (i.e. BID, WB) see the EUD taking an active role in decentralisation in the present situation, where the Government of Honduras has just formulated policies on decentralisation but also in 2004 during the formulation of the national programme for decentralisation PRODDEL.

Ind 4.1.4

The EC/EU follows its own approach with the government with some flexibility, it has not adjusted to other donors' approaches to decentralisation e.g. within mutual programmes.

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1: The EUD informs the other donors at the decentralisation group meetings about its interventions in decentralisation, but the real dialogue is with the government on the actions in the programmes.

Ind 4.2.2: There is no evidence of clear agreements between development partners on a division of tasks. The practical arrangement is that EUD and BID work at the central level with the key ministries in decentralisation (the Ministry of the Interior and Population (SEIP) and the Ministry of Finance (SEFIN), while other donors are more involved at the municipal level.

Ind 4.2.3: There is no joint financing of programmes, i.e. PROADES is only financed by the EC/EU.

Ind 4.2.4: The EUD is active at events in the SEIP and with other actors in the decentralisation process at the national level according to the EUD and other development partners (WB and BID).

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1

Stakeholders met from the government and development partners (decentralisation, education and health) do not find inconsistency in the EC/EU actions between sectors and decentralisation. For environment, the programme PROCORREDOR's actions are coordinated with the participating municipalities in the Caribbean, while for education and health the EUD does not make a particular effort to assure coherence with decentralisation. In general it is expected that the GoH coordinates different activities in sectors with decentralisation.

Ind 4.3.2

Gender mainstreaming and environment are included in the national programme for decentralisation (PRODEL) and with the support to decentralisation in a SBS modality, the EUD does not have means to assure that the cross cutting priorities are followed. However in environment evidence exist on the decentralisation of certain functions e.g. through the PROCORREDOR.

Ind 4.3.3

A general budget support (GBS) modality is established with the government to support the National Development Plan. The GBS contains only indicators for education and health.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Introduction: The EC/EU supported the national decentralisation programme (PRODEL) with a SBS of 32 mEUR by PROADES, which was signed in early 2005 while the GoH was supportive to decentralisation. The GoH policy to decentralisation shifted, so PROADES was implemented during a time when the GoH did not support decentralisation and the final evaluation between EC/EU and GoH shows that only 4,4 mEUR has been allocated for decentralisation. In addition to this the PROADES also allocated 2,0 mEUR directly to technical assistance to SEIP (at that time SGJ) in 2007 to 2009 – provided by a private company. During the AT the GoH had little interest in decentralisation, so although a number of documents and analysis were produced (in particular on devolution of functions to municipalities), they were of little use and the present staff in the SEIP has hardly any knowledge of the AT.

National stakeholders and development partners agree that the results of the PROADES has been few and that the results in decentralisation in Honduras has been limited in the last 10 year - most achievements were actually reached in the 1990s. It should also be noted that with a SBS the precise EC/EU contribution to the few specific achievements in decentralisation since 2001 cannot be defined and it is also clear that the support has been limited compared to the budget allocated from the EC/EU.

Ind 5.1.1: The GoH has no formal Policy for Decentralisation, although policies have been prepared during the last 10 years. The present GoH took office in 2010 with a new national strategy “Vision 2038” approved by all political parties in the Parliament, which has decentralisation as one of its pillars formulated in more details in (Plan Estrategico: 2010-2014: Decentralisation para el Desarrollo Local en el Marco de la Vision de Pais 2038, SEIP 2010).

Before the GoH from 2002 to 2005 had decentralisation as part of the national development strategy as presented in the Poverty Eradication Strategy Plan (ERP), 2003, while the government from 2006 did not have decentralisation as a priority, although this changed a little with the “Minimum Plan for Decentralisation” (Agenda Minima de Descentralización) introduced in 2008 with some particular actions for decentralisation (education, health). The EC/EU has supported the development of a policy for decentralisation with its support to the national decentralisation programme PRODEL through PROADES.

Ind 5.1.2: The Ministry of the Interior and Population (SEIP) - formerly (to 2010) the Ministry of the Governance and Justice, is responsible for coordinating the relation between the government and the 298 municipal governments including the authority over the GoH budgetary transfer to municipalities.

For the overall decentralisation coordination, in 1994, the Executive Commission for State Decentralization (CEDE), was established. The CEDE has however not had the ability to meet frequently over the past ten years due to the changing GoH policy to decentralization, low priority of the GoH and the high turnover of staff and politicians within the central government, which reduce the sustainability of the strategies and undermines the credibility and the management capacities. Instead the AMHON (the association of municipalities in Honduras) has taken the role of coordination of relations between central government and municipalities including initiatives for new important legislation e.g. the recent approved law for municipal administrative carrier.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1

A national framework exists for decentralisation. Some of the most important laws are listed below:

1. Law of Municipalities (Ley de Municipios, LdM 1991), with some important amendments in 2009.
2. Planning Law (Territorial Order, 2003),
3. Water and Sanitation (2003), which recognizes municipalities and water boards as provider of services and requires the central government to transfer the 33 operating systems and aqueducts to the municipalities.
4. Law on forestry (2006).
5. The law of the Municipal Administrative Career (2010), (with effect from August 2011), which aims to prevent political patronage and improve the efficiency of municipal management through the recruitment and retention of qualified human resource, promoting the preservation of institutional memory of municipal governments and sustainability of the process regardless of the change of governments.

According to the stakeholders the law framework is supportive to the decentralisation process, but the practise to approve law as amendments to existing law create difficulties in understanding the full importance of a law. E.g. the LdM (1990) exist parallel with a Law on an amendment of the LdM.

The PROADES intended to support the development of a new LdM, but this did not materialise.

Ind 5.2.2: According to the interviewed stakeholders some problems exist with overlaps between functions of municipalities in the LdM and sector laws. These are however often solved with a de facto division of tasks e.g. when municipalities take over responsibilities form the central ministries. The EC/EU has not supported the development of sector laws within the decentralised framework.

3.5.3 JC5.3. Local governments' fiscal and human resources have increased

Indicators:

- Ind 5.3.1. *Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- Ind 5.3.2. *Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

Ind 5.3.1: Little information exists about the quality of staff recruited at local level, where the hiring of staff is sometimes done for political reasons and therefore staff is often of low quality. The EC/EU has not supported the establishment of more staff in municipalities and their management.

Municipalities' operational expenditures have increased with 51% in constant prices from 2002 to 2009, so it is likely that more funds are spent on salaries.

Table 4 *Municipalities expenditures on salaries (constant prices, index 2002=100)*

Year	Total Expenditures
2002	100
2003	110
2004	107
2005	76
2006	117
2007	197
2008	114
2009	151

Source: Own calculations - see details in annex 7.

Ind 5.3.2: The government has failed to comply with the transfer of the central government's own revenues to the 298 municipalities for years. The percentage of the transfer is established in article 91 of the Law of Municipalities, passed in 1990, which was 5% of the central government's own revenues. But it was not until 2005 that the GoH met the 5%. At the end of 2010, the percentage is 7%, but the Central Government only schedule 6,5% in the national budget, a situation that has mobilized local authorities to monitor compliance with the agreed value (7%), the idea is to increase the percentage to 8% in 2011, 9% in 2012, 10% 2013 and 11% in the year 2014 onwards. Serious confusion exists on all these figures and how they should be calculated.

The EC/EU has not supported the development of a transfer system to municipalities or systems for more revenue generation.

Table 5 *Municipalities' total revenues, own revenues and transfers (constant prices, index 2002=100)*

Year	Total revenues	Local revenues	Transfers
2002	100	100	100
2003	110	116	105
2004	117	116	116
2005	106	113	147
2006	159	142	219
2007	168	146	232
2008	129	99	195
2009	166	137	253

Source: Own calculations - see details in annex 7

As can be seen all revenues for municipalities have increased with 66% in constant prices giving the municipalities a substantial increase in resources. It can also be seen that transfers from the central government has been the main reason with a real increase of 153% from 2002 to 2009.

With the exception of 2008, municipalities' collection of local revenues has also increased but the actual collection is still only about Le 500 (27.4 EUR) per inhabitant per year.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)
- Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.
- Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.

Main findings from the field mission:

Ind 5.4.1: The LdM gives municipalities clear autonomy to raise revenues (property tax, local taxes, service fees etc.) and for their planning and budgeting.

The EC/EU has not supported generation of local revenues.

Ind 5.4.2: According to the LdM, LGs can hire, fire and manage their own staff. Most stakeholders agree that staff management is of low quality in particular in municipalities of category C and D¹⁰. HRM/D in local governments may be improved by the approval of the Law of the Municipal Administrative Career (2010), which takes effect from August 2011. The law aims to prevent political patronage and improve the efficiency of municipal management through the recruitment and retention of qualified human resource, promoting the preservation of institutional memory of municipal governments and sustainability of the process regardless of the change of governments.

The EC/EU has not supported HRM/D at municipal level.

¹⁰ The GoH has categorised municipalities according to their capacity from D (very low) to A (high). Of the 298 municipalities only 55 are category A or B i 2009 (see also indicator 6.1.3).

Ind 5.4.3: The LdM was amended in 2009, which clarified the LGs general right and autonomy for all their affairs.

The role of different levels of government is defined in the legislation, but some inconsistencies exist.

For water and sanitation inconsistencies has been solved with a law from 2006: Ley Marco de Agua Potable y Saneamiento, while laws for other sectors are old and unclear.

An example is education where the Education Law is from 1966 and many amendments have been approved by the parliament, without preparing a new general comprehensive law. As late as in 2010 the Law on Improvement in Education and Public Participation (Ley de Fortalecimiento a la Education Publica y la Participacion Comunitaria) in Education with establishment of Municipal Education Comities (Consejo Municipal de Desarrollo Educative, COMDE). This is understood as a “municipalisation of education” but the municipal council will only have one (1) of 15 members in the COMDE, so it is more a de-concentration.

Further ministries make specific agreements (convenios) with councils, so municipalities have taken up responsibilities within education, health, environment and water and sanitation. This implies more decentralisation but does also make the system less clear. Below in the table is shown the number of municipalities, where municipalities have taken up functions within the sectors – normally with a signed agreement with a ministry and often a development partner for providing additional finance.

Table 6 Municipalities, which have taken functions in sectors from central ministries

Sector	Number of municipalities
Education	34
Water and sanitation	63
Primary Health Service	62
Environmental licenses	5

Source: Ministry of Health, Ministry of Education, SEIP, development partners.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

Ind 6.1.1 The Technical Decentralisation Unit (la Unidad Tecnica de Descentralizacion) in the Ministry of the Interior and Population (SEIP) is the responsible unit for decentralisation and the coordination of the reform process. It has produced the Decentralisation Plan 2010-2014 (Decentralisation para el Desarrollo Local, DDL 2010-14) as part of the national development strategy "Marco de la Vision de pais 2038". In 2010, when the new government entered, most senior staff was changed in the SEIP, so the institution has presently not the capacity to lead a reform process or formulate policies effectively. It is e.g. seen presently by the inconsistency within the government policy, where the planning ministry (SEGEPLAN) is developing a regional strategy while SIEP focuses on the further decentralisation to 298 municipalities.

The EC/EU with the programme PROADES supported the SEIP (formerly SGJ)¹¹ within a SBS modality and direct technical assistance 2007 to 2009, but with limited interest from the receiving government as decentralisation was not a high priority. During that period the establishment of a Tri-Party Forum with the government, development partners and civil society for decentralisation was supported and also in general building up the capacity of the SGJ, but both support activities had little results – in particular as the staff was changed when the new GoH started in 2010 and the SGJ did only receive 4,4 mEUR of the 32 mEUR for the PROADES SBS. The PROADES' technical assistance (AT) produced several analyses on decentralisation and papers on how to devolve sectors, but the documents were not applied for implementation for decentralisation of sectors as the government did not prioritise this. According to the present staff in SEIP the results of the AT were limited and documents are not used.

Ind 6.1.2 Civil society organizations, AMHON and local governments do not find that the SEIP has capacity for policy formulation because of the large staff turnover and the inconsistent support to decentralisation from the GoH during the last ten years.

Ind 6.1.3 At central level a monitoring and evaluation system for the decentralisation process does not exist.

The GoH applies a system for categorisation of the capacities of municipalities but unfortunately criteria shifted in 2006, so the changes in the categories do not give a correct indication of the development. The table below shows that more municipalities are categorised as category C and D in 2009 and only 55 as A or B compared to 75 in 2006 and 86 in 2002 in category A or B.

¹¹Up to late 2010 the SEIP was called: Ministry of Governance and Justice (Secretaria de Gobernacion y Justicia, SGJ)

Table 7 Municipalities according to category in 2002, 2006 and 2009.

Year	2002	2006	2009
A	24	25	23
B	62	50	32
C	123	156	107
D	89	67	136

Source: SEIP.

Ind 6.1.4 The National Committee for Decentralisation (la Comisión Ejecutiva para la Descentralización del Estado, CEDE) was established in 1994. It has however not taken up to role to coordinate the decentralization process because of the GoH's changing policy to decentralisation and a low priority of the GoH to reinforce the CEDE. Instead the ongoing dialogue between the central government and the Association of Municipalities of Honduras (AMHON) has helped in the last decade to channel the demands of municipal authorities to the executive and legislative branches and coordinate initiatives from the government and municipal side. The parties signed a "pact" in 2006, which functions as an agreement for the continuation of the decentralisation process – although it has not been respected fully by the GoH.

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- Ind 6.2.1. Evidence of improved financial management in local governments
- Ind 6.2.2. Evidence of improved planning in local councils
- Ind 6.2.3. Evidence of improved HRM in local governments
- Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level

Main findings from the field mission:

Ind 6.2.1 There is little evidence of improvement of municipal financial management. The Court of Accounts (*Tribunal Superior de Cuentas, TSC*) has in recent years only been able to audit 44 municipalities each year (15%) although their ambition is to carry out an audit in each municipality every second year. There is no systematic follow up of the recommendations generated by the audit. TSC, SEIP and also AMHON agree on the problems with financial management and arrange together numerous capacity development activities but apparently without a good assessment of the needs according to some participants met by the mission. The EC/EU has not supported financial management in municipalities.

Ind 6.2.2

During 2002 to 2005 the GoH promoted intensively the development of strategic municipal development plans (PEDM), which often became a list of projects (investments) instead of a strategic development plan for a municipality. In the beginning PEDM was often supported by development partners, but the instrument was losing its credibility because it was perceived more as an administrative requirement instead of a management tool.

The EC/EU has not supported development planning directly, but there may be some projects funded by the NSA-LA programme.

Ind 6.2.3.

No strong evidence exists about improvement in municipal human resource management development (HRM/D). During the evaluation period a lot of focus has been on the law on municipal administrative carrier, which was approved in 2010. The reason for this is the high rotation of staff in municipalities in particular after elections, which has impeded improvement in HRM/D in municipalities. The EC/EU has not supported HRM/D in municipalities, but the PROADES may have supported the development of the law by its SBS to SEIP.

Ind 6.2.4.

No monitoring and evaluation system exists to generate information for use at central or local levels on decentralisation. As part of the technical assistance the PROADES facilitated to SEIP (at that time SGJ) a conceptual design for a system was proposed, which apparently is still under discussion in SEIP.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1: A strong national association for municipalities exists, AMHON, which has been strengthened as project implementer for the development partners. It was established in the mid 1960'ties and was revitalised in the early 1990'ties, with the new Law of Municipalities. It has played a role to represent municipalities vis-à-vis the central government and it is well acknowledged. It has recently played an important role for the increased transfer to municipalities and the new law on the administrative municipal carrier.

The PROADES has supported AMHON by supporting the establishment of the tri-party forum (*El Foro Tripartido, EFT*), which was set up in 2005 with participation of the GoH, AMHON, civil society and development partners. The EFT is a forum for dialogue on decentralization.

Municipal corporations (*mancomunidades*) have also been established as a solution to issues, which go beyond the borders of the individual municipality. This initiative has been strongly promoted by the development partners. Presently 53 corporations exist.

Ind 6.3.2: No progress is evident with NGOs involvement in local service delivery and good governance. The work of NGOs is mostly responding to individual efforts or needs of local governments but without any link to a national strategy on the decentralised governance or service delivery.

Ind 6.3.3 Some limited research exists on the issue of local governments. The AMHON has played a role to generating technical documents and systematizing experiences with support from development partners.

The EUD is currently preparing a publication on decentralisation in Honduras to be published in 2011.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1

During the evaluation period the procedures for the local elections have not been changed, and national and local elections were executed the same days in late 2001, 2005 and 2009. Observations agree that these three elections have been held in fair conditions and without any fraud.

The same has according to many stakeholders had the effect that the election is mainly seen as a national election, although national and local politicians are elected separately. The AMHON in particular argues therefore that the local elections should be separated from the national elections to give the local level more importance.

There are significant advances in terms of political decentralization, allowing independent candidates for presidential elections, municipal and national congress to run.

Ind 7.1.2

The planning system is a bottom up type with communities expressing their needs to the local councils and the development of a municipal development plan. Municipalities should also arrange open meetings (*cabildos abiertos*) with the public at least twice a year.

Some people met expressed that likely only half of the municipalities execute their planning with public participation. Planning is also disturbed by other agencies having parallel system to that of the local government with direct intervention at the community level e.g. the Social Investment Fund (*Fondo Hondureño de Inversión Social, FHIS*).

A survey financed by USAID¹² shows that the citizens in general participate less than before in local issues e.g. 18,5% of the population participated in 2006 in a municipal council meeting and only 8,8% participated in a council meeting in 2010. Similarly only 6,5% asked for assistance in the municipality compared to 12,3% in 2004 and the participation in community organisations has also declined from 24,8% in 2004 to 12,8% in 2010.

Table 8 Citizens' Participation in Local Government Activities

	2004	2006	2008	2010
Participation in municipal council meeting (<i>session municipal o cabildo abierto</i>),	15,1%	18,5%	10,3%	8,8%
Request for assistance from the municipality	12,3%	13,5%	7,8%	6,5%
Participation in community organisations	24,8%	18,7%	11,9%	12,8%

Source: USAID (2010) *Cultura Política de la Democracia en Honduras*, <http://www.vanderbilt.edu/atoz/tagged.php?id=research>

¹² USAID (2010), *Cultura Política de la Democracia en Honduras*. About 1,500 Hondurans participated in the survey.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Ind 7.2.1

The system for communication and use of feed back mechanism with the citizens is mainly organised through the bottom-up planning system and the semi annually meetings, where the municipal budget and its execution are presented respectively.

The EC/EU has not supported systems for citizens' dialogue with the municipality through PROADES, but likely the EC/EU has financed some projects through the NSA-LA programmes.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

Ind 7.3.1

The general transfers to municipalities has since 2000 followed a formula, which has been changed frequently since 2004 to cater more for poverty and the municipalities' effort to collect more revenues.

Table 9 Formula for transfers to municipalities 2000 to 2011

	2000-2004	2005	2006	2007	2008	2009	2010 and 2011
Equal share	40%	50%	50%	50%	50%	50%	50%
Population	60%	43%	38%	35%	32%	30%	20%
Poverty		7%	8%	9%	10%	10%	30%
Fiscal effort			4%	6%	8%	10%	

Source: SEIP, Tribunal Superior, AMHON (2011), VI Seminario Taller Gestion Municipal

The frequent changes in the formula make it difficult for the municipalities to plan effectively as their allocations are changed every year. Furthermore the allocation of 50% of the transfers as "equal share" is against good practises as this implies that all municipalities get the same amount - i.e. Tegucigalpa and small municipalities with 5000 inhabitants get the same amount.

Further to this funding are also provided to municipalities from specific projects managed by development partners and from the Social Investment Fund, (FHIS). So in synthesis although formula exist for the transfer from the GoH, it is not clear how other sources are distributed,

E.g. 15 meeting rooms have been financed from directly by SEIP by PROADES funding, but the selection of the municipalities for this is not transparent likely done by the Minister.

The EC/EU has not supported the development of transfer systems.

Ind 7.3.2: Information on transfers to municipalities are not presented systematically to citizens e.g. in the papers or on municipalities notice board. The information is rather presented at public meetings (*cabildos abiertos*) twice a year, where the municipality presents its budget and its execution respectively.

Stakeholders met informed that for the larger municipalities in category A and B, the public meetings are held, while for the municipalities with less capacity (category C and D) it is less likely that the meetings are held.

Transfers can also be found on the homepage of SEIP (www.seip.gob.hn).

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

The EC/EU has not supported the building up or transfer of more resources at municipal level via PROADES.

Ind 8.1.1

Municipal expenses for operations have increased with 51% from 2002 to 2009 in constant prices indicating, that more funds are available for service delivery. Expenses for service delivery cannot be separated.

Table 10 Municipal Expenditures 2002 to 2009, constant prices index 2002=100

Year	All expenses (egresos totales)	Operacional costs (gastos de funcionamiento)
2002	100	100
2003	114	110
2004	124	107
2005	75	76
2006	96	117
2007	211	197
2008	137	114
2009	167	151

Source: Ministry of the Interior and Population (SEIP) - see detailed calculations in annex 7.

Ind 8.1.2: The changes in the formula for transfers (see indicator 7.3.1) with more weight on poverty levels in the municipalities had made the allocation slightly more targeted towards needs related to poverty.

Ind 8.1.3: Experiences with public private partnerships do not exist.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

Ind 8.2.1

Funding for maintenance and operation cannot be seen separately in the municipal budgets. Table 10 above shows that municipal expenditures have increased with 67% from 2002 to 2009, and some of this might have been allocated for maintenance.

Ind 8.2.2

The delegation de facto of functions within education, health and water and sanitation (see table 6) have according to people met from in particular ministries had the effect that communities and municipalities are more active in the maintenance and operation of local infrastructure.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *Ind 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *Ind 8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.1 The mission did not find evidence for better access to service for vulnerable groups. Most likely few changes have taken place as is also supported by the information below in table 11 and 12.

Ind 8.3.2 No firm data exist on whether local service delivery has improved – and the question cannot be answered – but it seems like services have not improved substantially during the evaluation period as presented below.

A survey financed by USAID¹³ shows that 28.5% of the citizens in Honduras are satisfied with the services they receive from the municipalities. Compared to 2004 and 2006 the figure has decreased, but it is higher than in 2008.

Table 11 Citizens' attitude to local services in 2004, 2006, 2008 and 2010

	2004	2006	2008	2010
Citizens who think municipal services are good or very good	36,3%	32,1%	22,1%	28,5%

Source: USAID (2010), *Cultura Política en la Democracia de Honduras* (<http://www.vanderbilt.edu/atoz/tagged.php?id=research>)

Asked directly about specific services in 2010 most people find that the quality of the service has not changed. For instance, 44,1% of the citizens think that the service for water and sanitation is the same.

Table 12 Attitude to selected local services in 2010

	2004	2006	2008	2010
	Improved	The same	Worse	Service don't exist
Solid waste management	15,4%	30,6%	6,5%	47,5%
Market	7,9%	29,3%	11,8%	51,1%
Water and Sanitation	18,9%	44,1%	12,4%	24,6%

Source: USAID (2010), *Cultura Política en la Democracia de Honduras* (<http://www.vanderbilt.edu/atoz/tagged.php?id=research>)

¹³USAID (2010), *Cultura Política en la Democracia de Honduras* – also presented at <http://www.vanderbilt.edu/atoz/tagged.php?id=research>. About 1.500 Hondurans participated in the survey.

4 Conclusion concerning the hypotheses to be tested and main challenges to be discussed in the synthesis phase

The **first hypothesis** formulated during the desk phase states that:

1. *The SBS modality will result in EC/EU having little influence on how the funds from PROADES are spent in the national budget.*

According to the Final Evaluation of the PROADES only 4,4 mEUR out of 12,55 mEUR released up to 2010 were spent for decentralisation as budget transfers to the Ministry for Governance and Justice (from 2010: Ministry for Interior and Population, SEIP). Further the EUD and SEIP agree that:

“Es claro que el apoyo presupuestario es aquel que convirtiéndose en fondos nacionales, pasa a ser de libre disponibilidad del Gobierno y que la EU no verifica el destino de los fondos, sino que mide los resultados obtenidos...” (Evaluación Global de Proades, Noviembre 2010 p. 37).

(“It is clear that the budget support once the funds are changed to national funds, become of free disposal of the government and that the EU does not verify how the funds are used only the results achieved”).

So the first hypothesis is clearly confirmed and it follows that most of the funds were not spent for decentralisation. Furthermore the indicators selected for PROADES do not measure the results of decentralisation as presented in indicator 2.3.1.

The **second hypothesis** states:

2. *Budget support is an efficient way to give flexible support and adjust to changing national policies.*

According to the EUD the flexibility is the idea with the SBS. And the PROADES certainly gave the GoH flexibility to adjust to the actual GoH priorities even when decentralisation was not a priority for the GoH. However, it is also clear that if decentralisation is a priority for the EC/EU, the SBS is not the appropriate modality as the receiving government spent most of the funds on other priorities than decentralisation.

The **third hypothesis** stated that:

3. *The EUD has established adequate procedures to coordinate programmes with support to specific sectors with its support to decentralisation.*

The third hypothesis is most likely rejected as the EC/EU does not have clear procedures to coordinate sector programmes with its support to decentralisation. On the other hand the mission did not find overlaps between sector programmes and support to decentralisation. It could be because the GoH coordinate, so overlaps are avoided.

Below follows a **synthesis of the main findings** from the mission following the eight evaluation questions.

EQ 1. Clarity of EC/EU policy/ strategies on decentralisation.

The staff at the EUD and government official and other development partners have little knowledge about the specific EC/EU policies on decentralisation. The EUD could not find guidance on development of indicators for decentralisation for a SBS modality in the EU support document for decentralisation i.e. the reference document for decentralisation from 2007.

EQ2. The institutional capacity for decentralisation in the EUD

The EUD experience on decentralisation is related to one staff member who applies about 10% to 20% of the working time on decentralisation. After dealing with decentralisation for 4-5 years the capacity of the responsible person is high, but the institutional capacity will most likely be lost once the person is not located in the EUD in Honduras any more.

EQ3. EC support to decentralisation processes’ responsiveness to national contexts and aligned with national regulations and policies

The PROADES is aligned to the national decentralisation support programme and national procedures. The weakness with the SBS is the inability to adjust when national policies on decentralisation are changed.

EQ4. Coordination, Complementarity and Coherence

The EC/EU seems to be an active player in decentralisation among the development partners in Honduras and its support to decentralisation is coordinated with that of other donors. The EC/EU does

not implement programmes in decentralisation with other development partners, and the EC/EU's main partner is BID (i.e. both supported the national decentralisation programme, PRODEL).

EQ5. Programme results on transfer of functions to local councils

With the SBS modality it cannot be said exactly what the EC/EU has supported in decentralisation. It is however clear that of the budget for the SBS from PROADES only 4,4 mEUR of 32 mEUR reached the SEIP and 2 mEUR for technical assistance through a private company. The global evaluation and the persons met during the mission all agree that the results are very limited and that most results for decentralisation in Honduras were reached during the 1990s. It is however clear that the municipalities have increased their total revenues with 66% in constant prices from 2002 to 2009 mainly because of an increase of government transfer with 153% in constant prices.

EQ6. Programme result for capacity of stakeholders

PROADES has worked directly with the ministry responsible for decentralisation (SGJ, SEIP), but the capacity has not increased in the ministry due to numerous changes in staff. In general the GoH's capacity for decentralisation reform has not increased either. For the municipalities, it seems like the progress in capacity is limited as well – a promising new law is the Law on Municipal Administrative Carrier, which might create more stability in staff and improve HRM/D in the 298 municipalities. The national association of municipalities (AMHON) has increased its capacity and is now the main actor in decentralisation in Honduras with many separate initiatives.

EQ7. Programme results on local governance

The PROADES has not supported local governance directly. In general, it seems as if few results have been reached since 2000 and less participation takes place in local decision making.

EQ8. Programme result on service delivery

The municipalities' operational costs have increased from 2002 to 2009 with 51% in constant prices, which may have resulted in the provision of better services. An investigation into the citizens' attitude to public services indicates that the citizens in general not have changed their attitude to municipal services during the evaluation period.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Last name</i>	<i>First name(s)</i>	<i>Organisation</i>	<i>Position</i>	<i>Date of the interview</i>
Bouchard	David	EUD	Task Manager	6, 9, 13/6/11
Hick	Willy	EUD	Task manager	13/6/11
Versteeg	Peter	EUD	Head of Delegation	13/6/11
Fache	Andre	EUD	Task manager	16/6/11
Caraccioli	Arnoldo	Technical Decentralisation Unit Ministry of the Interior and Population	Director	6/6/11
Ordoñez	Victor	Technical Decentralisation Unit Ministry of the Interior and Population	Assistant Director	6/6/11
Madrid	Africo	Secretary of State – Ministry of the Interior and Population	Secretary	6/6/11
Nuñez	Wilson	Municipal Strengthening / Ministry of the Interior and Population	Director	6/6/11
Castro	Gloria	Public Credit / Ministry of Finance	Subdirector	7/6/11
Ferrera	Juan	National Convergence Forum (FONAC)	Director	7/6/11
Mineros	Guillermo	Municipality Auditing Direction / Supreme Accountability Tribune	Director	7/6/11
Avila	Roberto	Municipality Auditing Direction / Supreme Accountability Tribune	Technical Assistant	7/6/11
Alvarado	Jonabelly	Municipality Auditing Direction / Supreme Accountability Tribune	Technical Assistant	7/6/11
Lopez	Cesar	Municipality Auditing Direction / Supreme Accountability Tribune	Technical Assistant	7/6/11
Hernandez	Christian	Municipality Auditing Direction / Supreme Accountability Tribune	Supervision Auditing	7/6/11
Reyes	Samuel	Vice-presidency of Honduras	Vice-president	7/6/11
Pinel	Sandra	Health Service Network Unit / Health Ministry	Director	7/6/11
Sosa	Eugenio	Decentralization Investigator	Investigator	7/6/11
Castillo	Danilo	Executive Chief / Association of Honduran Municipalities (AMHON)	Executive Director	8/6/11

Duron	Lourdes	Decentralisation Unite / Association of Honduran Municipalities (AMHON)	Chief	8/6/11
Miranda	Freddy	DANIDA	International Technical Assistant	8/6/11
Munguia	Miguel	Reduction Poverty Strategy	Director	8/6/11
Ordonez	Magdalena	Reduction Poverty Strategy	Monitoring Director	8/6/11
Vargas	Cesar	Decentralisation Consultant / Municipal Revenue	Consultant (ATI PROADES)	8/6/11
Palermo	Marcelo	Decentralisation Consultant / Social Society Participation	Consultant (ATI PROADES)	8/6/11
Cruz	Carlos	Comayagua Municipality	Vice Mayor	9/6/11
Alcerro	Antonio	Comayagua Municipality	First Council	9/6/11
Cerritos	Marcio	Comayagua Municipality	Fourth Council	9/6/11
Velazquez	Manuel	Comayagua Municipality	Treasurer	9/6/11
Gomez	Freddy	Comayagua Municipality	Auditing Chief	9/6/11
Machado	Ivan	Comayagua Municipality	Accountant	9/6/11
Menjivar	Eduard	Comayagua Municipality	DANIDA Project Coordinator	6/9/11
Velásquez	Max	World Bank	Water and Sanitation Programme	10/6/11
Betancourt	Orlando	Education Ministry	Planning and Evaluation Unit Director	10/6/11
Sánchez	Maria	IDB	Social Protection Specialist	10/6/11
Perez	Rincon	IDB	Municipality Specialist	10/6/11

5.2 Annex 2: The list of documents consulted

EU (2009); Mid term Review CSP Honduras 2007-2013

EU (2010); PROADES Project Summary

EU and GoH (17 Dec. 2004); Convenio de Financiacion (Financial Agreement)

EC, (2007); PROADES Monitoring reports 2007

EC, (2009); PROADES Monitoring reports

EC, (2010); PROADES Informe Final 2010.

Secretaria de Justicia (2010); Plan Estrategico 2010-2014. Decentralisation para el Desarrollo Local en el Marco de Vision 2038. SGJ 2010.

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Particip, ADE, DRN (2010); Evaluation of EC's Cooperation with Honduras, Country level Evaluation

USAID (2010); Programe de Apoya a la Descentralizacion en Honduras, Delegation de la Union Europea en Honduras and El Foro Tripartito de Decentralisation Honduras, 2010

Secretaria de Gobernacion y Justicia and EU (November 2010); Evaluacion Global del PROADES

La Gazeta (May 2010); Ley de Fortalicimiento a la Educacion Publica y la Participacion Comunitaria

AMHON (November 2008); La Experiencia del Pacto Nacional por la Decentralisacion y el Desarrollo Local

AMHON (December 2008); Mancomunidades de Honduras

AMHON (2010); Agenda Municipal de Honduras 2010-2014

Tribunal Superior (2011); Seminario Taller Gestion Municipal 2011-06-11

USAID (October 2010); Cultura Politica en la Democracia en Honduras, 2010
<http://www.vanderbilt.edu/lapop/>

Secretaria de Finanzas (2011); Informe de la Liquidacion de Ingresos y Egresos I Presupuesto Nacional de la Republica Ejercicio Fiscal 2010

5.3 Annex 3: Detailed list of EC-funded interventions

Table 13 Detailed list of EC-funded interventions related to decentralisation

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Programa de apoyo a la descentralización en Honduras (PROADES)	2004 - 2007	33,65	18,4	ALA/2004/016-807	Tow down	N	SBS to GoH	Government of Honduras
<i>Indirect interventions</i>								
Reducción de la pobreza y desarrollo sostenible con equidad en 2 municipios del Occidente de Honduras	2009	0,258	0,068	DCI-NSAPVD/2009/021-105				NGO
Projects financed from the programme for non state actors and local authorities								Associations, CSOs, LGs

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Programa de apoyo a la descentralización en Honduras (PROADES)

Budget: 33.651.500

Start date: 2004

Objectives and expected results:

Contribution to poverty reduction and the establishment of a modern and efficient public administration. The PROADES falls within the framework of the Poverty Reduction Strategy (PRS) and the National Programme for Decentralization and Local Development (PRODEL), both programs are designed with a long-term perspective.

Activities

Key dates for the execution of PROADES 2003 to 2011.

<i>Calendario resumen principales acontecimientos y apoyos de la UE</i>	<i>Fecha</i>
Lanzamiento del PRODEL	Marzo 2003
Misión de formulación PROADES	Abril 2004
Firma convenio financiación entre el Gobierno de Honduras y la C.E.	Febrero 2005
Pago del primer TF	Agosto 2005
Nueva administración Gobierno Presidente Manuel Zelaya	Enero 2006
Pago del 2do TF	Septiembre 2006
Pago del 1er TV	Febrero 2007
Decisión no pago del 3er TF	Diciembre 2007
Inicio de actividades de la ATI	Febrero 2008
Misión de evaluación de medio termino 2005-2008	Abril-Mayo 2008
Inicio de la fase de Asistencia Técnica	Mayo 2008
Decisión pago 2do TV (pero sin condiciones para efectuar el pago)	Febrero 2009
Decisión no pago 4to TF y 3er TV	Febrero 2009
Interrupción del Orden Constitucional	Jun 2009-Ene 2010
Nueva administración Gobierno Presidente Porfirio Lobo Sosa	Enero 2010
Ley de Visión de País y Plan de Nación	Enero 2010
Final de las actividades de la ATI	Mayo 2010
Plan Estratégico de Descentralización del Estado	Julio 2010
Creación SEIP	Octubre 2010
Pago 2do TV (en fase de aprobación)	Noviembre 2010
Negociación sobre un posible addendum de extensión del convenio	Sept-Nov 2010

Source: SGJ, EU (2010); Evaluación global del PROADES

5.4.2 Intervention 2

Title: PROCORREDOR

Budget: 25.000 mEUR

Execution: 2006-2012

General Objective

To help improve the quality of life of people through maintenance and restoration of ecological and economic functions of the Caribbean Corridor of Honduras as an integral part of the Mesoamerican Biologic Corridor.

Specific Objectives

Improving conditions for environmental management at institutional and local levels, around the sustainable management of protected areas and interconnecting areas as well of the Honduran Caribbean Biological Corridor, contributing to its conservation and recovery.

Main Strategies

1. Regional system of protected areas in the Caribbean Corridor strengthened through efficient management and participatory areas.
2. The watershed areas are sustainably managed, with full participation of municipalities and local residents, generating ecological, economic and social benefits.
3. Municipalities have land based on land use planning, land cadastre, regularized and legalized.
4. Governmental and non-governmental environment sector with strengthened capacities at central and local levels to improve environmental management.

PROCORREDOR and the Decentralisation Process

The Project is in its intermediate stage, and works across the board in all axes to improve the management capacity of local governments in the Caribbean part of Honduras (in tax matters, management, planning, transparency, modernization) and other community agencies such as water boards and environmental committees in preparing these bodies to articulate a process of regionalization, an initiative recently implemented in the country

Although the project has no direct impact on the national framework or policy relating to the issue of decentralization, locally, is working to prepare local actors to assume these responsibilities and benefits with greater capacity and participation, some examples are the preparing of the environmental decentralization strategy, and the environmental services payments.

www.procorredor.org

5.5 Annex 5: Detailed country context

5.5.1 Summary of the Concept of Decentralisation of the State.

The increase in poverty and extreme poverty forces the governments to seek innovative or non traditional alternatives to combat this, addressed from a national perspective with implications at local and / or regional levels. Thus decentralisation has become the instrument for gradually achieving this goal. In short, the concept of decentralisation, adopted by the GoH is the transfer of competences from central to regional or local levels, to recipients who are prepared to exercise those powers. The changes are made under the principles of subsidiarity and graduality, within a legal framework that facilitates the process. There are six major themes in the decentralisation process: a) strengthening the institutional and policy framework (modernization of the state), b) decentralisation of public services, c) fiscal decentralisation, d) municipal strengthening e) land management and f) transparency and citizen participation.

The decentralisation process in Honduras commenced within the process of modernisation of the State in the 90's with a series of reforms, accompanied by the adoption of the Law of Municipalities (Ley de Municipios) and the Modernisation of the State Act, the first evidence of an intention to decentralize the state.

Modernisation of the State.

In 1992 the approval of the Modernisation of the State Act established the Presidential Commission for State Modernization (CPME). The initiative includes the consideration of the fact that the process of modernising of the State must be a sustained effort and a strategic imperative for the national and the international development. It brought reforms with administrative, legislative and judicial elements as well as the momentum of reforms that strengthened the electoral organisation. The State Programme for De-bureaucratisation was also created, and the status of the Controller General of the Republic changed, becoming the Court of Accounts (TSC). In this process the national programme for municipal decentralisation was also born, later called the National Programme for Decentralisation and Local Development (PRODDEL) for the purpose of promoting the development of municipalities' independence and autonomy from the central government.

5.5.2 Chronology of the process of Decentralisation

The decentralisation process in Honduras has been determined by several internal and external factors, with development partners being one of them. The process has changed frequently since 1990 depending on the current level of priority of the Government as the main element, and also the leadership of the representatives of different sectors involved in the issue (especially the Ministry of Governance and Justice, now the Ministry of Interior and Population). After 2000 the decentralisation process in Honduras can be divided into three stages: a) Momentum of the decentralisation process and strengthening the institutional framework, b) Stagnation of the decentralisation process c) Reactivation of the decentralisation process. Below follows a description of the development since 1990.

1990-2000

Although the legal framework has existed since the approval of the Law of Municipalities (1991) and the Modernisation Act (1992), the Central Government did not follow a genuine decentralisation policy. It promoted more an administrative de-concentration of some of the sensitive services for the population, such as education or health to the Departmental District with Regional Health and Education Bureaus. In this period the Government was unable to comply with the article 91 of the Law of Municipalities addressing the transfer of 5% of the government budget from current revenues. These events clearly show that the issue of decentralisation had not yet matured.

In 1994 the Executive Commission for State Decentralisation (CEDE) was established by an executive order. The CEDE would appoint the executive secretary to the Technical Unit of Decentralisation, the technical body responsible for coordinating the decentralisation and promoting technical and political process. The National Program for Decentralisation and Local Development was created as a part of CEDE, this was however not adopted as a decentralisation strategy by the government.

The Decentralisation Process with Momentum 2000-2005

In 2002 the Decentralisation and Local Development (PRODDEL) was re-established as a government programme that addresses decentralisation, with some considerations for sector perspective, trying to establish an institutional environment for decentralisation.

From that date, agencies such as the World Bank, BID and the GIZ, were important sources of funding to boost PRODEL and reactivate CEDE. It is with this support that the inter-sectoral consultation process started, to determine the specific services to decentralise within each sector, in particular education, health, water, roads and fire fighting. The Ministry of Governance and Justice was also strengthened, thereby generating a strategy to support the efforts of municipalities, re-starting the process of training and municipal development, specifically in the areas of administration and accountability. The process depended more on the will of the heads of each sector (ministers and deputy ministers in some cases) than on the government policy on decentralisation.

It is in this period, that the Donor Committee for Decentralisation also systematically began the discussions and coordination on decentralisation, focusing efforts on issues aiming at strengthening local capacities. Supported by AMHON and the development partners a number of corporations (mancomunidades) were established as an alternative to regional government projects and to unite small municipalities for economics of scale. 53 municipal corporations exist in 2010.

During 2002 to 2005 major efforts were undertaken to decentralise public services to improve their quality, for which the government held a series of bilateral consultations with the sectors. However, the development process depended more on the goodwill of the ministers of certain sectors, such as health with decentralized management models of preventive health, or the mayors' own initiatives such as the delegation of environmental licensing. For the water sector, the Law on Water and Sanitation, adopted in 2006 gave an important impetus to the decentralisation of the main water supply even under operation of the National Potable Water and Sanitation (SANAA), widening the participation of municipalities and community organisations in providing and monitoring the service.

During this period, the Executive Committee for Decentralisation of the State (CEDE) was reunited a few times to address these actions politically, and to demand the delegation of certain actions to the municipal level from other sectors and institutions such as Infrastructure (Honduran Social Investment Fund), Road (Road Fund), Education (Ministry of Education), Environment (Ministry of Natural Resources and Environment). However, it was not possible to define and institutionalize these actions due to lack of political will in these sectors.

An important event during this period (2003) was that, 14 years after the adoption of the Law of Municipalities (1990), the transfer of 5% of the budget for current revenues from the central government to municipalities was for the first time completed.

The distribution should be based on the following scale:

1. 1% for children and adolescents
2. 1% for the Court of Accounts (TSC)
3. 2% for women's programs
4. 13% for health and education.
5. 68% for infrastructure
6. 15% for operating expenses

However, 243 (of 298) municipalities exist with little financial autonomy (municipalities category C and D), highly dependent on the transfers from the central government, and with only a limited generation of own revenues.

In 2005, another event was the signing of the Programme to Support Decentralisation in Honduras (PROADES). It operated under the PRODEL to complement other efforts by the government, particularly the Ministry of the Governance and Justice in order to promote the decentralisation process in municipalities C and D, as there were other funding such as the Municipal Building Programme and Local Development (BID 1478) in a final stage of implementation, and aimed at strengthening the capabilities of other type of municipalities, mainly category B. The establishment of the Decentralisation Forum (TDF) was a part of the conditionality of the EU Cooperation, comprising of representatives of the central and local government, civil society and donors. The forum has been established to become a genuine forum for discussion and debate on the country's decentralisation strategy, but it has so far more been a forum for approving release of tranches from the PROADES.

Stagnation and coup for the Decentralisation Process 2006-2009

The period of 2006 to 2009 can be described as a "stagnation" in the process of decentralisation. The PROADES did not generate the expected results, some models of decentralisation of public services such as environmental licensing delegation experienced a setback due to the unclear legal framework, the experiences of Honduran Community Education Program (PROHECO) began to lose credibility and were politicised, and the CEDE and the Decentralisation Forum (FTD) forums were not operative.

Nonetheless, there were sectors such as health or water and sanitation, which willingly and convinced by the improvement of development indicators further consolidated decentralised management models. The civil society on the issue during this period became even more invisible, with no signs of wanting to coordinate closely with central or local governments.

With a lack of a clear government policy on decentralisation, the Association of Municipalities of Honduras (AMHON) started the momentum with the signing of the "Pact for Decentralisation", with the government seeking a political commitment to streamline the process of decentralisation, and marking important milestones, such as: a) increased central government transfers to municipalities, b) commitment to establish a National Decentralisation Policy, c) reforms to the Law of Municipalities, and d) approval of a Municipal Administrative Career Law. Thus during this period the AMHON covered the gap, which the government left with its limited interest for decentralisation. However, as the government did not have a strategy of decentralisation, it was more some particular political and legal issues promoted by AMHON and some development partner, which created the conditions for a further decentralisation process.

In the area of decentralisation, the government made some minor efforts and began restructuring the institutions (SGJ) and sought to develop strategies to advance in the process. The so-called Decentralisation Minimum Agenda was created in 2009, a strategy that seeks to position decentralisation as a priority in the government's agenda, looking for resources in the Ministry of Finance as part of that process. The instrument was further developed in response to the Ministry of Finance, as there was doubt about the use of funds and institutional capacity of the Ministry of Governance and Justice in its implementation. The Minimum Agenda was never implemented. It is noteworthy that during this period from 2006 to 2009, the institutional decentralisation process was severely weakened due to the high turnover of staff at all levels, ministers, deputy ministers, directors and technicians, who in a period of 4 years rotated 5 times.

The Year 2009

In 2009 the AMHON promoted a series of legal reforms such as reforms to the law of municipalities' articles 12 and 13, which clearly state the principles of autonomy and clarify municipal authority in matters of natural resources protection and public services, when appropriate to the municipality.

The conclusion of the Municipal Administrative Carrier Law was also reach in this period. The law aims at achieving some strategic elements for the implementation and development of career development within the municipal sector, especially in regard to selection processes for human resources, performance appraisal of personnel, training, implementation of career management, and a pilot project design for creation of a database with municipal and other local administrative careers.

In mid-2009, Honduras plunged into political confrontations generated as a result a "coup" or "constitutional succession" aggravating the "stagnation" in decentralisation, as well as other cross-cutting or sectoral issues of national interest. The implications of this political situation were quite significant since the first international reaction was to freeze programmes or projects funded until clarity was reached on the country's political situation. This break created a space of time out of about a year, until gradually, after the elections and the new government installed in January 2010, the strategies were re-initiated with a new approach – "regionalization".

Reactivation of the Decentralisation Process 2009-2011

2009-2010

The new government established a frank and direct dialogue with municipal mayors, thus establishing as part of its first actions, called "Government of National Reconciliation" a gradual increase in the transfers of the national budget for current revenues to the municipalities, from 5% to 11% by 2013. Presently, the actual transfer is 6.5%, according to the general budget of Honduras. The AMHON and the mayors demand 7% at the end of 2010, which was agreed upon by the GoH.

The Law on Municipal Administrative Carrier was also adopted in 2010 and is expected to come into force in August of 2011. With its implementation the expectation is a reduction in political patronage, more professionalism and technical sustainability, and in particular avoiding large staff turnovers after each election.

Another of the first actions of the present government (2010 - 2014) was the promotion of The Country Vision Law 2010-2038 (published in 2010) and the National Plan 2010-2014. The objective 4 – "A transparent, modern, accountable, efficient and competitive state by 2038 include "to achieve decentralisation of 40% of the public investments to the municipal level". It also establishes the new planning system, subdividing the country into 6 regions and 13 sub-regions, identified and mapped according to the most important river basins and sub basins of the Honduran territory. In the medium term, it is expected to support budgeting by regions and a bottom-up planning system from the

communities and municipalities based on regional planning and aligned with GoH policies at the national level. This effort has created regional development councils, composed of local and departmental authorities, civil society and cooperation. This scheme is still in process of organisation.

2010-2011

In early 2010 and according to the provisions of the GoH, the Ministry of Governance and Justice, now the Ministry of Interior and Population was made responsible for overseeing the country's decentralisation process. In this function, the Ministry is discussing with the development partners, AMHON and other central government institutions various initiatives that are expected to be the long-term foundations for a genuine process of decentralisation. Such is the case for renewed consultation process of the National Decentralisation Policy, efforts initiated since 2008, and the continuation of PROADES, including the reactivation of the Decentralisation Form (FTD), and other support programmes of the development partners. No political efforts to reactivate the Executive Commission for State Decentralisation (CEDE) have been observed.

5.5.3 Government Structure Today

The country is currently basically governed on two levels. The intermediate level is represented by the departmental governments, which lack legitimacy because they are not democratically elected, they are appointed by the President. Since the new constitution of 1982 and the Law of Municipalities (1990) they have no real interference with the administration or municipal level.

Honduran Territorial Division

INTERMEDIATE GOVERNMENT	
Territorial Organisation	Executive
Departments	Authority: Departmental Governors. Designation: Appointed by the executive branch. Function: National Executive Representative of the Department.

Level of Government	Executive	Legislative
Municipalities*	Authority: Mayor. Term: 4 years. Designation: Elected by popular vote. Requirements: Honduran, born in the town or have lived for more than 5 consecutive years in the same, being over 18 and literate. Emoluments: Not designed.	Authority: Municipal council Term: 4 years Designation: Elected by the people. Requirements: Honduran, born in the town or have lived for more than 5 consecutive years in the same, being over 18 years and literate. Emoluments: Depending on the economic capacity of the municipality, members receive diet for attending sessions or a salary commissions for your work. Entitled to per diem and travel expenses.

*Municipalities are further divided into cities, villages and hamlets, and cities in colonies and neighbourhoods.

5.5.4 Progress in Decentralisation of sectors.

Decentralisation of sector public services in Honduras does not respond to a policy or strategy of the GoH, but rather to pilot initiatives supported by development partners in several areas of the country. Some of these initiatives have achieved very good results, such as water and health, and it is unlikely that these models would be reversed. Other experiences show uneven development progress and subsequent setbacks such as the area of Environmental management. Below is presented experiences within different sectors:

<i>Services</i>	<i>Progress and Constraints</i>	<i>Head of Sector</i>	<i>International Cooperation</i>
Health	Delivery Basic Package Health and implementing Management Models Decentralized Health Services through Municipalities or corporations, involving communities. Today there are 63 municipalities implementing these services.	Health Secretary AMHON, Municipalities, Associations, Civil Society	BID, BM
Education	Implementation of Community Self-Management Programs, such as the Community Education Program (PROHECO) and the Program of Local Education Development Associations (ADEL), models of educational management with the active participation of parents organized. Similarly, the recently passed Education Act, seeks to delegate to municipalities the authority to supervise classes, maintenance work, school vouchers, among others. Today, according to the Ministry of Education, 36 municipalities have assumed the implementation of the education service.	Ministry of Education, National Congress	BM, BID
Water service and Sanitation	The de-facto decentralization of the consolidation of water boards 5 000 approximately and the gradual transfer of SANAA water systems (National) to the municipalities that operate this service, some under different models such as the concession arrangement, leasing, special units of the Municipalities and Municipal Enterprises. The Law on Water and Sanitation is not yet fully implemented. SANAA has transferred more than 15 pipelines from central to municipal water systems and 16 pending the transfer, the limiting factor is the payment of labor liabilities.	National Council on Water Supply and Sanitation (CONASA), National Water and Sewerage Service (SANAA) Regulator Water and Sanitation	UE, BM (PROMOSA), BID, PNUD, Coop Suiza
Environmental management	Delegation of the environmental licensing processes central to the municipal level. There have been 7 experiences with this model; however the legal framework is still unclear, forcing many of these to give up this model. Due to this legal issues, today there are only 5 municipalities implementing the licensing.	Ministry of Natural Resources and Environment (SERNA), Municipalities	DANIDA, UE
Infrastructure	Implementation of Decentralization Project Cycle Operations, enhancing the concept of "Projects Implemented by the Communities. It is a decentralisation model for infrastructure services and it responds more to demands of a local government but is not a decentralisation model or policy, and sometimes depending on the political factor or the good negotiation skill of a local council. The Social Investment Fund (FHIS) transfers the capital so the municipality can administer it directly for infrastructure. On the other hand FHIS has the attribution to respond to a demand implementing the infrastructure directly in a decentralized manner.	Honduran Social Investment Fund (FHIS)	BID, BM, KFW
Tourism and Security	Strengthening Municipal Tourist Commission for Tourism and Safety in preventive security approach, the involvement of citizens in public safety tables	Honduran Institute of Tourism and Ministry of Security	AECI

As a priority, the decentralisation of important public services such as water service, health, education, safety, environmental management and infrastructure has been devolved with specific actions in each sector, including efforts to harmonise regulations, new legal frames and management and coordination of the institutionalism. However, sometimes the efforts are too dispersed, giving the impression that the actions are not a priority or that sufficient political will does not exist.

In parallel, new laws have created a direct impact on decentralisation and local development to improve or simplify the management of some resources; such is the case of the Education Incentive Law (2011), Property Law, Water and Sanitation Law, the Forestry Law, among others, which give greater involvement of communities and municipalities in the provision of services.

The decentralisation of municipal finance has also been one of the most important strategies in the context of decentralisation. The main task has been to articulate the various municipal financial management systems, and support the installation and operation in most municipalities. The main systems are the Financial Revenue Management System (SAFT) and the Municipal Management System, which the government intends to link with the System of Central Government Finances (SIAFI). Development partners, including the EU have been and will remain crucial in this process.

According to the amendments to the Law of Municipalities (2009) and in the framework of the Pact for decentralisation, the Government and the Association of Municipalities of Honduras (AMHON) have

agreed to increase the transfer from the budgeted central government revenues to municipalities from current 5% 2009, to 8% in 2011 and finally to 11% by 2013.

5.5.5 Municipal Strengthening in the context of decentralisation and local development.

The good coordination between the government and cooperation partners resulted in the design and approval of the National Training and Technical Assistance for the Municipalities, which is coordinated by the National Committee for Municipal Training and Technical Assistance (CONCAM). The aim of the policy is to provide more efficient services from the Government at a central level to local governments. One of the most important objectives is to maintain the effort in the implementation of actions to strengthen the municipalities, mainly led by the Ministry of Governance and Justice (now Ministry of Interior and Population) and the Association of Municipalities of Honduras (AMHON).

As part of the reform to the Municipalities' Law in 2009, municipal corporations are mentioned, although these in fact have been consolidated in the last decade throughout the territory, to address social, economic and environmental challenges. Currently 53 corporations exist, most operating with the support of Inter-municipal technical units.

The Law of the Municipal Administrative Career has been adopted recently, strongly supported by the development partners. It is expected to ensure that during the transitional period after the municipal elections, the high staff turnover will be avoided and staff management will be professionalised. The law was adopted in 2010 and is expected to come into force in August of 2011.

5.5.6 Land Management (regionalization)

Under the Land Act and the new national plan (Vision 2038), there is a new approach to land management, which is built on the division of national territory into 6 regions. This approach is expected by the GoH to boost regional economic development in a sustainable manner and allowing a redistribution of central government budget resources based on these regions.

5.5.7 Interinstitutional Coordination in the Decentralisation Process

The monitoring of the national programme for decentralisation and local development (PRODEL), and the coordination of the various actors, who interact with the national and local level, has gradually strengthened the Executive Commission for State Decentralisation (CEDE) and recently the Decentralisation Forum (FTD). These two bodies coordinated by the Technical Unit of Decentralisation (UTD) in SEIP bring together the political and technical sector of the government, civil society and the development partners, who periodically review the progress of the decentralisation process. However, the country's political problems, the lack of a plan to enhance the roles of CEDE, TFD and the Technical Unit of Decentralisation, are elements that hinder the sustainability of the efforts and achievements in the process, creating a gap in the continuity and systematization of results, and promoting dispersal or atomisation of the management of information.

5.5.8 Role of external cooperation and the Association of Municipalities of Honduras (AMHON) in the process of Decentralisation and Local Development

The development partners and AMHON have been crucial in keeping the decentralisation on the government agenda. It would hardly have been possible to move forward, with all the political setbacks in the process in the last decade without the support of AMHON.

AMHON, created in 1961, is an association chaired by its elected president and comprising 243 mayors. The Executive Director of the AMHON is the technical arm and manager, who is a professional administrator. AMHON's funding comes from 1% of the transfers from the government, which is automatically subtracted from the allocations to each municipality and placed in the accounts of the association. To address the main challenges of municipal development, AMHON contains a number of technical units within its structure to promote the strengthening of municipal management, decentralisation, local development and policy advocacy.¹⁴

The BID and the EU have in the last decade been the main contributors to the decentralisation process, through loan and grant funding, respectively. The actions of the Municipal Development Programme (BID loan) and the PROADES have been complementary.

¹⁴ AMHON Structure: Gerencia de Comunicaciones, Gerencia de Administración Financiera, Planificación, Asesoría Legal, Gerencia de Incidencia Política y Gerencia de Descentralización y Desarrollo Local.

5.5.9 Challenges, Constraints and Gaps by 2011

There is not enough clarity in the administrative and technical government authorities on the use of budget support funds. Most of the beneficiaries, be it central government and local government officials perceive that under this mechanism, the use of funds does not meet the decentralisation purposes.

Another challenge is to improve the institutional framework for decentralisation, clarifying roles and strengthening management and policy makers who are responsible for coordination of the decentralisation process, and to establish indicators that will gradually measure progress, constraints and lessons learned of the decentralisation process in Honduras.

A more permanent character to the Technical Unit for Decentralisation in SEIP should be provided, strong enough to:

- coordinate the CEDE and FTD
- be able to maintain and make an impact on the central and local governments, civil society and development partners and maintaining a broad cross-sectoral dialogue
- revisit the lessons learned from the decentralisation process in recent years e.g. using the successful models for the sectors such as health and water,
- promote orderly decentralisation of public services always ensuring legal, economic and technical coordination
- Ensuring a real governmental political will reflected in transfers to municipalities
- build the strategies according to the local requirements and priorities and
- ensuring transparency at all levels

5.6 Annex 6: PROADES Indicators

Calculation of PROADES release of flexible tranche in 2007

The annex explains how the flexible tranche for PROADES was calculated in 2007 based on the development in 2006.

Valoración de Indicadores de Tramo Variable 2007 (resultados año 2006)

Indicador 1	Meta	Ejecución	Peso	€
Gastos en sueldos y salarios del Gobierno central en porcentaje del PIB	9.6%	9.7% (Parcialmente cumplido)	10%	0.35
<p>La información reportada por el Banco Central de Honduras con respecto al ejercicio presupuestario 2006 arroja un monto de Lps. 17,025.6 millones en el rubro de Sueldos y Salarios lo que representa el 9.7% del PIB, confirmando lo programado originalmente por el FMI.</p> <p>El monto más significativo corresponde al rubro de maestros que representa el 4% del PIB. El rubro de maestros es también aquel que refleja el mayor incremento durante el año 2006 representando Lps. 747.6 millones.</p> <p>Aún cuando para el año 2006 el resultado alcanzado en este indicador (9.7% del PIB) se acerca mucho a la meta esperada del 9,6% del PIB, resulta claro que para el año 2007, por decisiones tomadas en el año 2006 (acuerdos salariales alcanzados en los sectores de Educación y de Salud), se alejará de forma significativa de la meta esperada. En el 2007, un informe de ASDI destaca que "Dos de cada tres lempiras de los fondos de condonación estimados para el 2006 se destinaban a asuntos relacionados con las promesas de la campaña del Presidente Zelaya, tal como el salario para aumentar la fuerza policial, salarios a maestros, médicos y otros rubros relacionados (Informe país Honduras 2006, pag. 50).</p> <p>La Delegación propone considerar esta meta como parcialmente cumplida.</p>				

Indicador 2	Meta	Ejecución	Peso	€
Presentación del Plan de Actividades Anual para el próximo año de PRODEL, así como el informe de ejecución presupuestaria de las líneas del presupuesto vinculadas a PRODEL del año anterior	S/N	Parcialmente Cumplido	10%	0.35
<p>El POA 2007 y el informe de ejecución física y financiera 2006 del PRODEL fueron presentados en septiembre del 2007. El POA fue discutido durante el quinto FTD (28 de septiembre de 2007). Los documentos fueron presentados muy tarde en el año 2007, y el impacto de un Plan de Actividad Anual redactado en Septiembre del mismo año es muy relativo. La Delegación propone considerar esta meta como parcialmente cumplida.</p>				

Indicador 3	Meta	Ejecución	Peso	€
Apreciación positiva por la Comisión Europea (basado en opiniones de la, Sociedad Civil y otros donantes) de la ejecución de la ERP por parte del GdH	S/N	Parcialmente cumplido	10%	0.35
<p>- En su "Informe sobre Revisión de la Medición de la Pobreza en Honduras" de marzo 2008, el Banco Mundial destaca de mayo 2005 a mayo 2007 una "disminución significativa tanto en la pobreza general (del 65.3% de los hogares al 60.2%) como en la pobreza extrema (del 47.1% al 35.9% de los hogares)". Al mirar más de cerca, se nota que la reducción de la pobreza extrema se acelera entre mayo 2006 y mayo 2007 (pag. 3).</p> <p>- En el informe del Fondo Monetario Internacional de junio 2007 "Joint Staff Advisory Note on the</p>				

Indicador 3	Meta	Ejecución	Peso	€
<p>Fourth Annual Progress Report of the Poverty Reduction Strategy", queda claro que si los resultados de la ERP fueron modestos entre 2001 y 2006, la mejoría (caída de las cifras de pobreza) se debe principalmente al año 2006 (nota 2 pag. 1).</p> <p>- Ahora, los informes de los donantes son menos positivos cuando se trata de evaluar la ejecución por parte del Gobierno de Honduras de la ERP durante el 2006. El mismo informe del FMI reconoce que el cambio de personal (debido al cambio de Gobierno al principio de 2006) ha afectado de una manera u otra la implementación de la ERP durante el año 2006 (pag. 3). El documento de ASDI "Que pasó con la ERP?" de Abril 2007, abunda en el mismo sentido señalando que se creó bastante "confusión acerca de la gerencia de la ERP" con la nominación del Ministro de Cultura como Jefe del Gabinete Social y sobre el papel del Comisionado de la ERP (conclusiones pag. 49). Más grave todavía, el mismo informe destaca en sus conclusiones (pag. 50) que "se esperaba que el 2006 fuera un año de implementación acelerada y notoria de la ERP, dado que Honduras alcanzó el punto de culminación de las negociaciones HIPC apenas un año antes. La realidad fue otra, ya que el grado de implementación de las políticas de reducción de pobreza fue bajo".</p> <p>- En conclusión, si existe un consenso de los donantes sobre los relativamente buenos resultados de reducción de la pobreza para el año 2006, también están de acuerdo para presentar sus dudas en cuanto al impacto de la ERP ejecutada en 2006 por el nuevo Gobierno.</p> <p>Frente a esta aparente contradicción, la Delegación propone que se considere esta meta como parcialmente cumplida.</p>				

Indicador 4	Meta	Ejecución	Peso	€
Crecimiento promedio anual de los ingresos tributarios de las municipalidades C y D	15%	26.33% (Cumplido)	10%	0.7
<p>Según la información remitida por el GdH, el crecimiento promedio anual de los ingresos tributarios de las municipalidades C y D entre 2005 y 2006 es de 26,33%, cifra confirmada por la ATI del PROADES. Esta buena cifra se debe en gran parte al hecho que el crecimiento el año anterior había sido apenas de 2,7% (posiblemente por razón electoral), constituyendo una base muy baja para 2005. Pero de todos modos, la meta 2006 de 15% está superada y la Delegación propone considerar esta meta como totalmente cumplida.</p>				

Indicador 5	Meta	Ejecución	Peso	€
El % de municipios C y D que integran el enfoque de ordenamiento territorial en su PEDM (Plan Estratégico de Desarrollo Municipal)	10%	15% (Cumplido)	10%	0.7
<p>La inclusión de enfoques de OT en los PEDM y su análisis para poder determinar la calidad de esos criterios y su incidencia en el momento de construcción de los PEDM, sería complejo y largo de determinar y supondría la realización de una consultoría en si misma que, ex post, pudiera reconstruir los procesos de formulación de los PEDM y verificar en que medida estos fueron "teñidos" por criterios de OT. Hasta el momento, el cumplimiento o no de las metas establecidas en este indicador ha sido interpretada bajo un criterio formal: la existencia de PEDM y de Planes de OT en municipios C y D. Es también el método utilizado este año. En este sentido, pudimos evidenciar la existencia al final del año 2006 de Planes de Ordenamiento Territorial y PEDM en 35 municipios C y D, representando el 15% de los 223 municipios C y D. La Delegación considera esta meta como totalmente cumplida.</p>				

Indicador 6	Meta	Ejecución	Peso	€
El % de municipio C y D auditados bien directamente por el TSC o bien	20%	20.5% (Cumplido)	10%	0.7

por una firma de auditoría privada contratada por el TSC				
<p>Si entendemos este indicador de manera acumulativa, la meta es que entre los años 2005 y 2006 se haya auditado el 20% de los municipios C y D, o sea 42 municipios. Después de una revisión de todas las auditorías realizadas por el TSC a los municipios, podemos afirmar que 55 municipios C y D fueron auditados durante los años 2005 y 2006, y que 44 auditorías habían sido presentadas oficialmente a las autoridades municipales al 31/12/2006 (11 auditorías realizadas en 2006 fueron presentadas en enero o febrero del 2007). De todos modos, con 44 auditorías debidamente presentadas al 31/12/2006, la meta está totalmente cumplida.</p>				

Indicador 7	Meta	Ejecución	Peso	€
El % de municipios C y D que cuenta con una auditoría social de su ejecución presupuestaria	40%	0% (No Cumplido)	10%	0
<p>Todas las auditorías sociales presentadas como evidencias fueron realizadas en Agosto/septiembre del 2007. No se pueden recibir. La Delegación considera esta meta como no cumplida.</p>				

Indicador 8	Meta	Ejecución	Peso	€
Presentación de informes semestrales de Monitoreo y Seguimiento que permita medir de manera pertinente, simple y verificable los avances del proceso de descentralización	2 informes por año	0 (No cumplido)	10%	0
<p>La evidencia presentada para este indicador es el "Informe de Ejecución. Plan Operativo y Presupuesto PRODEL 2006" presentado en septiembre de 2007. Nos parece difícil considerarlo como un documento de monitoreo y seguimiento del proceso de descentralización. Para poder llamarlo así, debería identificar y analizar algunas debilidades y fortalezas estratégicas del proceso de descentralización, así como algunos factores que influyeron en ellas y procurar/proponer medidas de corrección y de prevención para un trabajo aun más eficiente y eficaz en el futuro. En vez de esto, el informe de PRODEL 2006, como todos los otros informes del PRODEL hasta ahora, es muy descriptivo y consiste en la comparación, en términos cuantitativos, de lo ejecutado contra lo planificado (medición de la ejecución de insumos). La Delegación considera esta meta como no cumplida.</p>				

Indicador 9	Meta	Ejecución	Peso	€
Apreciación positiva de la CE sobre el avance en la mejora de la gestión de las finanzas públicas, en base a informes de SEFIN y el TSC (cumplimiento de los planes de acción derivado del CFAA, CPAR y TCR)	S/N	Parcialmente cumplido	20%	0.7
<p>El proceso de elaboración de la "Matriz de Indicadores de la Mejoras en el Desempeño de las Finanzas Publicas", instrumento de seguimiento y valoración de las mejoras de las finanzas publicas, ha sufrido un retraso substancial y su versión final ha sido acordada en el curso del 2006.</p> <p>De acuerdo con la información proporcionada por la Secretaria de Finanzas y por el Tribunal Superior de Cuentas, durante este año se avanzó en la mejora de la gestión de las finanzas públicas. Los avances se registran principalmente en el Sistema de Compras y Contrataciones (ONCAE) y en la interconexión institucional, funcionamiento y utilización del Sistema de Administración Financiera Integrada (SIAFI). El Gobierno informa que en el 2006 se cumplieron las metas de los indicadores de esta matriz.</p> <p>Por lo tanto, la Delegación propone considerar esta meta como parcialmente cumplida.</p>				

		Ejecución		€
TOTAL		55%		3.85

Nota 1: La Categorización Municipal para Requerimientos de Fortalecimiento Institucional, la cual fue elaborada por la SGJ desde 1999, no ha sufrido modificaciones hasta el último año. Según esta categorización, son 156 municipios C y 67 municipios D, para un total C y D de 223 municipios, base para los cálculos de esta tabla.

5.7 Annex 7. Municipal Revenues and Expenditures 2002-2009

Actual, 2009 prices and index (2002=100).

Municipal Revenues 2002 to 2009, Le

Year	Total (Ingresos Recaudados)	Local revenues (ingresos corrientes)	Transfers (transferencias)
2002	2.978.237.178	1.517.263.838	476.826.999
2003	3.529.103.035	1.893.206.737	537.241.544
2004	4.054.618.162	2.050.291.979	644.402.972
2005	4.010.145.651	2.165.197.158	889.905.438
2006	6.316.129.058	2.875.005.759	1.395.294.633
2007	7.139.446.940	3.165.120.454	1.581.314.748
2008	6.128.277.055	2.404.512.500	1.484.399.515
2009	8.585.370.950	3.610.450.428	2.090.360.727

Municipal Revenues 2002 to 2009, Le, 2009 prices

Year	Total (Ingresos Recaudados)	Local revenues (ingresos corrientes)	Transfers (transferencias)
2002	5.156.508.278	2.626.984.714	825.576.413
2003	5.689.248.421	3.052.028.612	866.084.264
2004	6.035.868.342	3.052.147.442	959.284.289
2005	5.486.592.953	2.962.375.062	1.217.549.019
2006	8.177.221.622	3.722.146.751	1.806.428.168
2007	8.647.508.638	3.833.687.216	1.915.335.047
2008	6.659.573.821	2.612.973.981	1.613.090.933
2009	8.585.370.950	3.610.450.428	2.090.360.727

Municipal Revenues 2002 to 2009, constant prices, index 2002=100

Year	Total (Ingresos Recaudados)	Local revenues (ingresos corrientes)	Transfers (transferencias)
2002	100	100	100
2003	110	116	105
2004	117	116	116
2005	106	113	147
2006	159	142	219
2007	168	146	232
2008	129	99	195
2009	166	137	253

Source SEIP and www.econstats.com (inflation index)

Municipal Expenditures 2002 to 2009, Le

<i>Year</i>	<i>All expenses (Total egresos)</i>	<i>Operacional costs (gastos de funcionamiento)</i>	<i>Priceindex (www.econstats.com)</i>
2002	2.915.276.043	1.406.791.142	121,48
2003	3.575.750.472	1.666.851.961	130,47
2004	4.200.338.500	1.743.461.987	141,29
2005	2.768.586.093	1.360.899.214	153,73
2006	3.748.518.657	2.210.557.299	162,46
2007	8.791.784.286	3.952.133.116	173,65
2008	6.368.094.158	2.551.221.948	193,55
2009	8.445.957.702	3.673.082.315	210,33

Municipal Expenditures 2002 to 2009, Le, 2009 price level

<i>Year</i>	<i>All expenses (Total egresos)</i>	<i>Operacional costs (gastos de funcionamiento)</i>
2002	5.047.497.614	2.435.712.718
2003	5.764.448.507	2.687.123.269
2004	6.252.793.523	2.595.387.923
2005	3.787.918.513	1.861.952.329
2006	4.853.046.468	2.861.913.804
2007	10.648.868.349	4.786.940.158
2008	6.920.182.094	2.772.402.544
2009	8.445.957.702	3.673.082.315

Municipal Expenditures 2002 to 2009, 2009 price, index 2002=100

<i>Year</i>	<i>All expenses (Total egresos)</i>	<i>Operacional costs (gastos de funcionamiento)</i>
2002	100	100
2003	114	110
2004	124	107
2005	75	76
2006	96	117
2007	211	197
2008	137	114
2009	167	151



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Germany



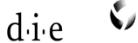
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Framework contract for
**Multi-country thematic and regional/country-level strategy
evaluation studies and synthesis**
in the area of external co-operation

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Lebanon**

Prepared by: Per Tidemand

July 2011

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

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List of Abbreviations

ADL	Agents of Local Development
ARAL	Assistance for the Rehabilitation of the Lebanese Administration
BA	University Level
BTVL	Bureau Technique des Villes Libanaises
CB	Capacity Building
CDL	Conseiller en Développement Local
CDR	Council for Development and Reconstruction
CERMOC	Centre d'Études et de Recherches sur le Moyen-Orient Contemporain
CESMO	Centre d'Etudes Stratégiques pour le Moyen Orient
CGLU	Office of Cities and Local United Governments
CIUDAD	Cooperation in Urban Development and Dialogue
CoM	Council of Ministers
CRIS	Common Relex Information System
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DP	Development Partner
EC	European Commission (Commission of the European Union)
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EQ	Evaluation Question
ESFD	Economic and Social Fund for Development
EU	European Union
EUD	Delegation of the European Union
EUMED	EuroMed
EUR	Euro
GAP	Good Agricultural Practice
GBS	General Budget Support
GIS	Geographic Information System
GODEM	Optimised Management of Waste in the Mediterranean
GOLD	Governance and Local development
HQ	Head Quarter
HRM	Human Resource Management
IMF	Independent Municipal Fund
IT	Information Technology
JC	Judgement Criterion
LADE	Lebanese Association for Democratic Election
LCPS	Lebanese Centre for Policy Studies
LG	Local Government
LL	Lebanese Lira
LOGO	EC-funded Local Governance programme
M&E	Monitoring and Evaluation
MADA	Association for local development
MC	Municipal Council
MCP	Municipal Council President
MDF	Municipal Development Fund
MFSP	Municipal Finance Studies Program
MoF	Ministry of Finance
MoIM	Ministry of Interior & Municipalities
NARP	National Administrative Rehabilitation Program
NGO	Non Government Organisation
OMSAR	Office of the Minister for Administrative Reform
ROM	Results Oriented Monitoring
SBS	Sector Budget Support

SME	Small and Medium Enterprises
TOT	Trainers of Trainers
UCLG	United Cities and Local Governments
UN	United Nations
UNDP	United Nations Development Programme
UoM	Unions of Municipality
USD	United States Dollars
WADI	Urban Water Management
WB	World Bank
WG	Working Group
WHL	World Heritage List

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the European Commission (EC)/ European Union (EU) to delivery its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to Lebanon had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To asses if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting Lebanon as one of the field studies were:

- Within European Neighbourhood Policy (ENP) it is one of the countries that have attached relative high level of importance to support to decentralisation/ local governance – it ranks among the top 3 in terms of budget allocation (together with Syria and Jordan),
- It represents an interesting case of “bottom up support” to decentralisation common in country contexts with lack of Government direction for local government and decentralisation reforms,
- It also represents a case of support to decentralisation/ local governance in a (post-) conflict situation/ fragile state.

The field visit was undertaken between 23/05 and 31/05/2011. The evaluation team was composed of Dr. Karam Karam (national consultant) and Dr. Per Tidemand (team leader).

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Lebanon has specifically looked into the following aspects:

- Institutional capacity of EC/EU for support to decentralisation – has the general EC/EU framework for support to decentralisation facilitated programming of relevant interventions?
- Evolution of the EC/EU approach and responsiveness to the special context - the relative importance of in-depth analytical sector analysis;
- Documentation of possible results of local development interventions on the overall decentralisation process

1.2.2 Data collection methods used

The case study is based on 11 days of work (7 days of field work, 4 days of travel, documentary review and report writing), which obviously limits the extent to which detailed assessments can be provided. However, the data collection was eased by the significant existing relevant literature and keen interest of all stakeholders met during the field work in the country.

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

development partners, as well as the overall decentralisation process in the country. Much additional documentation was collected during the fieldwork.

In addition to studying the documentation, the team interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country (see table below for summary of institutions met and annex 1 for details of persons met).

Table 1 Overview of interviews carried out

Delegation of the European Union (EUD)	Focus group discussion with 6 Mayors
World Bank	Field visits to Union of Municipalities Joumeh Aakar
United Cities and Local Governments	Municipality of Jbeil-Byblos
Ministry of Interior and Municipalities	Economic and Social Fund for Development (ESFD)
United Nations Development Programme (UNDP)/ Art Gold	Italian Development Cooperation
Ministry of Administrative Reform	Agence Francaise de Développement
Advisor to Prime Minister	Non Government Organisation (NGO) and research institutes
Ministry of Finance (MOF)	

The team undertook a field visit to the Union of Municipalities Joumeh Aakar and the Municipality of Jbeil-Byblos. A focus group meeting was held with a group of mayors as well as a separate group interview with the core team working on local development issues within the EUD, but otherwise the preferred interview methodology was individual in-depth interviews focused on the relevant EQs and the working hypotheses. The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency.

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with informants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation portfolio of the EC/EU. Rather it is an attempt to learn from the Lebanon experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

2 Short description of the country context and EC support to decentralisation

2.1 Decentralisation and Local Governments in Lebanon

2.1.1 Overall Structure of Government²

Lebanon is a unitary state with four tiers of administration: Central, Mohafaza, Qada, and municipality. The first three are tiers of central government, whereas the municipalities are local governments with locally elected councils. The total population is approximately 4,4 million – spread across almost a thousand municipalities – suggesting a relative fragmented system of administration compounded by significant variation in size of municipalities (see further below).

The Ministry of Interior and Municipalities (MoIM) exercises its authority over the management, budget and finances of all municipalities through each of the Qaemakam, the Mohafez, and the Minister of Interior and Municipalities. The Qaemakam and Mohafez provide their approval (set at certain financial thresholds) of budgets, contracts, authorization of works, disposal of municipal property, approval of donations, and dispute resolution. The MoIM exercises oversight at a higher level including organizational issues such as the formation of unions or the creation of municipal units; specifications regarding supplies, works, and services; compensations for municipal president and vice-president; and disciplinary sanctions. In addition, the MoIM exercises its authority over the budget and finances of 50 municipalities, which are subject to the oversight of the Controller General.

The Mohafaza does not enjoy any legal personality or independent authority. It is an administrative subdivision formed by the central government and headed by a grade one civil servant appointed by the Council of Ministers (CoM) upon the recommendation of the Minister of Interior. The duties of the governor of the Mohafaza, or the Mohafez, are primarily administrative and involve local implementation of policies established by the central government and the coordination among central government offices and officials within the Mohafaza. The Mohafez represents all the ministries except for the Ministry of Justice and Ministry of Defense.

The functions of the Mohafez, according to articles 4 to 26 of Decree 116/1959, include the following: implementing laws and regulations; putting into practice political directives from the central government and informing the government of the general political situation in the Mohafaza;

- administering all matters in relation to (personnel status, and inspecting and controlling all central,
- government bureaus and civil servants in the Mohafaza; guaranteeing public security, personal freedom, and private property; and coordinating events, when required, in collaboration with internal,
- security forces placed under his command.

In total, Lebanon's Mohafazat, with the exception of Beirut, are subdivided into 26 Qadas. Like the Mohafaza, the Qada is a geographical subdivision and enjoys neither legal personality nor financial autonomy. Of the 25 Qadas, five are administered directly by the Mohafez because they are capitals of their respective Mohafazat. The remaining Qadas are administered by a District Governor Qaemakam, usually a grade two civil servant, appointed by the Council of Ministers upon the recommendation of the Minister of Interior. The Qaemakam performs in his Qada similar functions to those performed by the Mohafez, except that he does not represent the various ministries of the central government. The duties of the Qaemakam, according to articles 27 to 46 of Decree 116/1959, include the following: supervising the general situation in the Qada and informing the government of the developments through the Mohafez; administering the regional offices of various ministries in the Qada as well as controlling and supervising employees; implementing rules and regulations and preserving public security and order; and supervising the agricultural sector, granting hunting and building licenses, imposing health measures, and appointing certain low-level employees.

² For additional details see Annex 5. This section 2.1 is largely ad-verbatim extract from the key report: Republic Of Lebanon, Ministry of Interior and Municipalities, First Municipal Infrastructure Project, Municipal Finance Studies Program, Final Strategic Framework, Submitted by: International City/County Management Association (ICMA) With its subcontractors: Consultation and Research Institute (CRI) TCG International (TCGI) February 8, 2011.

2.1.2 The Municipal Sector

According to articles 2 to 5 of Decree-Law 118/1977, a municipality is established by a ministerial decision that sets the name of the municipality, its location, and its geographical boundaries.

Not all municipalities in Lebanon are subject to the same administrative or financial laws or procedures. It is essentially the council of ministers to decide which municipalities to be subject to which type of oversight. Thus, only 41 municipalities are subject to the General Accounting Law of 1963 and the remaining 904 are subject to Decree 5595/1982 which governs the accounting and financial matters of local governments. On the other hand, only 46 municipalities are subject to the Court of Audit, which has financial control over the larger municipalities though both pre- and post-audits. In addition, 50 municipalities are assigned chief controllers from the MoIM, who exercise control over municipal budgets, contracts, revenues, and financial operations and transactions. Finally, only 10 municipalities are subject to the Civil Service Board, which oversees all municipal decisions regarding employees, administrative organization, and salary scale.

Municipal authorities consist of two major bodies: A decision making body represented by the Municipal Council (MC), and an executive authority embodied in the Municipal Council President (MCP). The Municipal Council is elected for a period of 6 years. The Municipal Council elects the Municipal Council President. In 1998, municipal elections were held for the first time since 1964. Since then, elections have been held periodically. The most recent municipal elections were held during the month of May 2010.

The 1977 Decree-Law entrusts municipalities with a broad range of tasks. It stipulates that any work having a public character or utility within the area of the municipality falls under the jurisdiction of the MC. According to article 49, the MC is in charge, among others, of the following:

- Formulate and adopt the municipality's annual budget;
- Determine the tax rate and fee to be collected as allowed by law;⁷
- Manage the municipal funds;
- Plan, improve, and expand the streets, establish gardens and public places, and execute designs related to municipality, etc.; and
- Establish shops, parks, racing places, playground, toilets, museums, hospitals, dispensaries, shelters, libraries, etc.

Furthermore, based on article 50 of the above Decree-Law, the MC is entitled to establish or manage directly or indirectly, among others, of the following:

- Public schools, nurseries, and technical schools;
- Public hospitals, sanatoriums, dispensaries, and other health establishments and institutions;
- Museums, public libraries, theatres, cinemas, amusement centres, clubs, playgrounds and other public and sports shops as well as social, cultural and artistic institutions; and
- Local means of public transportation.

According to Decree 2339/2009, there are 945 municipalities in 2009 compared to 713 municipalities in 1998. The number of municipal council members is determined by the size of the population. For instance, municipalities whose registered population is less than 2,000 have 9 members and those between 2,001 and 4,000 have 12 members, etc. Only the municipalities of Beirut and Tripoli have 24 council members.

It is worth pointing out that one of the major constraints that impedes governmental planning, especially on the regional and local levels, is the absence of any reliable data on the actual resident population⁸ of Lebanese cities and towns. The reason is that Lebanese citizens are registered in the civil status registries of their towns of origin which more often than not, are different from their places of residence. As a result, municipal planning and budgeting, and even municipal shares of their fiscal transfers from central government (the Independent Municipal Fund (IMF) – see further below) are related to the size of the registered population and not the number of actual residents. In addition to hampering local management, this situation distorts the democratic process with most people living in communities they do not vote in and municipal councils that are not in effect accountable to their actual constituencies.

There is high level of imbalance in the distribution of the population in Lebanon across local governments. Just 16% of the population is registered in half of the municipalities and the largest 10% of municipalities contain 42% of the population.

2.1.3 Municipal Finance

The expenditures of Lebanese municipalities have increased significantly in real terms from 128.012

million Lebanese Lira (LL) (86 million United States Dollars (USD)) in 1999 to LL 253.344 million (213 million USD) in 2008, an annual average increase of 10,6%. The rise in municipal expenditures is higher than central government expenditures (excluding debt) as the share of municipal spending to central government spending increased from 3,6% in 1999 to 5,6% in 2008.

Despite these increases, the spending of local governments in Lebanon compared to those in other countries remains low.

Municipal revenues have also witnessed significant increase. More specifically, total local revenues rose in real terms from 247,969 million LL (165 million USD) in 1999 to 457,067 million LL (305 million USD) in 2008, annual average rise of 7,06%. As a share of central government revenue, local revenues remained relatively stable between 1999 and 2008. This could be attributed to the fact that central government revenues also increased during this period at an equivalent rate. It is worth pointing out that the increase in municipal revenues would have been higher were it not for several central government policies that effectively reduced either the tax base or the rate of certain municipal fees.

In accordance with Article 86 of the Municipal Act, municipal revenues include:

- Fees collected directly from taxpayers (Appendix 3.C);
- Fees collected by the central government, independent entities, or public institutions on behalf of municipalities and distributed directly to each municipality;
- Fees collected by the Central authority on behalf of municipalities and deposited in the IMF to be later distributed to municipalities.

As for the composition of local revenues, direct revenue as a share of total revenue remains relatively low. It is estimated that in 2005, direct revenues, which include 36 fees and taxes collected directly by the municipalities, made up 43% of total revenues and 36,5% in 2008. As for the IMF transfers, it constituted another 43% in 2005 and 48% in 2008. The distribution of the IMF to local governments is not very transparent and subject to recent analysis and future reform (to be supported by EUD).

2.1.4 The Municipal Unions

Municipal unions which enjoy moral legal personality and financial autonomy have been established among interested municipalities to consolidate their capacities. A union is created by a decree from the Council of Ministers, upon the suggestion of the Minister of Interior and Municipalities either through an initiative from the Minister of Interior and Municipalities or upon the request of the municipalities.

Based on Articles 118 and 119 of Decree-Law 118/1977, unions consist of two bodies: a decision making authority represented by the Presidents of the municipalities which are members of the union and an executive authority headed by the President of the Council of the Union. The Council of the Union is in charge, among others, of the following (article 126):

- Public projects of common interest from which all or some of the member municipalities shall benefit, etc.;
- Planning, expropriation and specifications and everything required to execute projects;
- Coordinating between member municipalities and decide on conflicts arising between them; and
- Ratify the budget of the Union.

Based on article 130, the President of the Union is in charge, among others, of the following:

- Convening the council and setting its agenda;
- Making budget forecasts, the statement of activity and the annual report;
- Supervising the finances of the Union and controlling its revenues; and
- Authorizing fees and ordering the payment of the budget.

According to articles 133 and 134 of Decree-Law 118, the revenues of the union are derived from the following sources: 10% of the revenue of each municipal member based on the prior year actual revenue; an additional percentage from the budget of the municipalities which benefit from a common project in an amount to be determined by the union and approved by the Minister of Interior and Municipalities; grants and loans; a share from the independent municipal transfers for the unions; central government contributions to the unions' budget; personal grants and bequests.

There are currently 42 unions in Lebanon distributed across the five *Mohafazat*. A total of 600 municipalities belong to a union, which is 65% of all local governments. On average, a union has 14,6 members with the smallest union is Fiha'a in the North which has 3 members and the largest is Tyre

with 54 members.

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC/EU-funded interventions considered in the analysis.

Table 2 List of the major EC/EU-funded interventions

<i>Intervention title</i>	<i>EU contribution</i>	<i>Comment</i>
Economic and Social Fund (ESFD)	18 mEUR	<p><u>Approach:</u> The fight against poverty. <u>Responsible Agency:</u> Team ESFD <u>Description:</u> Although this is a financing decision for 1999, this project of 25 million Euro (EUR) actually started in 2003 (only part of which is allocated to local development, the remainder being allocated component to "job creation" support access to credit). 20 clusters were selected following a study on the pockets of poverty in Lebanon. A community diagnosis was conducted in clusters for a definition of priorities through a participatory approach. ESFD then signed grant agreements with these clusters for local development activities. In 2007, an additional 1 million EUR has been allocated to ESFD for community development activities in the South (regions affected by the conflict of 2006) - still ongoing.</p>
LOGO I and II (Local Governance)	13 mEUR	<p><u>Approach:</u> Capacity building of local authorities. <u>Responsible Agency:</u> OMSAR (Office of the Minister for Administrative Reform) <u>Description:</u> The project has undergone various stages (commitment of 4 million EUR in 2005, followed by an additional 9 million EUR in 2007). The project aims at strengthening the capacity of 15 groups of municipalities throughout the Lebanese territory. The project supported the preparation of local development plans, the rehabilitation of local development offices, staffed by agents of local development (ADL), and is now financing the implementation of some priority projects within each grouping (grant contracts signed by municipalities so that manage the implementation independently, with support in the form of training on procurement processes and oversight by technical assistance).</p>
Local Development in Northern Lebanon	18 mEUR	<p><u>Approach:</u> Regional development. <u>Responsible Agency:</u> Planning Division Council for Development and Reconstruction (CDR) <u>Description:</u> The Financing Agreement was signed in 2009 for a total of 18 million EUR. The activities are of two types: community development projects on a smaller scale (grants to groups of municipalities), infrastructure projects (construction contracts signed by the CDR). The areas of intervention will be concentrated around agriculture and rural development. Preference will be given to income-generating projects, rehabilitation of existing farm roads, construction of hill lakes. The Ministry of Agriculture is very involved and provide space to accommodate the project management team (CDR agents and experts recruited by the project) in the North. The project will also finance the development of a regional plan for North cazas).</p>

In addition the EC/EU (not through the EUD) supports a regional project for municipal development: Cooperation in Urban Development and Dialogue (CIUDAD)³.

The EC/EU has also supported projects indirectly related to these issues – e.g. support for development of National Physical Master Plan (developed 2005, approved by council of Ministers in 2009)⁴ for the Lebanese Territory.

According to the EUD, EC/EU support in Lebanon is not directly supporting the decentralisation process but includes support to capacity building of municipal stakeholders and support for local services and small infrastructures. Finally it should be noted that the EC/EU recently has designed a

³ http://www.ciudad-programme.eu/grant_country.php?lang=1&country_id=8

⁴ <http://www.cdr.gov.lb/study/SDATL/sdatle.htm>

new project: Support to Municipal Finance in Lebanon, CRIS Number: 022-758 (20 million EUR) that will have more explicit objectives of municipal fiscal reforms ("*to improve the municipal finance framework and to enhance the capacities of municipal sector management*"). The two main components will be "municipal finance reforms" and "Performance-based project financing" whereby unions of municipalities will be provided with development funds on a competitive basis. The main government partner for the project will be MOIM.

In addition, a call for proposals for Thematic programme "Local authorities" has been issued - the evaluation of concept notes is on going so no project is contracted yet.

A detailed list of relevant EC/EU-funded interventions is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

National stakeholders and other development partners recognised the clear position of the EC/EU in terms of its focus on local authorities when supporting local development interventions. This is also well communicated by the EUD in e.g. its recent newsletter (issue 3, 2010) where “*strengthening the role of local authorities*” was the major theme. However, it is well recognised by all stakeholders that the Government of Lebanon doesn't have a clear vision or strategy for decentralisation reforms – the EC/EU approach has therefore hitherto been guided by a general recognition of the potential role of local authorities in development and inclusion of municipalities as local partners rather than specific decentralisation strategy. The EC/EU itself realises the limitations of earlier approaches and has therefore embarked on the formulation of a programme for municipal finance reform as a future more strategic approach. (*Ind1.3.1 and 1.3.2*).

Staff in the EUD are not familiar with all policy documents related to decentralisation support but generally found the EC/EU policy framework useful in guiding its interventions in Lebanon. Staff had attended workshops, made use of the 2007 Reference document and communicated informally and relatively frequently with colleagues in Brussels and elsewhere on experiences with support to local governance and decentralisation (*Ind 1.3.3*).

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

The overall institutional EC/EU environment is broadly considered by the EUD as suitable for appropriate support to decentralisation. It has enabled the EUD to design and implement a number of responses in support of “local development” that ultimately may lead to “decentralising” through a bottom up approach. However, the EUD realises the relative lack of strategic direction in the past interventions and e.g. the relative ad-hoc approach to selection of partners. (*Ind2.1.1*)

Staff within the EUD has had a fairly active dialogue on decentralisation related issues – this has also been facilitated by the fact that staff has been organised in a section “Infrastructure and Local Development” where “decentralisation” is defined beyond a “governance issue”. (*Ind2.1.2*)

Staff felt that “institutional incentives” primarily guide staff towards issues related to “aid harmonisation”, “effective programme implementation”, and “EU visibility” in their work and that this also guides their work in support of decentralising/local governance. (*Ind2.1.4*)

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Support to decentralisation is managed by the section “Infrastructure and Local Development” with one head of section and two programme officers and is in this manner relatively well staffed. (*Ind2.2.1*)

Staff has sought on their own initiative to orient themselves in understanding of the “local governance sector”. Some staff members have made use of the “decentralisation training course” and found it “useful” although not of immediate operational use. (*Ind2.2.2 and 2.2.3*)

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Main emphasis on results oriented monitoring (ROM) and monitoring and evaluation (M&E) systems for ongoing EC/EU support to local development has been on the achievements of planned outputs/disbursement strictly related to the specific projects rather than wider monitoring / assessment of decentralisation/sector development. Many basic issues in the sector have during most of the evaluation period been poorly analysed in the sector generally: e.g. overall staffing capacities and the local government fiscal framework (the latter is recently well studied by MOIM 2011 op.cit). More specifically, the EUD were criticized by some external observers familiar with the projects for being overly concerned with *“implementation and disbursements according to time schedules rather than the substance of the work”* (Ind 2.3.1)

3.3 EQ3: National context

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

Overall key findings

- The Government of Lebanon has not had a clear policy on local government reforms or decentralisation,
- Nevertheless, the choice of entry points and aid delivery methods have until recently mainly concerned with capacities for local (infrastructure) development rather than decentralisation,
- The change in choice of key partners (ESDF, OMSAR, CDR and now MOI) not guided by overall EU institutional assessments/strategies but in part by more political assessments of “who could do the job”/ pragmatic fund allocations (OMSAR).

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant country strategy paper (CSP) sections on decentralisation and local governance*

Main findings from the field mission:

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

Box 1 *EC/EU new project in support of municipal finance reform*

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

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

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

Another lesson is that the lack of involvement of central government stakeholders prevented the past projects from addressing the structural problem of chronic, insufficient funding of the municipalities. Thus great importance will be given to (i) MoIM's ownership of the Project to ensure long term sustainability ; (ii) municipal finance reform to strengthen the relation between the central and local levels, by reforming the Independent Municipal Fund (IMF), enhancing local revenues and ensuring performance-based fiscal transfers from central government and donors to municipalities. (From: Action Fiche for Lebanon/ European Neighbourhood Policy Instrument (ENPI)/Support to Municipal Finance Reforms)

Earlier project intervention only included scant sector analysis (*Ind3.1.1.*). Fund allocations to municipalities didn't make use of fiscal transfer systems such as the IMF – but more “project specific” arrangements as in LOGO and ESFD (*Ind3.1.2.*).

Partner dialogue (*Ind3.1.3*) has been challenging because of the general Government crisis and lack of clear government guidance on direction of decentralisation reforms. The initial focus on EC/EU interventions was also mainly focused on “local development” where partner institutions were identified on a rather ad-hoc basis (see further section 3.3.4 below) and thus without clear mandate for policy dialogue on local government reform issues.

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

As evident from the EUD self-assessment (above box and section 3.3.4 below): most of EC/EU support has applied a “bottom up approach” – working mainly with “local development” as main objective and limited attention to how this can be linked to wider state reforms/decentralisation. The EC/EU is now planning for a different kind of entry point – where municipal fiscal reform is at the core of the project design although experiences from earlier phases of local development support (such as the emphasis on Unions of Municipalities) are maintained. This transition of support was not foreseen in earlier local development programmes.

The overall objective of the Project is to contribute to a balanced socioeconomic development through modernised municipal administration and effective central support to local governments.

The Specific objective is to improve the municipal finance framework and to enhance the capacities of municipal sector management.

The achievement of these objectives is critical for the long term decentralisation strategy that the MoIM is going to initiate⁵. The Project can facilitate the initiation of such a decentralisation process through the support to the creation of a Municipal Development Fund (MDF), strengthening of the municipal finance framework and provision of performance-based municipal development (Action Fiche for Lebanon/ENPI/Support to Municipal Finance Reforms)

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as "When and how to use sector budget support?" or "what are the risks related to the") are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

The basic aid delivery methods have not changed substantively over the evaluation period – aid has been in the form of “projects” with no serious consideration of Sector Budget Support (SBS). The political and institutional situation has throughout the period been too uncertain and the “sector” obviously too undeveloped for SBS to be considered.

⁵ The successful of decentralisation reforms depend on local governments' financial, administrative and technical capacity to deliver basic public services and to engage in activities that promote growth and socio-economic development. Equally important is the central government's capacity to provide stable, transparent and predictable financial support to local governments and to monitor and evaluate their implementation performance

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

The EC/EU has supported local development in Lebanon through a variety of national institutional entry points. The challenge for the EC/EU has been that the “sector” was ill defined by both national government and donors: “local development” was by the EUD clearly associated with “local authorities”, but these were in turn very weak and there was no clear designation of government institution to oversee their development. In hindsight, the EUD provided the following reflections on past interventions⁶:

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

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

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

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

⁶ Overview based on the memo from the EUD: "*Projets UE en cours dans le secteur du développement local*".

3.4 EQ4: 3Cs

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

Overall key findings:

- The EUD has contributed to establishing and implementing a coordination mechanisms with Member States and major donors (“working group on local development” – however with limited progress to date and not meeting for a year (probably not realistic to expect MOI leadership) – yet no joint analytical work (except some development partner (DP) mapping), no joint reviews etc
- Complimentarily with other EU countries has been achieved (in particular excellent with Italy – not France) – division of labour with UNDP rather unclear – scope for collaboration/coordination with World Bank (WB) through new municipal finance project seems high,
- EUD support to decentralisation/local development processes is generally coherent with other relevant EUD activities, but role of local governments (LGs) is also limited outside traditional municipal services, - the various projects supporting local development incl e.g. CIUDAD and Thematic programme on non-state actors and local authorities are complimentary but not strategically linked or well coordinated

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind4.1.3

The EUD has played a major active role in establishing a "Working Group on Local Development". The group initially met in April 2008 at the Embassy of France whereby EU Members States approved to establish a lead donor structure in three key sectors: Water, Local Development and Environment. Consequently, Germany agreed to assume the overall coordination of the Water Sector, while Italy agreed to provide overall coordination in relation to Local Development and Environment. As a first step, the Embassy of Italy organised a conference on governance and local development intended to clarify and harmonize diversified views on and approaches. Recognizing that Non-EU Members States countries and international organisations are dynamically involved in the local development process, the EU Working Group was broadened to encompass a wider representation of donors and multilateral organisations.

"To avoid previous interventions fragmentation and lack of sufficient coordination between Government, donors, agencies and numerous non-governmental organisations, the Working Group (WG) on Local Development has drafted "Common Donors Guidelines on Local Development". Moreover, as the MoIM is recognised as the key institutional partner in this area, the project should support the MoIM to manage and chair the WG in order to ensure ownership and overall coordination. The Ministry has developed in 2009 a Local Development Master Plan with the purpose of listing and coordinating local development activities in Lebanon." (Extract from Action Fiche 2010: Support to Municipal reform)

However, MoIM has expressed uncertainty about whether it has the resources (time and staff) to lead such a process (interview) and all stakeholders interviewed expressed frustration about the continued lack of common approaches among donors.

There are few if any co-financed projects supporting local development and local governance. However, the new municipal finance reform project was subject to a joint identification/formulation process with the Italian Government. The Italian Government will grant additional funds to the component 2 of the program through a parallel funding to the Government of Lebanon. Related to this process the World Bank financed a major analytical work on municipal finance that feeds directly into the new EUD project. (*Ind4.1.1*)

An alternative approach to co-financing of projects – that was internally rejected by EUD – was to support the UNDP Governance and Local development (GOLD) project. The rejection was partly based on assessment of the overall soundness of the UNDP project and partly on principle concerns about financing UNDP. (*Ind4.1.4*)

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

The EUD consult with other EU member states in programming – the French complained about lack of dialogue but Italians were very satisfied (interviews) – the EUD has undertaken joint analytical work with Italy (*Ind4.2.1*).

There is not yet a very explicit division of tasks among DPs in relation to support to the “decentralisation agenda”. The reason is primarily that there is no consensus on any government led strategy. Different ministries within the government pursue different approaches to local development (*Ind4.2.2*).

There are few if any co-financed projects supporting local development and local governance. However, the new municipal finance reform project was subject to a joint identification/formulation process with the Italian Government. The Italian Government will grant additional funds to the component 2 of the program through a parallel funding to the Government of Lebanon. (*Ind4.2.3*)

EUD staff has participated in the recent workshops on future direction of local government reforms – but not co-financed arrangements (*Ind4.2.4*).

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in general budget support (GBS) performance assessments*

Main findings from the field mission:

Ind 4.3.1.

Local governments in Lebanon are not significantly involved in sectors such as health and education – but mainly “municipal infrastructure”. The EUD has organised its own work in a manner that integrates “decentralisation and local infrastructure” – the EC/EU support is mainly supporting local infrastructure development but with a view of including local authorities in the work for sustainability and governance reasons.

Ind 4.3.2.

Gender issues are mainly addressed by including stakeholder consultations with women in identification of the various the local development projects. However, there is no evidence of projects seeking to support a more permanent gender balanced participation in local governance structures.

Environment is more clearly and prominently mainstreamed in the projects: this is reflected in the prevalence of specific environmental sub-projects financed in particular in the recent LOGO (see annex 3).

Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments: Not relevant as no GBS.

3.5 EQ5: Transfer of functions & resources

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

Introduction

Prior to discussion of the extent to which EC/EU support in Lebanon has impacted on overall decentralisation processes it should be made clear that such objectives never featured prominently in interventions to date. The latest CSP describes the overall modest level of objectives regarding broader local government reforms:

The EC/EU has developed successful experience of addressing municipalities (support for participative planning of local development and financing infrastructure projects), many of which are located in areas affected by the conflict. Cooperation between municipalities has shown that their elected representatives and their communities can work together even beyond political and confessional boundaries. Continued EC/EU support to local communities in the field of participatory planning methodology has the potential to lay the basis for a more balanced regional development and possibly, in the medium term, provide the Government with a further incentive towards enhanced decentralisation. In the short term, it will enable the local communities to finance infrastructure reconstruction and municipal regeneration projects. (CSP 2007-13)

Key findings:

- National decentralisation policies and strategies have not been developed – however various consultations have taken place – not directly supported by EC/EU,
- Local government legislation (Municipal Act) has largely remained unchanged since 1977 – only minor amendments of regulations,
- Local Governments Fiscal resources have not increased significantly (or relatively),
- Local Governments Autonomy has not increased although significant own revenue generation,
- EC/EU has in general not sought to influence the above.

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Discussions of decentralisation reforms in Lebanon are still in preliminary stages.

The President of the Republic of Lebanon, his Excellency General Michel Sleiman has in broad terms expressed support for decentralisation reforms that “*gives municipal councils financial autonomy, strengthens democracy, revitalises regions and local participation...*”⁷

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

The EC/EU has not yet engaged in assistance with the aim of reforming legislation (or sector legislation) supporting decentralisation.

⁷ Speech of the President, opening ceremony October 17th, 2009 – Decentralisation in the near east, International seminar, Tripoli, Lebanon, 17-19 2009.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)
- Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)

Main findings from the field mission:

Ind5.3.1 Human Resources in local governments are very poorly developed – many of the smaller municipalities have hardly any staff at all and even larger municipalities like Beirut (see below) face significant constraints. EC/EU as well as other DPs have not supported reforms of personnel in local governments in Lebanon.

Box 2 Overview of Human Resources in Local Governments

The administrative staff of municipalities is in dire need of in-depth reform on various levels including the development of a new organizational structure and a modern salary scale, new job descriptions and requirements. There is also a need for a specialized unit in charge of organizing public competitions and training municipal employees in order to gradually build the competence and information technology (IT) skills of municipal staff.

Moreover, there is a need to review the distribution of the authorities related to human resource decisions between the central and municipal governments in order to address the most prominent obstacles that prevent municipalities from exercising most of their authorities. These obstacles include:

- The depletion of municipal financial resources due to a deterioration in assessments and collections;
- A large number of unfilled vacancies, especially in large municipalities. For example, the municipality of Beirut suffers from a very large number of unfilled positions reaching up to 70% or even 100% in some departments such as Engineering, Rated Institutions, and even the Finance Department. Beirut currently counts only about 140 filled positions out of the 1.292 positions identified in its organizational structure); and
- The deterioration of the human resources in a number of municipalities, as well as an increase in the average age of their employees. For example, the average age of employees at the Municipality of Beirut is approximately 57.

Despite having a negative impact on the conditions of municipal manpower, the large number of vacancies and high average age may also represent an opportunity for implementing serious reforms in terms of increasing staff qualifications without having to let go current municipal employees. Once detailed job descriptions and hiring requirements are developed, municipalities may begin filling their vacant positions with young employees who are better able to handle recent technologies.

In many municipalities, especially the newer ones which tend to lack financial resources, the members of the municipal council, including the Municipal President and his/her deputy, perform the tasks of assessment, collections, cashiering, accounting, in addition to many other administrative and technical functions. Despite this, Chapter 6 of the Municipal Act, namely Articles 103 and 110 which concern disciplinary measures against members of the municipal council have not been applied. These articles are essential especially for municipalities, which are not subject to the oversight of the Court of Audit and in light of the cancellation of the Civil Inspection Board's oversight authority over the municipal council members. Moreover, Article 111 requires the written approval of the Governor before the Municipal President, his/her deputy or municipal council members may be prosecuted for an offense related to their duties. The end result is that, except for municipalities, which are subject to the authority of the Court of Audit, municipal council members are not effectively held accountable by the Lebanese legal system.

Source: MOIM 2011, *Strategic framework*, page 57

Ind 5.3.2. Evolution of the fiscal resources available at local level

The EC/EU has not supported reform of overall system of municipal finance (until the new programme starting in 2011).

The share of total public expenditures managed by the municipalities has increased significantly in relative terms over the last decade (from 3,6% to 5,6%) but is still – in global comparisons – at a very low level.

Table 3 Trends in municipal finance in Lebanon 1999-2008

	1999	2008	Real average annual increase
Central government expenditures excl. debt	3,563,036 (\$2,383)	4,507,228 \$3,786	5.3%
Municipal expenditures	128,012 (\$86 million)	253,344* (\$213 million)	10.6%
Municipal spending as share of central government expenditure	3.59%	5.63%	
Central government revenues	4,448,393 (\$2,966 million)	7,773,800 (\$5,183 million)	6.4%
Municipal revenues	247,969 (\$165 million)	457,067 (\$305 million)	7.0%
Municipal revenues as a share of central government revenues	5.57%	5.88%	

Source: Ministry of Interior and Municipalities

*This includes the sum of the expenditures incurred by the municipalities plus a 40% share of the IMF for 255 municipalities deducted in return for providing cleaning services

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in human resource management (HRM): the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.*

Main findings from the field mission:

There have been no major changes in the relative autonomy of the municipalities over the evaluation period – and EC/EU support has had no objectives in that regard.

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?

Summary key findings:

- Key central government bodies involved in decentralisation policy formulation and implementation have not substantively improved (United Nations (UN) Habitat/ Italy in process of supporting MOI).
- Local governments' capacities have NOT significantly improved – the basics (staff, structures, etc) not in place that would allow traditional capacity building (CB) to have impact.
- Hardly any of the 12 regional development offices (LOGO) are still operative.
- Planning capacities are not developed in sustainable manner.
- Many separate and uncoordinated DP funded capacity building activities (planning and training).
- Hardly any general monitoring of LG capacity building.
- Limited development of relevant non state actors (such as LG associations or LG research centres) have emerged in Lebanon (except maybe United Cities and Local Governments (UCLG)) – and not supported by EC/EU.

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & civil society organisation (CSO)) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

In general it should be observed that none of the past EC/EU projects had explicit objectives within this area: “*capacity building of central stakeholders for decentralisation policy formulation and oversight*”. It is only with the newly formulated municipal finance reform project that this becomes an objective of support.

The overall assessment from people met was that the MoIM hardly undertakes a policy and oversight role – however within the last year this has to some extent changed – partly because of dynamic Minister (who later resigned in May 2011) and partly because of some donor financed support activities (UN, Italy and World Bank -see below).

It is the MoIM that is overall in charge of decentralisation policy support and oversight. To date it can be noted that these functions are only given scant attention by the Ministry that overall is mainly concerned with “Internal Affairs”: security and general central government administration rather than the role of municipalities. The responsible directorate (1 directorate dealing with municipalities out of a total 18 directorates in the ministry) of the Ministry only have 30 staff members (compared to 350 intended positions) – and out of these 23 are contractual workers⁸.

One year ago the MOIM conducted an institutional assessment preparing a new organisational chart (with assistance from UNDP) for an organisation supposedly to deal with regulations, capacity building etc. Ministry currently doesn't have the capacity – Italy is working with them (and Habitat) to develop curriculum for both staff and politicians at municipalities.

Initial focus on larger municipalities and newly elected members. With support from the UNDP 43 TOTs were trained from MOI.

⁸ Interview Rabih El-Chaar, Adviser to the Minister 25th May 2011, Ministry of Interior and Municipalities. The following paragraphs are also based on the same interview.

The Ministry has done some policy work – e.g. been working on electoral laws – proportional law, women’s quota, redeveloped ballot – this is currently is discussed by cabinet and parliament

The MOIM has with the NGO “Common Space” been working on strategy for decentralisation workshop/ dissemination to debate law on decentralisation – this based in part on “book with 100 questions on decentralisation” (supported by Italy) - some 8 months from now the MOIM expect overall proposal based on consultations and studies. The Ministry has also recently – through funds from the World bank – completed a major study on LG finance by World Bank – all reports from these assignments are on ministry website <http://www.moim.gov.lb/>.

Box 3 *Resignation of the Minister Baroud*

On May 26, 2011, Baroud announced that he would no longer continue his ministerial duties. Baroud’s resignation came after the developing events that occurred on Thursday between Minister of Telecommunications in Lebanon Charbel Nahas and the Internal Security Forces unit that banned him from entering one of his ministry’s buildings. Baroud asked the personnel to leave the building, but his request remained unfulfilled.

His resignation speech included the following memorable statement: “*Since I no longer want to be a false witness or a caretaker minister with the duty to sign the ministry’s mail, which something an acting minister can do and since I don’t want to violate the constitution despite any political stance, I decided to free myself from my duties.*”

Sources – see http://en.wikipedia.org/wiki/Ziad_Baroud

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local councils*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

The EC/EU had not attempted to improve financial management or HRM in local governments in Lebanon (*Ind6.2.1* and *6.2.3*). It should be noted that EC/EU support has primarily been targeting the smaller municipalities with almost no professional finance staff.

The EC/EU has through its support sought to build capacities for local planning in various ways. However, the support has been limited to interventions leading up to implementation of the intended local EC/EU supported infrastructures/project – rather than broader and general development of planning capacities within the local government structures. One of the key components of the support under LOGO project was the establishment of the 12 regional development offices – these were intended to form the basis for the LG clusters planning for project interventions as well as a long term planning capacity. However, virtually none of these offices are operative today. Some stakeholders argued that the project set-up and methods of contracting out responsibility for “capacity development” delivered poorly – see box below.

Box 4 *Results of the capacity development component*

The EC/EU had ideas about the development office functions that were not clearly supported by law or coherent...the project built offices, established one local planner, tourist maps (atlas cartographique⁹) office equipment, communication strategy (TV spot, news paper article) and establishment of links with European cities

Assistance for the Rehabilitation of the Lebanese Administration (ARAL) prepared LOGO I, this included support to 12 clusters of municipalities, 12 development offices and support to one project per cluster. LOGO II supports the implementation of the projects – there was significant time lack between the different phases (from planning to implementation) and communities and municipalities didn't clearly see the linkages.

Implementation on the ground was in practice not corresponding the overall philosophy of the project.

⁹ ARAL: Preparation de project d’action municipale dans un cadre planifie de development local

The development office concept indicated “partnerships with communities and municipalities”, however when project started realised that MCs were not involved in design. Their assumed contributions and responsibilities were not sufficiently anchored in realistic assessment of the MCs capacities. In execution stage no effective involvement of “platforms” – contractual issues always took priority over concepts. These problems are not clearly stated in M&E reports but my own reflections. These types of reflections were not encouraged as the EU stuck to bureaucratic reporting requirements. (Interview Adviser, Ministry of Administrative Reform, LOGO)

In contrast, the ESFD evaluation suggest that the ESFD was (more) successful in establishing participatory planning – most likely because the ambition was more modest: to use the existing municipalities for planning and delivery of projects – rather than seek to establish “clusters” of local governments for planning more “strategic” projects as under LOGO (see below).

Community Development interventions built a sophisticated and sustainable participative methodology able to achieve notable results in term of needs analysis, problems definition and planning. The ESFD strategy for community development has been based on working through municipal councils rather than the common pattern of through NGOs. This was a new strategy for the Lebanon. As Municipalities have legitimacy with the population. The process of local development planning and preparation of the Community Development sub-projects was based on an intensive process of mobilization, preparation and formulation involving both local municipal councils and beneficiary communities. A participatory approach to needs assessment was applied by ESFD involving the beneficiaries in the preparation of projects, and which they perceived as of benefit to them. The field visit and consultations confirmed that the process was followed although it took considerably longer than planned by ESFD. (ESFD Evaluation page 18)

Local governments – in particular the smaller municipalities and their unions have virtual no M&E systems in place. (*Ind6.2.4*)

One of the few successful “local government capacity building interventions” in recent years in Lebanon has been the gradual establishment of municipal unions – that also have been encouraged by EC/EU support.

Although there are 945 municipalities in Lebanon, the majority of them have few fiscal resources to provide services. Consequently, the formation of municipal unions has increased from 13 in 2000 to 42 in 2010. Unions now have a total of 600 municipalities as members¹⁰.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

The EC/EU has not directly supported capacity building of local government associations or research institutions working with local governance issues. However, the EC/EU has actively engaged in dialogue/conferences with such institutions.

Ind6.3.1

There is no formal local government association established in Lebanon – the local office of the United Cities and Local Governments acts in way as an official local government association it legally isn't constituted as a governance body representing all local governments in the country¹¹. The formal governance body hasn't been established because stakeholders fear it being split into political factions¹². The organisation is liaising with several larger European municipalities for twinning arrangements with local governments in Lebanon. The organisation has also played a lead role in establishing a major conference (October 2009 in Tripoli) on local government policy reforms attended by the President. Subsequently it has worked on “100 questions on decentralisation” and a consultative proves nationwide on future direction of reforms.

¹⁰ MOI 2011a, note the number of municipalities we adopt in this report is based on the IMF Distribution Decree 2339 of 2009.

¹¹ See <http://www.euromedalex.org/node/3385>

¹² Interview M. Béchir ODEIMI, Resident representative and Director of UCLG.

3.7 EQ7: Local governance

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

Key findings:

- Legal and institutional framework for citizen engagement in local affairs NOT improved (e.g. no reforms of MC elections, procedures for holding MCs accountable etc),
- Increased local participation in local development planning but only for project specific interventions – no sustainable reform or changes in normal LG planning (not well documented),
- Local accountability of local governments still weak (not well documented though),
- Transparency in fund allocation is still major problem (IMF etc),
- Limited attention to above issues in EUD support – although the future municipal finance project may contribute to the above.

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind7.1.1.

Elections for local governments had for a long time been abolished (1963-1998) because of political situation and civil war. They were re-introduced in 1998 and elections have been held 2004 and 2010.

Elections are open for party members and independents. Voter turnout is higher in LG elections than national elections. Citizens are not electing their council according to residence: *As resident in Beirut – I am paying taxes here etc – but when electing I do so for my “original” village.* Residents who are not voters claim to be discriminated against, as they don't get the same service as others.

Tacit agreement that LG mayors are from certain traditional dominant denominations even though they may no longer effectively be in majority. (Interview Randa Antoun – Professor of Public Administration)

Ind7.1.2

Public participation in local governments is not well studied. EC/EU support has been limited to support to improved local government planning discussed earlier.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Not supported by EC/EU.

Feed back mechanisms and procedures for dialogue with citizens are generally poorly developed – but clearly related to the relative limited role of local governments in service delivery.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

The main transfers from central government to local governments in Lebanon are through the IMF – this system has recently been thoroughly analysed (MOIM 2011 op city) and key conclusions are that the current system is non-transparent and with problematic allocation criteria (although with elements of formula based allocations).

The revenues of the taxes and fees that constitute the IMF are not publicly available. The lack of transparency of the data, confounded with the withdrawals and deductions taking place without the consultation of municipalities (see next section), have created an environment of mistrust between central and local governments;

As previously mentioned, the distribution criteria are set in a Decree rather than a Law. This has given the government the right to change the allocation of the revenues as it sees fit. Consequently, this has made the distribution to municipalities unpredictable with an adverse impact on the ability of municipalities to effectively plan; - The government has regularly altered the criteria for distribution which effectively changed the municipalities' share of the IMF. Between 1993 and 2007, the government has adopted 4 different versions for distributing the IMF revenues. This further introduces uncertainty and instability to the municipalities' budgeting and planning processes; (MOIM 2011 op.cit)

The EC/EU support has to date not sought to reform this arrangement, but it is a key priority in the newly formulated municipal finance project.

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?

Key findings:

- No evidence of increased financial resources and improved allocation of resources for local service provision (reform of IMF or similar) – except project specific financing
- No evidence of improved operation and maintenance of locally provided services (no data / but problems noted in e.g. ESFD evaluation)
- Improvements in the coverage and quality of locally provided services? No overall data – but some project specific investments,
- However EUD support has established significant number of local development projects – wider impact and sustainability not well documented (MC projects under ESFD / “cluster projects under LOGO)

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

EC/EU has not sought to reform these areas.

As earlier discussed, fiscal resources have generally increased, but funds for “service delivery” have mainly come from donor funds. EC/EU has with its projects channelled additional funds to the local governments.

No additional targeting of resources (*Ind8.1.2*)

The EC/EU has in various ways sought to improve public – private partnerships; partly in the establishment of waste management services and partly by development of the “eco-plans” in the clusters of municipalities supported under LOGO. It is too early to determine if establishment of such partnerships will be successful. (*Ind8.1.3*)

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

EC/EU support for local development has focused on establishment of additional “projects” – the only available external evaluation (of ESFD) poses serious questions about the sustainability of projects (see below).

The support of ESFD has been mainly concentrated during the planning and the tendering phase, with minimal support after these projects were handed to the local communities. We noticed that the projects operated as close as possible to their agreed-upon action plan until the hand-over phase when they were still accountable by legally binding agreements to ESFD (who had provided an initial seed budget for operations) but they went idle soon after external accountability stopped.

Source: *Impact Evaluation of ESFD*¹³ page 8.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services**Indicators:**

- *Ind 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *Ind 8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

The EC/EU has supported establishment of local development projects in municipalities and unions of an estimated value of 52 million EUR (see Annex 3). This is a significant investment in the concerned communities. The investments include wide range of support (see annex 3 for details):

- Eco-tourist plans and related paths,
- Rural parks,
- Municipal centres,
- Rods,
- Solid waste,
- Rural health, education,
- Improved farming.

There are no meaningful statistics available to determine overall trends in access of services delivered by municipalities or the quality of these.

The projects under LOGO are still under implementation.

The ESFD project has recently been evaluation but the evaluation was rather tentative (see box below).

The level of access to public services and provision of basic utilities increased as consequence of ESFD interventions, but more than half of the projects are still not completed. From the visits on the field and the information collected it appears that in the communities where the projects have been completed, there is an increase of services provided to the populations or the beneficiaries are using the new facilities. The fact remains that most of the interventions still have to be completed and after a long while since the first contact with the beneficiary community. Another issue not well assessed is how many poor people access the services: this demands that more accurate analysis of ex-post developments should be done. (page 21)

¹³ Impact Evaluation of the Community Development Component of the Economic and Social Fund for Development (ESFD), Ziad Moussa, Evaluation Specialist - March 17th 2010

4 Conclusions concerning the hypotheses to be tested and main challenges to be discussed in the synthesis phase

Besides collecting additional evidence related to answering the EQs, the field visit to *Lebanon* has specifically looked into the following aspects:

Table 4 *Research focus*

<i>Research focus</i>	<i>Mainly related to EQ</i>
Institutional capacity of EC/EU for support to decentralisation – has the general EC framework for support to decentralisation facilitated programming of relevant interventions?	1-2
Evolution of EC/EU approach and response to the special context – the relative importance of in-depth analytical sector analysis	3 (and 4)
Documentation of possible results of local development interventions on the overall decentralisation process	5-8

4.1 Institutional capacity of EC/EU for support the decentralisation

EC/EU approach for support to decentralisation in Lebanon has been pragmatic with main emphasis on “local development” with some emphasis on the role of local authorities. The EC/EU policies, programming guides and reference documents are not all known in the EUD – but are broadly considered as relevant and useful.

EC/EU decisions on staffing levels in support of local development reflect relative high priority given to the issue. The staff has made some use of “decentralisation” training opportunities and found them generally useful although not immediately operation.

The Lebanon case study, therefore confirms some of the initial desk based hypotheses, such as:

- EC/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;
- EC/EU capacities for support to decentralisation are foremost of a “local” character and differ substantially from one EUD to the other;
- Decisions on allocation of staff resources to work on decentralisation issues in EUDs are critical for effective support to decentralisation;

However, the Lebanon case study also questions the validity of other desk-based hypotheses. In particular it is interesting that a relative large portfolio as the EUD support for local development has developed with minimal “sector analysis” – rather, the project portfolio has evolved on a learning by doing basis further discussed below.

In Lebanon, staff has benefitted from informal dialogue with staff members in other countries. It is possible that more structured head quarter (HQ)-inputs and guidance or substantive sector analysis could have led to more strategic interventions at an earlier stage.

4.2 Evolution of EC/EU approach and response to the special context

The EC/EU has supported local development in Lebanon through a variety of national institutional entry points. The challenge for the EC/EU has been that the “sector” was ill defined by both national government and donors: “local development” was clearly associated with “local authorities” by the EC/EU, but these were in turn very weak and there was no clear designation of government institution to oversee their development. The initial (from 1999) support was mainly through the ESFD where community project interventions at municipal level formed a minor component of the overall programme. The LOGO I and II (from 2005) shifted emphasis to unions/clusters of municipalities and attempted to facilitate more strategic planning process. The Local development project in Northern Lebanon in a similar manner supported projects mainly for clusters of smaller municipalities and regional planning.

In hindsight the EUD provided the following reflections on past interventions¹⁴:

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

The implementing organisations ESFD, CDR and OMSAR had no particular mandate to work with "local government reform".

It is only in the future municipal finance reform project that MoIM is given a lead status for implementation of local development activities. Under the new programme, focus for local level project implementation will be at "union" level and a component will be dedicated for structural municipal finance reforms.

The direction of the new programme seems very sound as it will combine immediate local interventions with reforms for wider systemic reforms and link local government level interventions with the appropriate ministry.

This evolution over ten years could most likely have occurred faster if more thorough sector analyses had taken place as part of country strategy and programme planning.

4.3 Intended and un-intended results of EC/EU support on overall decentralisation reforms

Prior to discussion of the extent to which EC/EU support in Lebanon has impacted on overall decentralisation processes it should be made clear that such objectives never featured prominently in interventions to date. The latest CSP describes the overall modest level of objectives regarding broader local government reforms:

"Continued EC support to local communities in the field of participatory planning methodology has the potential to lay the basis for a more balanced regional development and possibly, in the medium term, provide the Government with a further incentive towards enhanced decentralisation. In the short term, it will enable the local communities to finance infrastructure reconstruction and municipal regeneration projects" (CSP 2007-13)

In summary, the analysis indicates that the support has enabled local communities to finance various local development projects at a quite substantive level.

However, the wider results in terms of capacity building of local authorities have been very limited and to some extent unsustainable. The capacity development of local authorities has primarily been in support of "local planning", but the basic prerequisites for building such capacity – e.g. clarity of the basic legal mandate, appropriate structures (avoidance of the current fragmented local structures) and recruitment of basic skilled planning staff have simply not been in place. The support from EC/EU has provided some incentives for strengthened collaboration of municipalities through unions as a sound approach, however EC/EU efforts for establishing local planning offices within these structures has failed – most likely because the offices were too narrowly defined in relation to EC/EU support rather than well analysed approach for sustainable development of unions capacities for planning.

In addition it is also still uncertain if the investments in local projects will prove to be sustainable – the evaluation of the ESFD posed serious questions and ongoing projects under LOGO II are too early to assess. However, there is no clear monitoring system in place to assess viability and operation of projects. It is a concern that the responsibilities for operation and maintenance are vaguely defined and without well resourced local institutions in place.

Overall, the EC/EU support has nevertheless helped to demonstrate the development potentials of local authorities and general government commitment to wider decentralisation reforms have in recent years been more clearly articulated. However, the reform commitment is still only vaguely articulated and overall political situation of Lebanon quite unstable and unforeseeable. The recently developed new municipal finance reform project by the EC/EU presents therefore a wise response that will combine a pragmatic continued support to unions of municipalities with stronger linkages to overall systematic local government (finance) reforms.

¹⁴ Overview based on the memo from the EUD: *"Projets UE en cours dans le secteur du développement local"*.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Name of the person to be interviewed</i>	<i>Government / Organizations / institutions</i>	<i>Date of the interview</i>
Cécile Abadi	European Commission (EUD)	24/05
Sateh Arnaout	World Bank, EU Funded Programme on Municipal Finance	24/05
Rabih El-Chaar	Ministry of Interior and Municipalities - Advisor to the Minister	25/05
Khalil Al-Hajal	Ministry of Interior and Municipalities - General Directorate of Municipalities	25/05
Ahmad Rajab	Ministry of Interior and Municipalities - General Directorate of Municipalities	25/05
Alain Bifani	Ministry of Finance - General Director	25/05
Randa Antoun	Professor of Public Administration – Expert on decentralisation	25/05
Sami Atallah	Lebanese Centre for Policy Studies LCPS - Senior Expert of municipal financial resources	25/05
Francesco Biciato	UNDP/Art Gold	26/05
Mayors	Local Government	26/05
Khalil Gebara	Advisor to the Prime Minister Saad El-Hariri – Senior Expert on Governance issues	27/05
Dima Sader	ESFD - CDR Community Development	27/05
Haitham Omar	Economic and Social Fund for Development ESFD at the Council for Development and Reconstruction CDR - Director	27/05
Kamal Hamdan	Consultation and Research Institute – Director	27/05
Adnan Melky	Lebanese Association for Democratic Election LADE – UNDP Global Environment Facility Small Grants Programme	27/05
Sajieh Aatieh (Field visit)	Union of Municipalities of Joume Aakar / President of Rahbeh Municipality	28/05
Sami Menkara	Al-Manar University of Tripoli – President (Former Minister and former Mayor of Tripoli and expert on decentralisation)	28/05
Najwa Bassil (Field visit)	Municipality of Jbeil-Byblos and Senior expert LOGO 1	28/05
Clément Nadim Zakhia	MADA association for local development	28/05
Hind Al-Khatib	Ministry of Administrative Reforms - LOGO	30/05
Denis Cassat	Agence Française de Développement - Director	30/05
Mustapha Adib	Advisor to the Prime Minister Najib Miqati - Director Centre d'Etudes Stratégiques pour le Moyen Orient CESMO	30/05
Sawsan Mehdi.	Italian cooperation, in charge of local development projects and of the secretariat of the donors' working group on local development	30/05
Roula Qabbani	Ministry of Administrative Reforms - LOGO	30/05
Simon Bashawaty	Ministry of Administrative Reforms - LOGO	30/05
Sami Feghali	CDR Planning Division, Director of EC Support to Local Development in the North	30/05
Ismaïl Makki	CDR Environment and Agriculture	30/05
Ibrahim Chahrour	CDR Planning and Programming department	30/05
Bechir Odeimi	United Cities and Local Governments UCGL - Director	30/05
Beshir Osmat	Development Management International - Senior Expert LOGO 1 and Project Manager LOGO 2	30/05
Marie-Elena Kassardjian	UNDP/Art Gold	30/05
Jawad Adra	Information International Research Consultants - Director	30/05

5.2 Annex 2: The list of documents consulted

EC Country Strategy Papers

Ministry of Interior and Municipalities 2011a: (Republic Of Lebanon) First Municipal Infrastructure Project, Municipal Finance Studies Program (MFSP), Final Strategic Framework, submitted by: ICMA February 2011 (available at the Ministry website)

Documentation on ESFD Support

Final evaluation of the Economic and Social Fund for Development project (ESFD) Lebanon, April 2010.

Impact Evaluation of the Community Development Component of the Economic and Social Fund for Development (ESFD) – Interim report Ziad Moussa, Evaluation Specialist March 17th 2010

Documentation on LOGO projects:

- Final report of the "Conseiller en Développement Local (CDL) auprès de l'Unité d'Appui au Projet - Appui à l'amélioration de la gouvernance locale) - Paul Casalonga - (August 2009 for final report)
- Intermediary and final reports on the Technical assistance and support to Municipalities in the Fields of Local Development a various municipal groups, prepared by ICON Institute - October 2009
- Activity Report of OMSAR regarding the implementation of LOGO I
- Reports on "Coopération Décentralisée auprès des Collectivités Locales Libanaises", prepared by Bechir Odeimi, BTVL.

Décentralisation et coopération décentralisée au Liban: état des lieux. A chapter on the state-of-art on decentralisation that I wrote in 2009 for the bureau of CGLU/BTVL.

How well is Lebanon fiscally decentralized? The author of this article was the team leader of the research group who prepared document N°1.

Lebanon Local Governance in Complex Environments: Project Assessment.

Localiban web site (<http://www.localiban.org/spip.php?rubrique503>),

Council for Developmnet and Reconstruction: <http://www.cdr.gov.lb/>

Ministry of Internal Affairs and Municipalities: <http://www.moim.gov.lb/>

5.3 Annex 3: Detailed list of EC-funded interventions

<i>Projet</i>	<i>Nom du contrat</i>	<i>Caza</i>	<i>Municipalités</i>	<i>Montant</i>
Logo 2	Plus HautAutrement	Chouf	Aamatour, Ain Qani, Bater, Baadarane, Boutmeh, Haret Jandal, Jebaa, Khreibi, Maaser El Chouf, Moukhtara, Mrusti, Niha	677.232,00
	Ressusciter Jezzine / Tourisme de Villegiature	Jezzine	Jezzine, Aaray, Wadi Jezzine, Sabbah, Al-Harf, Al-Midan, Bteddine El-Leksh, Mashmoushe, Bkassine, Benwate, Aazour, Roum, Al-Houmsieh, Qaitouleh, Haitoura, Qattine, Hideb	972.110,00
	Centre de Vulgarisation Agricole	Bint Jbeil	Aytaroun, Ain Ebel, Aynata, Ayta Ech Chaab, Kounin, El Tyreh, Baraachit, Beit Yahoun, Maroun er rass, Bint Jbeil, Qouzah, Chakra, Hanine, Rmeish, Debel, Yaroun	1.071.497,00
	Circuit Touristique	Zgharta	Zgharta-Ehden, Haret El Fouwar, Ouchach, Mejdlaya, Ardeh, Rachiine, Kfaredlakous, Karah Bech, Kfarhata, Laal, Kfaryachite-Bisebeel, Kfarzayna, Bchenine-Daraya, Kfarfou, Raskifa, Karem Saddeh, Ljbaa, Sereel, Kfarzaghab-elmerh, Arjess, Bnachii, Mazraet El Touffah, Basloukit Arbet Kazhaya	464.521,00
	Tourism & Archeology and Rehabilitation of Water Sources	Nabatieh	Arabsalim, Houmine el Faouqa, Jarjough, Jbaa & Ain Bousoir, Ain Qana, Kfarfila, Sarba, Houmine el Tahta	810.856,00
	La vie à l'Ancienne	Kesrwan	Kleyaat, Kfardebian, Faytroun, Mayrouba, Hrajel, Faraya, Ajaltoun, Ballouneh, Batha, Jeita, Rayfoun, Daroun, Aachkout, Bekaetet Achkout, Shaileh, Ain El Rihani, Aintoura, Ghosta, Raachine	6.246.969,00
	Circuit Touristique du Patrimoine Culturel et Naturel	Baabda	Qirtadah, Ras El Metn, Dier El Harf, Jourat Arsoun, Arsoun, El Zandokah, El Arbanieh, El Dleybeh, Salima, Btakhnay, El Ksaibe, El Knaysse, Jwar El Hawz, Tarchish, Kfarselwane, Hasbaya, Bzibdine.	502.676,00
	Les Circuits du Patrimoine et des Retrouvailles	Chouf	Baakline, Ain Bal, Gharifeh, Mazraat ech Chouf,	678.866,00

			Kahlounieh, Aatrine, Jdeidet ech Chouf, Semkaniyé et Ain ou Zein	
	Circuit de Tourisme Rural et Patrimonial	Bekaa Ouest	Aana, Ammiq, Dakweh, Ghazze, Haouch El Harimeh, Kamed El Laouz, Khiyara, Manara, Mansoura, Marj, Sawiri, Sultan Yaacoub, Rawda, Tall Zenoub	751.491,00
	Parcours Vert Bleu	Aakkar	Akkar el Attika, Beit Mellat, El Ouyoun, El Dawra, Mmneh, Tachea, Ilat, Ain Yacoub, Dahr el Laysineh, Rahbeh, Bazbina, Tekrit, Jibrael, El Borj, Aayat, Bayno	483.219,00
	Unite Frigorifique Oleicole	Hermel	Hermel, Elkasr, Kwekh, Shawaghir, Jouar el Hachich	650.415,00
	The Construction of a rural park, a local development office and rehabilitation of water sources in the Cluster of Aley	Aley	Souk El Gharb, Bmakine, Qamatieh, Ain El Saideh, Ain El Remaneh, Aley, Ain Jdideh, Bkhechtay, Rejmeh, Bhamdoun Mhatta, Bhamdoun Balda, Btaloun, Sawfar, Majd El Baana, Charoon, Badghan, Mansourieh, Btater, Chaney, Meshref	462.240,00
ESFD 2	Support to the Economic Recovery and Reconstruction in the Community of Adchit	Nabatieh	Aadchit	38.000,00
	Support to reconstruction and improvement of living conditions in the cluster of Adchit and Toulne	Marjeyoun	Aadchit, Toulne	112.290,00
	Support to the Economic Recovery and Reconstruction in the cluster of Al Boustan	Tyr	Al Boustan	206.000,00
	Support to reconstruction and improvement of living conditions in the community of Al Fardees	Hasbaya	Al Fardis	100.000,00
	Support to reconstruction and improvement of living conditions in the community of Rashaya al Foukhar	Hasbaya	Rashaya Al Foukhar	106.000,00
	Support to the Economic Recovery and Reconstruction in the community of Al Jubbeyn	Tyr	Jibbain	48.000,00
	Support to the Economic Recovery and Reconstruction in the Cluster of Ayta Al Shaab and Rmeich	Bint Jbeil	Ayta Ech Chaab, Rmaych	80.000,00
	Support to the Economic Recovery and Reconstruction in the village of Aytaroun	Bint Jbeil	Aytaroun	107.810,00
	Support to the Economic Recovery and Reconstruction in the village of Hanine	Bint Jbeil	Hanin	5.600,00
	Support to reconstruction and improvement of living conditions in the community of Kfarhamam	Hasbaya	Kfar Hamam	196.300,00

Recovery 2006	The construction of a water reservoir & the drilling of two new boreholes in Nabatieh	Nabatieh	Kafra, Nabatieh	686.968,00
	The construction of Water Network System South Lebanon, Bent Jbeil and Nabatieh District	Bint Jbeil	Aytaroun, Kafra, Maroun El Rass, Bint Jbeil, Beit Yahoun, Aita El Chaab	703.437,00
	The Construction of Public Buildings in six Municipalities, South Lebanon	Bint Jbeil, Nabatieh	Qsaibe, Nabatieh el Faoqa, Roumin, Zefta, Haris	992.955,00
	The Construction of sewage network systems and wastewater treatment plants in South Lebanon	Nabatieh	Yohmor, Kfarsir, Zawtar	6.807.135,00
Recovery 2007	Construction of an Irrigation Pipeline	Marjeyoun	Al Khiam	269.398,00
	Drainage Network in Nabatieh Tahta	Nabatieh	Nabatieh El Tahta	799.825,00
	Rehabilitation of an Existing Water Pond	Bint Jbeil	Bint Jbeil	286.415,00
	The Construction of Municipal Building	Bint Jbeil	Chakra	385.851,00
	The Construction of Roads	Hasbaya, Nabatieh, Marjeyoun	Chebaa, Kfarchouba, Hiberieh, Rachaya El Foukhar, Kfar Hamam, Yohmor, Taybeh	1.208.355,00
	The Construction of a Solid Waste Treatment Plant in the Caza of Nabatieh	Nabatieh	Kfour	899.000,00
Projets régionaux CIUDAD	Réseau de Villes EuroMed sur la bonne gouvernance locale	Beyrouth	Ghobayré	200.000,00
	Promotion de la participation des femmes et des jeunes dans les processus de développement local	Hermel	Union des municipalités de Hermel	300.000,00
	Immunité aux conflits armés des Villes classées au Patrimoine mondial	Mont Liban	Byblos	200.000,00
	Gestion des eaux urbaines	Mont Liban	Fédération des Municipalités du Chouf Souayjani	300.000,00
	Gestion optimisée des Déchets dans la Méditerranée	Tripoli	Tripoli	300.000,00
	Développement économique durable et bonne gouvernance	Nabatieh, Chouf, Zgharta, Hermel	Fédération des Municipalités de Bint Jbeil, Fédération des Municipalités de Haut Chouf, Union des Municipalités de Zgharta, Fédération des municipalités de Hermel	400.000,00
Nord Liban	Développement communautaire du programme d'appui au développement local dans le Nord Liban	Aakkar	Fneideq, Hrar, Mishmish - Beit Ayyoub, Mqaybleh (Wadi Khaled), Machta, Machta Hammoud, Machta Hassan, Chadra, Akkar al Atiqua, Hweich	2.500.000,00
		Danniyeh	Kfar Bbnine, Sfinet, Beit Faqs, Taran	250.000,00
		Hermel	Qasr-Fissane, Jouar al Hachich, Kwekh	250.000,00
Ligne	Appel à propositions Local autorités en cours	Tout le Liban	Municipalités ou Unions de municipalités	250.000,00

budgétaire Local Autorithies / non-state actors				
	Appel à propositions Local autorités années 2011-2012	Tout le Liban	Municipalités ou Unions de municipalités	700.000,00
ENPI	Projet Municipal Finances - Appel à propositions pour les Unions de municipalités	Tout le Liban	Unions de municipalités	13.000.000,00
ESFD 1	Rural Bridge; Health care center for women and child; municipal center for education/culture/development of agriculture	Aakkar	Michmich	300.000,00
	Solid Waste Management Facility; Municipal Center for Education/Culture/Development for Agriculture; Day Care center	Bint Jbeil	Aytaroun	300.000,00
	Health Care Centre; Cultural Centre, Agriculture Centre; Municipal Sports Facility	Bint Jbeil	Rashaf, Srobbine, El Tyreh	300.000,00
	Social & Cultural Centre; Equipment and machinery for infrastructure works; Rain water collection pond and drainage canals project	Bint Jbeil	Aynata	300.000,00
	Public Sanitation Network; Irrigation Network	Aakkar	Deir Dalloum, Mar Touma, Majdala	300.000,00
	Irrigation and potable network; Public Sanitation Network	Aakkar	Kreibet el Jourd, Chan	300.000,00
	Maintenance in Municipal Infrastructure: Rehabilitation of an existing communal centre; Mobilisation of irrigation water	Nabatieh	Aadchit	300.000,00
	Agriculture centre with processing units of traditional crops	Tyr	Al Boustan, Jibbain, Marwahin	300.000,00
	Municipal Machinery park for maintenance ork and community services; health care centre; improved mobilisation of irrigation water	Marjeyoun	Aadchit Al Qsair, Toulin	300.000,00
	Intensification of irrigation in the plains of Es Saddaneh; Implementation of a small sewage network	Hasbaya	El Mery, El Majidiyeh, Helta	250.000,00
	Dairy and fruit processing facility; Vocational Training Centre; Physiotherapy Centre	Baalbeck	Aarsal	400.000,00
	Rehabilitation of the Fatah canal; Collection and safe disposal of solid waste: Strengthening local NGO network active in VT and educational activities.	Beirut	Sabra, Chatila	400.000,00
	Improvement of farming practices; Rehabilitation of the public beach and implementation of the eco-park near El Bared River; Rehabilitation of the physical appearance of the business area on the Mhamara international road; VT and education centre	Aakkar	Mhamara	300.000,00
	Olive oil Mill	Aakkar	Akroum	300.000,00
	Waste water treatment plant and sanitation network	Baalbeck	El Khodor	300.000,00

	Revival of the agriculture sector: Social development centre; communal health care centre: Youth sports facility	Aakkar	Dinbou	300.000,00
	Centre for dairy processing; Centre for artisan works	Aakkar	Al Kwashra	300.000,00
	Support to Mina small and informal producers Mina Community Market; Refurbishment of old facades of shops; Set up of the Mina Tourism Point; Set up of a fish nursery	Tripoli	Mina	400.000,00
	Agricultural extension centre (olive oil processing unit)	Saida	Loubieh, Qonaytra (village), Kzez (Village)	250.000,00
	Improvement of irrigation water supply	Aakkar	Qashlaq, Al Ghzaileh (villages)	120.000,00
			Sous-total projets terminés depuis moins de deux ans	6.020.000,00
			Sous-total projets régionaux (en cours)	1.700.000,00
			Sous-total projets en préparation	16.950.000,00
			Sous-total projets en cours d'exécution	27.811.431,00
			Total (projets finis, en cours et en préparation)	52.481.431 €

Légende

Projets en cours d'exécution
Projets en préparation (2011 et 2012)
Projets terminés depuis moins de deux ans
Projets régionaux (en cours)

"Intervention coverage":

- 8 Mohafazah sur les 8 du pays,
- 19 Cazas sur les 25 cazas du pays,
- 241 Municipalités sur 945 municipalités du pays.

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Support for the Implementation of Reforms (LOGO I)

Budget: 10 mEUR

Start date: 2005

Objectives and expected results:

Overall objective:

- The project has the overall objective of allowing the Government to respond to the citizens' expectations and contribute to the economic development and social stability of Lebanon, by launching and implementing a credible short to medium-term national reform agenda.

Specific objective:

- The specific objective is to provide national authorities a support in the implementation of short and medium-term reforms of public policies, included in a Government Action Plan.

Expected results:

Result A:

- Definition of reform priorities and improvement of the Government capacity to implement them;
- Increased capacity of the Government to coordinate at the national level;

Result B:

- Implemented reform actions in a number of core domains.
- Effective monitoring and follow up, including donors and interministerial coordination of the implemented reform priorities.

Activities:

Linked to Result A)

- Support the creation, monitoring and regular follow up (of a core Inter Ministerial Working in charge of defining reform priorities and ensuring donor coordination);
- Assisting the said working group in defining reform priorities and implementing them through feasible projects ready for immediate execution.

Linked to Result B)

- Support the Government and all other involved stakeholders in implementing the priority initiatives selected, including through technical assistance (TA), training, exchange of experiences and best practices, provision of equipment, etc;
- Support the monitoring of the implementation of the reform plan and evaluate their impact through regular reviews, independent expertise, missions, etc.

5.4.2 Intervention 2

Title: Support to Economic Recovery I: local development, reconstruction and rehabilitation of infrastructure (LOGO II)

Budget: 18 mEUR

Start date: 2007

Objectives and expected results:

Overall objective:

The overall objective of the project is to meet the needs of economic recovery and reconstruction of Lebanon.

Specific objective:

- Component I: Implementation of local development projects: Providing support to restore the living conditions of physically and/or economically by the conflict affected local people by contributing to restart economic activities-

- Component II: Provision of infrastructure support: Providing support to restore the living conditions of severely by the conflict affected local people by contributing to the rehabilitation and expansion of basic infrastructure.

Expected results:

Component I)

- Development of resources in local areas
- Launch of new economic activities, job creation and rising incomes
- Reducing migration to the cities and reducing emigration

Component II)

- Improved public services rendered to the local population
- General improvement of living conditions of the local population
- Support to revitalize the economic and social life of the municipalities

Activities:

Component I)

- The effective implementation involves: rehabilitation of administrative buildings, rehabilitation of production facilities, infrastructure rehabilitation of water supply and water irrigation, civil works for the development of agricultural land or rural roads; provision of seedlings and reforestation, rehabilitation of buildings or sites of architectural, historical, cultural or environmental value, office and/or production equipment supply and / or training and consultancy services and technical control; publication of information materials and production of communication campaigns and support for operating costs.

Component II)

- The effective implementation of these projects involves: construction or rehabilitation of public buildings (agricultural centres, souks, municipal buildings), rehabilitation of infrastructure (bridges and roads) rehabilitation or extension of water supply infrastructure, drinking and wastewater treatment and solid waste, provision of equipment, consultancy and technical control, publication of information materials and production of communication campaigns.

5.4.3 Intervention 3

Title: Support to the economic recovery and reconstruction of Lebanon

Budget: 18 mEUR

Start date: 2007

Objectives and expected results:

Overall objective:

The overall objective is to contribute to rehabilitation, recovery and reconstruction of the Lebanese economy in the areas affected by conflict.

Specific objective:

- Component I: Finance public service infrastructure and development which fall under the general scope of a revival of the economic and social life of municipalities affected by the war.
- Component II:
 - (i) Support recovery or the creation of economic activities of small and medium-sized enterprises affected by the conflict through the provision of non-financial services and easier access to bank loans and
 - (ii) Rehabilitate infrastructures of municipal clusters partners of the ESFD affected by the conflict.

Expected results:

Component I:

- R1: The economic life of municipalities affected by the conflict is supported in its recovery, through rehabilitation of infrastructure and utilities.
- R2: The conditions and living standards of people affected by the conflict are improved.

Component II:

- R1: The ability to analyse finance and trade of small and medium-sized enterprises affected by the conflict are enhanced, allowing them to restore, maintain or strengthen their activities and maintain / create jobs.
- R2: Small and medium-sized enterprises have easier access to available credit on favourable terms.
- R3: Public infrastructure priorities of partner municipalities, affected by the conflict, are rehabilitated.

Activities:

Component I:

Construction or rehabilitation of public buildings, rehabilitation of infrastructure, rehabilitation or expansion of infrastructure for supplying drinking water and wastewater treatment and solid waste equipment supply, consulting and technical control, publication of information materials and production of communication campaigns.

Component II:

- R1: Identification of entrepreneurs whose economically viable businesses, have been directly or indirectly affected by the conflict or in search of new economic opportunities.
- Improving the capacity of financial expertise and commercial contractors: (i) training (ii) preparation of loan applications submitted to banks, (iii) monitoring the management of loans.
- R2: Strengthening the system of financial support to SMEs, implemented by the ESFD.
- R3: Assistance to damaged clusters to identify priority projects for rehabilitation and development.
- Implementation of identified projects (rehabilitation and development of public infrastructure, provision of equipment and services).

5.4.4 Intervention 4

Title: Support for local development in Northern Lebanon / North Lebanon

Budget: 18 mEUR

Start date: 2009

Objectives and expected results:

Overall objective:

- Contribute to national unity through a rebalancing of the regions and improving the living conditions of the Lebanese population by exploiting the potential of regions suffering from a lack of development.
- Contribute to a national planning policy.
- Contribute to the improvement of environmental protection.
- Contribute to the creation of jobs.

Specific objective:

The specific objective is to support, by using a participatory approach, local communities in Northern Lebanon in the sustainable management of agricultural and natural resources.

Expected results:

- **R1:** Administration, local governments, the private sector and civil society are mobilized around strategies for sustainable development planning
- **R2:** The agricultural sector is diversified, productivity and profitability have improved. The use of Good Agricultural Practice (GAP) is systematized and jobs in the agricultural sector are maintained and, if possible, increased.
- **R3:** Mountain ecosystems are protected.

Activities:

R1

- Promoting the emergence or the establishment of space for dialogue and decisions that will bring together elected officials and community representatives for a local development program.

- Support of the community in the formulation of inclusive local development plans.
- Strengthening the capacity of leaders and elected officials in their dialogue with the central authorities and industry.
- Development of a project database (Geographic Information System - GIS).
- Support and strengthening of sectoral structures and support to CDR in their mandate to provide public services to the most vulnerable communities.

R2

- Identification of investment projects in accordance with local development plans.
- Implementation of public investment in environmentally friendly infrastructure at the municipalities or municipal union.
- Promotion of measures to support equitable distribution of water, both for an improvement of its quality and for its rational use in agriculture.
- Extension of GAPs, by including the expertise of agricultural extension centres that participate in the region.
- Support for the creation or specialisation/ professionalization of profitable sectors by involving the private sector and the Chamber of Agriculture.
- Support for the development of graze lands and support for better access of local products to markets.
- Development of peripheral jobs in the agricultural sector.

R3

- Protection of forests against fire and streamlining its development based on the national strategy, developed with support from the EC.
- Support and promotion of alternative energy at the household or community level.
- Improvement of the living conditions (beautification of villages) and public awareness in environmental protection.

5.4.5 Intervention 5

Title: SUPPORT TO REFORMS AND LOCAL GOVERNANCE (Priority 1. Support to ENP Initiatives)

Budget: 4.000.000 EUR

Start date: 2007/ 2005

Objectives and expected results:

Overall objective:

- enable the Lebanese central and local institutions to better meet the expectations expressed by citizens
- contribute to the countries' economic development and social stability.

Specific objective:

- increase the impact of the action of local authorities on a balanced regional development by:
 - the development of inter-municipal relations
 - the use of technical planning
 - effective implementation of local development strategies
 - association of civil society in municipal management

Expected results:

- The elected local and municipal staff using tools and methods that enable them to monitor effectively, within their prerogatives.
- The implementation of local development
- The planning reflects a shared vision and is supported by the local population
- The 12 clusters of municipalities implement their development strategies.

- A number of municipalities Lebanese use methods and tools for participatory planning of local development.

Activities:

- Attend the 12 clusters in maintaining the structures of inter municipal consultation (elected committees of the local area)
- Support the establishment of technical structures for the promotion of development strategies and monitoring of projects identified in the framework of territorial planning
 - Conduction of the training for the elected municipal staff of the 12 clusters
 - Linking the elected of the 12 clusters with the experience of local European authorities in matters of management development and participation of civil society in local governance.
 - Assistance to the 12 clusters
- Training activities and outreach

5.5 Annex 5: Detailed country context

5.5.1 Background

Remark: This article has been developed by Dr. Karam Karam (national consultant on this assignment) and is largely based on previous studies, mainly: Karam Karam, 2009, *Décentralisation et coopération décentralisée au Liban: état des lieux. Etude réalisée sur demande du bureau de Office of Cities and Local United Governments (CGLU)/ Bureau Technique des Villes Libanaises (BTVL)*. Cette étude s'inscrit dans le cadre d'un partenariat avec la Diputacion de Barcelone pour le projet SAWA - plateforme pour le renforcement institutionnel et la gouvernance locale en Méditerranée – phase pilote au Maroc et au Liban) (http://www.bt-villes.net/Rapport_sur_la_decentralisation_au_Liban.pdf).

Questions on administrative decentralisation and local development have never been absent from the agenda of various governments and different political actors since the independence in 1943, particularly in times of crisis and wars. The modernized reforms proposed and initiated by President Fouad Chehab (1958-1964) after the insurrections of 1958, included among its main objectives the integration of peripheral and marginalized areas through a process of decentralisation, redistribution of wealth and urban planning projects. Under the slogan of the “harmonious development” public authorities have initiated, during President Chehab mandate, plans and strategies for new institutions in order to administer and “develop” the Lebanese society. Another prompt momentum, the Taif agreement of 1989, which puts an end to the civil war (1975-1990), proposed transformations of administrative decentralisation structures in order to achieve a “balanced development” between different regions in Lebanon.

The essential features of the debate on decentralisation and local development often refer to a dichotomy, sometimes Manichean, between unity / division; central / peripheral; central / local government; national representation / local representation, etc. These representations are rooted in the political history of Lebanon. Traditionally, parliamentarians and political leaders (the traditional *zai'm*) have opposed the strengthening of the capacities of municipalities. In the framework of the “process of municipalisation”¹⁵ and rehabilitation of municipal councils that took place after the war and during the 1990s; these leaders obstructed the conduct of municipal elections because it threatens their traditional political role as service providers and local patrons. These local leaders have managed, through their personal *clientelist* networks and personalized ways of managing local affairs, to impede reforms and divert or channel funding and resources allocated for regional development for their own benefits. It is only in 1998 that the municipal elections were held. These elections were the first after the end of the civil-war, and the first after 36 years of interruption (in fact the last municipal elections were held in 1963). Since the back to normal local elections cycle, three municipal elections took place (1998, 2004, 2010). With the renewal of the municipal council, candidates with different profiles and backgrounds (youth, women, diverse social categories, professionals such engineer, architect, lawyer, businessman or doctor...) have been elected. Since, these emerging local elites are cohabitated with the traditional leaders, and have been introducing a different style of governance reshaping the role of the municipality as main actor in the local development process.

5.5.2 The administrative decentralisation in post-war Lebanon

The Taif agreement states under the section “other reforms” paragraph (A) “Administrative Decentralisation” that the “expanded administrative decentralisation shall be adopted at the level of the smaller administrative units [district and smaller units] through the election of a council, headed by the district governor , in every district, to ensure local participation”. It also stipulates that: “a comprehensive and unified development plan capable of developing the provinces economically and socially shall be adopted and the resources of the municipalities, unified municipalities, and unions of municipalities shall be reinforced with the necessary financial resources”.

The Taif agreement, however, does not provide any further details regarding the reforms of decentralisation; it merely states brief suggestions while leaving the tasks for the proposal drafting of detailed projects to the executive and legislative powers

¹⁵ Lebanon has experienced different modalities of local governance and governments since the mid-nineteenth century. The first municipalities were created under the specific political and administrative regime named *al-Mutasarrifiya*. This regime gave, in 1860, the Mount Lebanon the status of autonomous province within the Ottoman Empire. The first created municipality was created in 1864 in Deir El-Qamar in the Chouf region, followed by the municipality of Beirut in 1867, and the municipality of Tripoli, North Lebanon, in 1877, etc. See: Favier, Agnès, 2005, « Histoires de familles patronages et clientèles dans l'espace politique local au Liban », *Annuaire de l'Afrique du Nord* 2003, Paris, CNRS éditions.

Lebanon is a unitary State with four tiers of administration: Central, Muhafaza, Qada, and municipality. There are six administrative regions or Muhafaza: Beirut, Mount Lebanon, North Lebanon, Bekaa, South Lebanon, and Nabatiyeh. Two additional Muhafaza, Baalbek Al-Hermel, in the Bekaa, and Aakkar, in the North, had been created in 2003. The implementation decree of these newly created administrative divisions have not been issued as to date thus they are not administratively operational, and still fall under the administrative division mentioned above. Each Muhafaza with the exception of Beirut, in turn, is divided into Qadas. In total, there are 25 Qadas which are distributed as the following: : 6 in Mount Lebanon, 7 in North Lebanon, 4 in Nabatiyeh, 5 in the Bekaa, and 3 in South Lebanon. Muhafaza and Qadas represent the levels of deconcentration in Lebanon, whereas municipalities are the only decentralized autonomous body as defined by Law.

The general orientation provided in the Taif text shows clearly, from the outset, a desire to strengthen the deconcentration of power of the central government, through the *muhafez* (prefect, regional governor), head of the *muhafaza*¹⁶, and *qaïmmaqam* (sub-prefect district governor) at the head of the *qada*¹⁷ and other administrative services of the centralized State to the detriment of decentralisation. “The powers of the governors and district administrative officers shall be expanded and all State administrations shall be represented in the administrative provinces at the highest level possible so as to facilitate serving the citizens and meeting their needs locally”¹⁸. The “administrative decentralisation”, stated by the agreement, is in fact limited to the expansion of administrative deconcentration. The division of districts has not seen the light yet.

Indeed, in the line of the Taif agreement, the draft laws and proposals submitted in the last two decades¹⁹, have never been adopted or implemented, showing no real willingness to move toward an effective administrative decentralisation. Instead of considering decentralisation through the transfer of powers to elected local authorities, these projects rather delegate power of the central government to the deconcentrated authorities.

Several reviews and comments have been directed against these projects, which we summarize as follows:

- Among these proposals some of the projects do not separate between decentralisation and deconcentration. In fact, they do not distinguish the two concepts. They perceive the

¹⁶ The Muhafaza does not enjoy any legal personality or independent authority. It is an administrative subdivision formed by the central government and headed by a grade one civil servant appointed by the Council of Ministers upon the recommendation of the Minister of Interior and Municipalities. The duties of the governor of the Muhafaza, or the Muhafez, are primarily administrative and involve local implementation of policies established by the central government and the coordination among central government offices and officials within the Muhafaza. The Muhafez represents all the ministries except for the Ministry of Justice and Ministry of Defense. The function of the Muhafez, according to articles 4 to 26 of Decree 116/1959, include the following: implementing laws and regulations; putting into practice political directives from the central government and informing the government of the general political situation in the Muhafaza; administering all matters in relation to (personnel status, and inspecting and controlling all central government bureaus and civil servants in the Muhafaza; guaranteeing public security, personal freedom, and private property; and coordinating events, when required, in collaboration with internal security forces placed under his command.

¹⁷ In total, Lebanon’s Muhafaza, with the exception of Beirut, are subdivided into 25 Qadas. Like the Muhafaza, the Qada is a geographical subdivision and enjoys neither legal personality nor financial autonomy. Of the 25 Qadas, five are administered directly by the Muhafez because they are capitals of their respective Muhafazat. The remaining Qadas are administered by a District Governor Qaïmmaqam, usually a grade two civil servant, appointed by the Council of Ministers upon the recommendation of the Minister of Interior and Municipalities. The Qaïmmaqam performs in his Qada similar functions to those performed by the Muhafez, except that he does not represent the various ministries of the central government. The duties of the Qaïmmaqam, according to articles 27 to 46 of Decree 116/1959, include the following: supervising the general situation in the Qada and informing the government of the developments through the Muhafez; administering the regional offices of various ministries in the Qada as well as controlling and supervising employees; implementing rules and regulations and preserving public security and order; and supervising the agricultural sector, granting hunting and building licenses, imposing health measures, and appointing certain low-level employees.

¹⁸ Taef Agreement, section “other reforms”, article A, point 2

¹⁹ For instance, the draft law for the “modification of the law for the administrative organization” submitted in 1995 by the MP Auguste Bakhos. The draft law the “administrative organization and the administrative decentralisation” submitted in 1997 to the Parliamentary Commission of the Administrative and Justice”; the draft law “administrative decentralisation, administrative, municipal and mukhtar’s, and the reorganization of the Ministry of Interior and Municipalities, accepted by the council of ministers on July 31st 1999 and submitted to the Parliament in August 1999 and in 2004 the Parliamentary Committee on Administration and Justice had prepared a draft law on “administrative organization and administrative decentralisation”. In 2009, with the support of the President of the Republic, the Minister of Interior and Municipalities has launched a study to develop a new project on decentralisation.

empowerment of the prerogatives and powers of deconcentrated bodies to the detriment of the decentralized authorities;

- Other projects considered the separation of the decentralized power from deconcentrated one. However they failed to provide a mechanism of cooperation between the two of them.
- Some other projects call for the establishment of the “qada councils”, comprising at the same time both elected and appointed members²⁰, under the presidency and the authority of the deconcentrated representative of the central government and the representative of the Ministry of Interior and Municipalities (MoIM). Decisions of these councils are subject to a prior approval by the central authority prior their enforcement²¹.
- These projects converge in the fact that they base the administrative division on a single decentralized scale between central and local level²².

Based on the above, experts who have worked on the reform of decentralisation and the creation of local councils (council or qada) in Lebanon (see bibliography), converge on the following proposals:

- Local councils should enjoy legal personality and administrative and financial autonomy, as well as deliberative and executive power;
- The prerogatives of local councils should be separated from those of municipal councils and unions of municipalities;
- Human, administrative and financial resources, of the local councils, should be consistently and permanently guaranteed; the administrative control must be limited to certain processes;
- Elections shall be the sole principle of appointment of all members of the local councils;
- The cooperation between local councils, regional and central authorities must be precisely defined.

In all means, the current situation of decentralisation still far from what reforms suggest; In fact the municipalities continue to be governed according to the 1977 law.

5.5.3 Municipal Council and Decentralisation

Until the implementation of new decentralisation reforms, the municipality remains the only decentralized institution in Lebanon recognized by the law and in charge of local development and able to provide decentralized cooperation²³. The current Municipal law in Lebanon was adopted in 1977 (Legislative Decree No. 118 dated 30/06/1977)²⁴. It defines the municipality as “a local administration enjoying legal status and financial and administrative independence which exercises powers and responsibilities over the area it is granted by law” (article 1). This legal and administrative framework within which operates the municipal institution, though liberal, is now overshadowed by the reality on the ground and the needs for development.

Within the existing administrative system in Lebanon, a critical review of the municipality, its legal prerogatives, its financial and human resources and its mode of operation, allows us to better understand the place and role of this institution in the local development and decentralisation processes.

²⁰ For instance, article 38 of the draft law on “administrative organization and the administrative decentralisation” proposed in 1997 to the Parliamentary Commission of the Administration and Justice “suggests the election of 2/3 of the members of the council of the Muhafaza through secret and vote, and the nomination of the one third by a decree following the proposition of the Minister of Interior”. Sleiman, Issam, 1999, “Analyse des projets de decentralisation administrative”, CERMOC, document N°4, p.6

²¹ “While looking at the prerogatives that will be granted to the council by virtue of article 41 of the draft law, we can tell that it will be a deliberative body rather than a center of decision and execution”, Sleiman, op-cit. p.6.

²² “At the local level, the central power is exercised to the towns and villages through the mukhtars and councils of mukhtar. These councils are not decentralized legal personalities but rather the third level of the central administrative organization. It is true that the mukhtar and his council are elected, what differentiates from the qaïmmaqam and muhafiz. But the prerogatives of the mukhtar are purely administrative, such as granting licenses and birth certificates as well as facilitating the tasks of government employees. Although he t is elected, however he is subject to the hierarchical power of the qaïmmaqam and appears as the representative of the central authorities,” Antoun, Randa, 1999, «La décentralisation et la situation municipale au Liban», CERMOC, Document N°4, p. 7-10.1999, p.7-8.

²³ For a critical review of the main reforms on decentralisation proposed by the municipal law in Lebanon, and for an analysis of the activities of the municipalities see: *Al-'amal fi Lubnan al-Baladi: dirassa maydaniyya taqim wa lil-tajriba* (The municipal work in Lebanon: field study and evaluation of the experiment), collective, Beirut, Lebanese Center for Policy Studies, 2002.

²⁴ For all references to the municipal law, Legislative Decree No. 118 dated 30/06/1977, see: Annex.

5.5.4 Legal Personality

The 1977 Law granted the municipality the moral and legal personality, which allows for it “a legal status, and an administrative and financial autonomy”. On the local level, it enjoys important prerogatives in different areas.

According to the law of 1977, the prerogatives of the municipal council are extended to all public services and “any public activity or public utility within the limits of its territory” (art. 47). Sections 49 and 50 (Law 1977) list the prerogatives of the municipal council in a non-exhaustive way (see below). Basically, in theory, the municipality exercises locally all the powers and functions of the central government except those related to defense and national security and foreign policy.

Under this status, the number of municipalities and unions of municipalities continue to increase since the local elections of 1998. The number of the municipalities on 1998 was 646 municipalities (as defined by the decree n°23, issued by the Ministry of Interior and Municipalities in 16/4/1998). The number of municipalities kept on increasing to reach in 2010, 964 municipalities, as defined by the Minister of Interior and Municipalities in 22/4/2010²⁵. The number of voters was 3.326.572 (the voting age is 21 years old) in 2010 municipal elections²⁶. There are now 42 unions of municipalities that are divided between the 6 Muhafaza and the 25 Qada-s (see table n°1).

The union of municipalities has the same status as the municipalities, according to the article 114 of the Municipal Law of 1977; it enjoys legal status and financial and administrative autonomy. A union can be composed of an unlimited number of municipalities, in order to undertake projects with common interest and implemented on a larger geographic scale than the territory of one municipality. These projects exceed most of the time the financial capacity of a one single municipality. The union consists of a decision-making body, called the Union Council, composed of mayors of municipalities that are members of the union, and the executive power is assumed by the president of the union. The union has the same prerogatives as a municipality. It is subject to the same prior control and suffers the same difficulties faced by municipalities.

In reality, the municipal authority is constantly challenged by the central government in terms of its activities and in its prerogatives, namely the decision-making on both executive and financial levels. Municipalities remain dominated by the central authorities. On one hand, the laws tightened the municipalities and made them barely financially independent and on the other hand, governmental agencies was created and took over some of the municipal provisions related to the urban management and local development such as the CDR²⁷ and the Council of the South.

5.5.5 Municipal authority and prerogatives under the control of the central government

The law has placed the decision-making prerogatives in the hands of the municipal council, stating in article 47 that “any activity which is public or related to a public utility, within its territory, is the responsibility of the council”. Thus, article 49 of the law states, but not limited to, the broad powers of the council in areas and issues such as the municipal budget, determining the rate of municipal taxes, the specifications of contracts and conditions of public works, planning and improving roads, creating gardens in public places, transport coordination, supervision of educational activities and operation of public and private schools, the relief to the poorest and disabilities, support to clubs and associations, etc.

The municipal council may also, by virtue of article 50, “create or manage within the municipal area directly or by delegation, and participate in, or assist in the execution of the following:

²⁵ See: <http://www.moim.gov.lb/UL/news/news368.html>.

²⁶ The number of municipal council members is determined by law in proportion to the population registered on the civil status registers of the municipality, and not based on the number of effective residents. Hence, and according to the article 45 of Law no.665, dated December 30, 1997: “The Municipal Council shall comprise members determined as follows: 9 members for the municipality whose registered residents are less than 2000 people (in 2010 elections: 413 municipalities); 12 members for the municipality whose registered residents are between 2001 and 4000 people (in 2010 elections: 257 municipalities); 15 members for the municipality whose registered residents are between 4001 and 12000 people (in 2010 elections: 237 municipalities); 18 members for the municipality whose registered residents are between 12001 and 24000 people (in 2010 elections: 39 municipalities); 21 members for the municipality whose registered residents exceed 24000 people (in 2010 elections: 16 municipalities); 24 members for the municipalities of Beirut and Tripoli”. For more details about municipalities, voters, and municipal financial incomes, see, “Al-intikhabat al-baladiyya wa al-ikhtiyariyya 2010” (Municipal and Mukhtar elections 2010), Information International, Assafir, 2010 (www.information-international.com).

²⁷ The CDR is the main actor for conducting projects of national reconstruction on the entire Lebanese territory. It was created in 1977 and is in charge of the coordination between different donors. It is directly affiliated to the council of ministers without the ability to take autonomous decisions.

Public schools, nurseries and technical schools; social residences, toilets, public wash houses and swimming pools; public hospitals, sanitariums, primary health care center, and other health establishments and institutions; museums, public libraries, theaters, cinemas, amusements centers, clubs, playgrounds and other public and sports shops as well as social, cultural and artistic institutions;" etc.

Based on article 51 of the law, the consent of municipal council is required to address the following issues:

Changing the name of the village; changing the boundaries of the village; organizing traffic and public transportation; carrying out projects for improving and delimitating highways in addition to general master designs in the municipal area; creating and transferring or closing public schools, governmental hospitals and dispensaries; measures related to public emergency; creating charitable institutions and offices; applications of exploitation permit for classified shops, restaurants, swimming pools, coffee shops, amusement centers and hotels.

The municipal council finally has a right of control over the executive power and ensures the proper functioning of the municipal council. Under article 67 of the law, the executive "belongs to the president of the municipal council".

The prerogatives of the president of the municipal council (the mayor) are determined by the law provisions, but not limited to the main following areas:

Executing the decisions of the municipal council; making municipal budget forecasts; managing and supervising municipality departments; managing the funds and real estates of the municipality and thereafter carrying out all the required works in order to preserve its rights; managing revenues of the municipality and overseeing accounts; ordering the payment of the municipal budget, settling and controlling the charges and giving notices of payment; concluding contracts of rent and barter, accepting donations and ordered goods, purchases, and transactions after having authorized such works according to the provisions of the law; acting the same regarding the purchases, agreements, transactions, undertakings as well as supervising and receiving the works that are carried out on behalf of the municipality; representing the municipality before the Courts; authorizing fees by virtue of a statement or an invoice; taking measures to tackle alcoholism, epidemic or infectious diseases, and animal diseases; demolishing insecure buildings and repairing them on the expenses of their owners, according to the provisions of the law on construction; receiving donations and funds ordered to the municipality, if they are likely to be damaged or lost and keeping them until a decision is taken with respect thereto; taking measures to restrain begging; taking the appropriate measures regarding misbehaving people who may threaten ethics or people's safety and goods; among others.

In order to preserve the territory and interests of the state, the legislator has placed the municipal councils under the direct supervision of the central government. Thus, in exercising its authority, the council is subject to several protections and a series of control that determines his relations with the central government and the public administration.

There are several levels and types of control over the duties of the municipal Council: administrative, financial (from the Ministry of Finance, the Court of Auditors, the Auditor of Accounts, the Comptroller General of Finance), Civil Service Board, the General Inspectorate, Ministry of Public Works, Ministry of Environment, Ministry of Justice, other autonomous ministries and administrations, etc..The focus below is specifically on the administrative control.

Administrative control is the prerogative of the Minister of Interior and Municipalities, the *muhafez* and the *qaimmaqam*. It is almost unlimited. It covers most of the decisions of the council to rule on its legality, and its public interest.

The control of the Minister of Interior and Municipalities on the decisions of the municipal council is fixed by the article 62 of the Municipal Law. It focuses on the following municipal decisions: decisions by virtue of which a public system is established, loans, naming of the streets, creation of municipal units, the creation of unions of municipalities, allowances of the President and Vice-President of the municipality, the transformation of public goods in municipal property, etc..

The Control of the *Muhafez*, according to article 61 of the Municipal law, is identified by a series of municipal decisions including: the authorization of transactions over 80 million Lebanese pounds (U.S. \$ 53,333)²⁸, permission to work and acquisition of equipment of over 50 million Lebanese pounds (U.S. \$ 33,333), buying or selling properties in more than 100 million Lebanese pounds (U.S. \$ 66,666), leases whose annual value is more than 40 million Lebanese pounds (U.S. \$ 26,666), etc.

The control of the *qaimmaqam*, according to article 60 of the municipal law, on municipal decisions is identified by the following: transfers and appropriations in the municipal budget, setting the level of

²⁸ 1 USD is equal to 1500 Lebanese Pounds

municipal taxes, lease with an annual value that not exceeds 20 million in Lebanese pounds (U.S. \$ 13,333), permission to work and acquisition of equipment for a value ranging from 20 to 50 million Lebanese pounds (U.S. \$ 13,333 to U.S. \$ 33 333) the acceptance or refusal of donations, etc.

Article 59 of the municipal Law of 1977, specifies only few municipal decisions that are free of control and immediately enforceable. Thus, article 63 of the law allows the council to consider a decision as binding and valid if the power of administrative control concerned does not give its opinion within a month from the testimony of the decision. And under Article 64 of the Act, the municipality always has the right to have recourse to the tribunal if it refuses to approve certain decisions imposed by the supervisory authority. But despite these possibilities, in practice, councils are still awaiting the approval of the authority of administrative control prior to the execution of a decision to maintain good relations with the central power which they remain largely dependent.

Indeed, several decrees promulgated by the Council of Ministers are in conflict with the municipal law. It requires a kind of discretionary and arbitrary control over the municipal councils which is based on any legal rule. For example, we might mention as example the ban on Councilors to travel and attend conferences abroad without prior authorization from the Council of Ministers. Thus, "the practices of central powers against councils and unions of municipalities have turned into a direct or indirect involvement in the acts, decisions and management of municipal affairs, and sometimes taking a decision instead of municipalities. These practices were justified in scattered texts developed and compiled over the years by central governments and are in contradiction with the law and the prerogatives of municipal councils".²⁹

5.5.6 The lack of the financial resources

In Lebanon, municipalities generally have limited resources for revenues and are subject to binding rules of financial management. A survey conducted in 2009 showed that two-thirds of municipalities (about 645 municipalities) have insufficient resources to meet their needs. Their budget does not exceed U.S. \$ 65,000 per year³⁰. Thus majority of the resources comes from government transfers³¹. The Law of 1977 identifies the financial resources of municipalities according to several categories (art. 86):

- Fees collected directly from taxpayers; under law 60 of 1988, municipalities have the right to collect 16 different types of taxes;
- Fees collected by the central government, independent entities, or public institutions on behalf of municipalities and distributed directly to each municipality; under the Law 60 of 1988, the taxes collected by public administrations and institutions on the real estate gains (3%), subscriptions and telephone communications (10%) on electricity consumption (10%) and water consumption. Private institutions collect taxes on insurance policies (except life insurance) and the use of mobile phones³² (Atallah, 1999, p. 12);
- Fees collected by the Central authority on behalf of municipalities and deposited in the IMF to be later distributed to municipalities. Central government collects 13 kind of taxes and surcharges and deposits them in the IMF;
- Financial aid and loans;
- Revenues from municipal properties, including the total revenues of public domains related to the municipality;
- Fines, and donations, and wills.

The charges filed with the IMF is redistributed under Decree 1917 of 1979 to the municipalities (75%) and unions of municipalities (25%), deduction is made on expenses for salaries and cost of Ministries of Finance and Interior and Municipalities services. The redistribution of these funds is proportional to the number of people enrolled in the registry of the municipality and to the taxes collected by each municipality during the previous two fiscal years. "The goal is to encourage municipalities to collect taxes themselves, because the more they collect taxes the more their share is increased" (Antoun, 1999, p. 8).

²⁹ Ghassan Moukheiber, 1999, "The municipalities and the central government" <http://ghassanmoukheiber.net/showarticles.aspx?aid=32&mlang=A&lang=F>

³⁰ Non-published survey conducted by the Ministry of Interior and Municipalities in 2009.

³¹ See : Dewailly, Bruno et alii., 2003, «Pouvoirs locaux et décentralisation en période de (re) construction étatique. Les cas du Liban et de la Palestine : étude comparée », dans Lebris Émile (dir.), *Les Municipalités dans le champ politique local. Effets de l'importation des réformes de décentralisation dans la gestion de villes d'Afrique et du Proche Orient*, Paris, programme PRUD, GEMDEV, ISTED.

³² See : Atallah, Sami, 1999, « Les finances municipales au Liban », Beyrouth, CERMOC, Document N°4, p. 12-16.

Thus, the Ministry of Interior and Municipalities has made two disbursements of IMF funds to municipalities and unions of municipalities between 2008 and 2009: in December 2008, for the year 2006, municipalities received \$ 290 billion Lebanese pounds (193,333,333 U.S. \$ million). In April 2009, for the year 2007, they received 280 billion Lebanese pounds (186,666,666 million USD)³³.

Indeed, the taxes levied by the State and public institutions on behalf of municipalities are over 80% of all financial resources of most municipalities. This measure indicates the fragility of the theoretical "financial independence" of municipalities and their dependence on central power. For Sami Atallah (1999) municipal revenues are challenged by three types of problems: administrative and institutional and legal:

- *For taxes levied directly by the municipalities*, the law does not allow municipalities to create new taxes or fix the tax base, the method of valuation fees is slow, not modernized, and accounting is not computerized for a considerable number of municipalities. In addition, most of them suffer from the lack of enough tax collector (Atallah, 1999, p. 13);
- *For taxes levied by the state, by autonomous boards and public institutions on behalf of municipalities and paid directly to each of them*: in practice, municipalities do not control these taxes, do not master the process nor managing the money collected, and "have no way to force these institutions and services to transfer the money owed to them (Atallah, 1999, 13).
- *For taxes levied by the State on behalf of all municipalities and are filed in the IMF*: the redistribution of this money was for a long time suspended and the funds were used largely in the service of public debt. Since 1997, the allocation of these funds to municipalities has taken a non-transparent, unpredictable and subject to the voluntarism of the central government. Indeed, 75% of IMF funds are invested by the government in major development projects entrusted to the CDR, the Council of Great City Projects in Beirut and other development institutions, and not to municipalities. Part of the funds of the IMF is also used to fund salaries and services of the ministries of Finance and Interior and Municipalities.

Sami Atallah (1999) proposes in his study several needed practices and reforms to strengthen, improve and make effective the financial autonomy of municipal institutions. This proposition is twofold. At the municipal level, councils should update and modernize their database (i.e: number of residents); map the buildings and common services existing real estate constructions, review the tax laws, computerize the bills, improve tax collection, etc. At the laws and decrees level, they should ensure a wider decentralisation and an effective financial autonomy, namely through: the inclusion of the recipe due to municipalities in the State budget; the representation of municipalities in all institutions and administrations in charge of the management of municipal funds and ensuring a regular transfer of funds to the municipalities every three months; the cancellation of prior control on the municipalities, etc.

5.5.7 Human Resources of the Municipalities

The control of the central authorities and the lack of financial resources are added to deficit of the municipalities in their human resources. Once more, the prerogatives of municipal councils are challenged by a series of main decisions. For several decades, municipalities have suffered from the non-renewal of their elected members, since no election was held between 1963 and 1998, and their servants, because the government has banned them from recruiting new staff. Although the situation has gradually started to change after the 1998 municipal elections, the legacy of past decades is still visible. This is reflected more specifically in the lack of experience in municipal management on the part of elected representatives and aging municipal servants as well as their deficiency in terms of training and expertise.

Indeed, article 80 of the Municipal law stipulated the municipalities that are capitals of Muhafaza to be under the control of the Civil Service Board, by considering the possibility at anytime to extend this control measure to other municipalities (through a decree by the Council of Ministers upon the proposal of the Minister of Interior and Municipalities). In fact, the control of the Civil Service Board covers all the matters related to municipal servants or officials: monitoring officials, their appointments, transfers, dismissals and referrals, the end of service, discipline, etc. It also controls the competition and training for new staff. It deprives municipalities of their autonomy and their ability to respond quickly and avoid the lengthy and bureaucratic procedures, lack of staff, managers, technicians or employees.

³³ For an exhaustive study on the municipal finance, see: ICMA, CRI, TCGI, 2011, *Municipal Finance Studies Program, Final Roadmap for Modernizing Municipal Finance in Lebanon* (Final Report of Studies 1, 2 & 3), MoIM, Beirut (<http://www.moim.gov.lb/UI/moim/PDF/FinalRoadmapforModernizingMunicipalFinance.pdf>).

As for the public servants, recent studies³⁴ show the need for real autonomy for municipal councils and independence in managing their human resources at all levels (recruitment, appointment, contract, promotion, etc.). This autonomy would be ensured through the cancellation of article 80 of the Municipal Law and the ministerial decrees the obliged municipalities in managing their human resources to the control of the Civil Service Board.

That been said, the means, resources and personal skills are not given to all elected municipal members and officials. The ability to gather all factors favorable to assure the role of the decentralized local government depends on several criteria. It refers primarily to the knowledge of local actors and stakeholders, especially elected officials, their own situations, their resources and skills, both personal and institutional. A survey SOFRES-CERMOC-1999 (Favier, 2001, Appendix 3), conducted through a questionnaire sent to all presidents of municipalities (out of 711 municipalities surveyed in 1999, 600 responded), and a sample of municipal council members (on a sample of 336 council members, 311 responded), helped to define the profiles of presidents of municipalities, vice-presidents, and the municipal council members:

- The average age of presidents is 51.8 years and 46 years for councilors;
- 7.2% of the presidents were single and 91.7% were married, 10.9% of the municipal council members are single and 87.1% are married;
- 70.2% of the presidents and 76.5% of the vice-presidents live in their locality;
- As for the education: for the presidents of municipalities: 0.5% are illiterate, 7% with a basic level, 14.8% with a complementary level, 22.8% a secondary level, 6.3% a technical level, 28.3% university level – (BA), 12% a university level – (Masters) and 8.2% doctoral level. For the municipal council members: 3.5% have a basic level, 5.1% complementary level, 11.3% a secondary level, 5.1% a technical level, 41.8% university level – (BA), 18% a university level – (Masters), and 14.8% doctoral level.
- For the degree of specialization (technical and academic) for the presidents and for the council members Law (lawyer) came first, followed by architecture / engineering, medicine, administration, business and economic affairs, political science, etc.
- The main occupation or work: Businessman, 41% of the presidents and 33.1% of council members; Self-employed, 26.5 of the presidents and 43.7% of council members; Executive, Manager or Officer, 5% of the presidents and 7.4% of council members; Officer of the private sector, 7.7% of the presidents and 8.7% of council members;
- The order of importance of municipal work in relation to areas of activities: creation and infrastructure improvement 94.6%, environment 66.8%, creating and improving educational and social services 52.7%, urban planning 36, 7%, organization of statistical information on the town 37%, cultural activities 27.7%, carrying out activities aimed at engaging civil society 27%, economic development 16.7%;
- The degree of importance of the obstacles faced by the municipal council in carrying out his plans: lack of financial resources, lack of administrative resources, routine and administrative paralysis, relationship with the central power (authority), intervention of politicians, political parties or religious leaders on the work and activities carried by the municipal council, the lack of interest of public opinion, differences and divisions within the localities, political differences within the municipal council, familial differences within the municipal council;

Surveys and qualitative studies³⁵ have highlighted the importance of the personal skills of local elected representatives, particularly the presidents, mayors, in the management of municipal and local affairs. These investigations have also revealed the role of civil society organizations in the local management of the municipalities. Indeed, the law granted the municipality council and the mayor the prerogatives to encourage and strengthen the participation of individuals and organizations in all fields and sectors. Article 50 of the law gives the municipal council the authority and capacities to manage, directly or indirectly, its territory, all types of public projects, or to entrust management to a third party. Thus, the law allows the municipality to create *ad hoc* committees specializing in different areas and issues, composed of municipal council members and individuals from outside the council, civil society actors,

³⁴ We rely precisely on the data of two surveys conducted with mayors and members of municipals councils in 1998 for the mandate of 1998-2004. The first was conducted by SOFRES-CERMOC in 1999, and published in Favier, Agnès (Eds.), 2001, *Municipalités et Pouvoirs locaux au Liban*, Beyrouth, Les Cahiers du CERMOC, n° 24; the second, *Al-'amal fi Lubnan al-Baladi: dirassa maydaniyya taqim wa lil-tajriba* (The municipal work in Lebanon: field study and evaluation of the experiment), collective, 2002, Beirut, Lebanese Center for Policy Studies, Chapters I and II.

³⁵ Favier, Agnès (Eds.), 2001; LCPS, collective, 2002, *op. cit.*

experts, etc.;. This paves the way for wide opportunities to cooperation and partnership between the municipality and institutions and actors outside the council, at the local, national and international levels.

Table 5 Key figures on Muhafaza, Qada, Municipalities, Unions of Municipalities, Inhabitants

<i>Muhafaza</i>	<i>Number of Caza-s (Qada')</i>	<i>Number of Municipalities per Caza</i>	<i>Number of Unions of Municipalities (Ittihad baladiyyat) per Caza and Names of Unions</i>	<i>Number of Municipalities per Unions of Municipalities</i>	<i>Number of Inhabitants per Unions of Municipalities</i>
Bierut	-	1	-	-	
Beqaa	3 -Zahle	84 -29 Municipalities	5 -3 Unions -Ittihad baladiyyat Qada' Zahle -Ittihad baladiyyat al-Beqaa al-Awsat -Ittihad baladiyyat Sharq Zahle	-7 Municipalities -4 Municipalities -6 Municipalities	-32 376 Inhabitants -22 450 Inhabitants -14 714 Inhabitants
	-Beqaa-Ouest	-29 Municipalities	-2 Unions -Ittihad baladiyyat Sahel al-Sahel -Ittihad baladiyyat al-Buhaiyra	-11 Municipalities 16 Municipalities	-47 903 Inhabitants -72 574 Inhabitants
	-Rachayya	-26 Municipalities	-		
Baalbek Al-Hermel (Muhafaza formally established in 2003. The implementation decree of these newly created administrative division have not been issued as to date thus it is not administratively operational, and still fall under the administrative division of the Bekaa muhafaza)	2 -Baalbek	63 -58 Municipalities	5 -4 Unions -Ittihad baladiyyat Baalbek -Ittihad baladiyyat Gharbi Baalbek -Ittihad baladiyyat Sharqi Baalbek -Ittihad baladiyyat al-Challal	-6 Municipalities -11 Municipalities -6 Municipalities -3 Municipalities	-74 600 Inhabitants -66 576 Inhabitants -23 143 Inhabitants
	-Al-Hermel	-5 Municipalities	-1 Union -Ittihad baladiyyat al-Hermel	-4 Municipalities	-12 808 Inhabitants -52 217 Inhabitants
North Lebanon (Lubnan al-chamali)	6 -Tarablouss (Tripoli)	136 -3 Municipalities	7 -1 Union -Ittihad baladiyyat al-Fayha'	-3 Municipalities	-326091 Inhabitants
	-Al-Minieh-Denniyeh	-33 Municipalities	-2 Unions -Ittihad baladiyyat	-5 Municipalities	-48026

	<p>-Zoghorta</p> <p>-Becharreh</p> <p>-Batroun</p> <p>-Koura</p>	<p>-31 Municipalities</p> <p>-11 Municipalities</p> <p>-24 Municipalities</p> <p>-34 Municipalities</p>	<p>al-Minieh -Ittihad baladiyyat al-Denniyeh</p> <p>-1 Union - Ittihad baladiyyat Qada' Zoghorta</p> <p>-1 Union -Ittihad baladiyyat Qada' Bacharreh</p> <p>-1 Union -Ittihad baladiyyat al-Batroun</p> <p>-1 Union -Ittihad baladiyyat al-Koura</p>	<p>-20 Municipalities</p> <p>-24 Municipalities</p> <p>-11 Municipalities</p> <p>-22 Municipalities</p> <p>-24 Municipalities</p>	<p>Inhabitants -75 346 Inhabitants</p> <p>-67853 Inhabitants</p> <p>-55 208 Inhabitants</p> <p>-47 903 Inhabitants</p> <p>-61 733 Inhabitants</p>
<p>Aakkar (<i>Muhafaza</i> formally established in 2003. The implementation decree of these newly created administrative division have not been issued as to date thus it is not administratively operational, and still fall under the administrative division of the <i>muhafaza</i> of North Lebanon)</p>	<p>1 -Aakkar</p>	<p>100 -100 Municipalities</p>	<p>4 -4 Unions -Ittihad baladiyyat mintaqat al-Joumeh Aakkar -Ittihad baladiyyat Jurd al-Qati' - Ittihad baladiyyat al-Shift - Ittihad baladiyyat Wassat wa Sahel al-Qati'</p>	<p>-16 municipalit�</p> <p>-9 Municipalities</p> <p>-13 Municipalities</p> <p>-7 Municipalities</p>	<p>-64 129 Inhabitants</p> <p>-43 199 Inhabitants</p> <p>-38 654 Inhabitants</p> <p>-34 338 Inhabitants</p>
<p>Mount-Lebanon (Jabal Lubnan)</p>	<p>6 -Baabda</p> <p>-Matn</p> <p>-Chouf</p>	<p>307 -45 Municipalities</p> <p>-50 Municipalities</p> <p>-73 Municipalities</p>	<p>11 -3 Unions -Ittihad baladiyyat al-Matn al-'Aala -Ittihad baladiyyat al-Dahiyya al-Janubiyya -Ittihad baladiyyat Sahel al-Matn</p> <p>-1 Union -Ittihad baladiyyat Sahel al-Matn al-Chamali al-Sahili wa al-Awsat</p> <p>-4 Unions -Ittihad baladiyyat Iqlim al-Kharub al-</p>	<p>-24 Municipalities</p> <p>-3 Municipalities</p> <p>-3 Municipalities</p> <p>-33 Municipalities</p> <p>-6 Municipalities</p> <p>-16 Municipalities</p>	<p>-55 266 Inhabitants</p> <p>-68 780 Inhabitants</p> <p>-26 493 Inhabitants</p> <p>-172 520 Inhabitants</p>

			Janubi -Ittihad baladiyyat Iqlim al-Kharub al-Chamali -Ittihad baladiyyat al-Suwajani -Ittihad baladiyyat al-Chouf al-‘Aala -1 Union - Ittihad baladiyyat al-Jurd al-‘Aala Bhmdoun -1 Union -Ittihad baladiyyat Kisrouan al-Ftuh -1 Union -Ittihad baladiyyat Qada’ Jubail	-9 Municipalities -12 Municipalities -8 Municipalities -48 Municipalities -14 Municipalities	-15 342 Inhabitants -84 392 Inhabitants -30 658 Inhabitants -27 215 Inhabitants -23 626 Inhabitants -112 073 Inhabitants -53 998 Inhabitants	
Liban (Lubnan Janoubi)	Sud Al-	3 -Saïda -Tyr (Sour) -Jezzine	138 -45 Municipalities -58 Municipalities -35 Municipalities	5 -2 Unions -Ittihad baladiyyat Saïda al-Zahrani -Ittihad baladiyyat Sahel al-Zahrani -1 Union -Ittihad baladiyyat Qada’ Sour -2 Unions -Ittihad baladiyyat Mintaqat Jezzine -Ittihad baladiyyat Jabal al-Rayhan	-16 Municipalities -16 Municipalities -52 Municipalities -26 Municipalities -6 Municipalities	-127 484 Inhabitants -66 493 Inhabitants -239 256 Inhabitants -43 996 Inhabitants -17 095 Inhabitants
Nabatiyeh		4 -Nabatiyeh -Majaayou	116 -39 Municipalities -26 Municipalities	5 -2 Unions -Ittihad baladiyyat al-Shaqif -Ittihad baladiyyat Iqlim al-Tufah -1 Union	-29 Municipalities -9 Municipalities	-166 073 Inhabitants -29 713 Inhabitants

	-Hasbayya	-15 Municipalities	-Ittihad baladiyyat Jabal Aamel -1 Union	-11 Municipalities	-59 449 Inhabitants
	-Bint-Jbeil	-36 Municipalities	-Ittihad baladiyyat al-‘arqoub -1 Union	-6 Municipalities	-29 493 Inhabitants
			-Ittihad baladiyyat Qda’ Bint-Jbeil	-10 Municipalities	-88 619 Inhabitants
8 muhafaza	25 caza-s	945 Municipalities	42 Unions de Municipalities	585 Municipalities affiliées à une Union de Municipalities	2 819 875 Inhabitants dans les Unions de Municipalities

Source: table composed from different figures available at the Ministry of Interior and Municipalities in May 2009.

5.6 Annex 6: Overview of Central Partners for EU support in Lebanon

The EU has supported local development through various interventions with four main partners that all have a varying degree of legal mandate for local development and local government support:

1. ESFD
2. CDR
3. OMSAR
4. MOI

Basic information is provided below on each of these four key government institutions

1. ESFD³⁶

The ESFD mission is to alleviate poverty and mitigate the social impact of the economic transition in Lebanon on marginalized and disadvantaged groups.

Foundation & History

The ESFD is the fruit of the Euro-Med partnership. It was created in November 2000 with the signature of a financing agreement between the European Commission and the Lebanese Government and started its activities in June 2002.

From a Project to an Institution

To date, the ESFD is an autonomous department directly attached to the CDR. It is to become a permanent public institution for poverty alleviation in Lebanon.

Funding

The ESFD is a project of Euros 31 Million, of which 25 Million were granted by the European Commission and 6 Million by the Lebanese Government. In 2007, an additional fund of Euros 6 Million was mobilized from the European Commission. Since the launching of its mainstream activities in 2002, the ESFD has committed and disbursed 97% of the initial grant of Euros 31 Million.

In order to achieve our mission, we focus our activities and efforts on two areas:

- Job Creation: aimed at creating job opportunities through the provision of small and micro-credit to Small and Medium Enterprises (SMEs) through commercial banks;
- Community Development: aimed at improving access, distribution and quality of social services to deprived communities.

Our Team

The ESFD has a lean management structure and a highly qualified professional team of 15 staff who are managing a portfolio of Euros 31 million funds.

The ESFD is headed by Mr. Haitham Omar as Managing Director. The Job Creation Component is headed by Mrs. Racha Chahine-Merhebi, the Community Development Component is headed by Miss. Dima Sader.

2. CDR³⁷

Towards the end of the year 1976 and, after almost two years of painful and destructive events particularly on the infrastructure level as well as the public institutions and ministries, which were at the time suffering from an acute shortage in human resources and equipment and, following the restoration of security through the presence of the Joint Arab Forces, the government found it necessary to create a new public body which would be able to carry out the enormous task of the reconstruction of Lebanon.

On the other hand, some friendly countries wishing to help Lebanon in its reconstruction efforts were in need of a reliable side to depend on when negotiating and to create channels through which this aid will go through especially that the Ministry of Planning ceased to exist.

Thus, the Council for Development and Reconstruction was established through Decree No. 5 dated 31st January 1977 . The responsibilities of the CDR were specified to three main tasks: complying a plan and a time schedule for the resumption of reconstruction and of development, guaranteeing the funding of projects presented, supervising their execution and utilization by contributing to the process

³⁶ extracted from the ESFD website

³⁷ See <http://www.cdr.gov.lb/eng/home.asp>

of rehabilitation of public institutions, thus enabling it to assume responsibility for the execution of a number of projects under the supervision of the Council of Ministers.

Contrary to other authorities, the CDR was an autonomous institution endowed with extended jurisdiction and is directly accountable to the Council of Ministers through the Prime Minister, thus evading the administrative routine matters which had ceased to be followed in order to accelerate the reconstruction process and to allow adequate time for the reconstruction and building of public institutions that were devastated during the events

OMSAR³⁸

OMSAR is a government organization that seeks to develop the institutional and technical capacities of the Lebanese ministries, central bodies, public agencies and municipalities. OMSAR is in charge of: assessing their reform and development needs; devising and updating administrative reform and e-Government strategies; identifying, implementing and evaluating development projects that translate the strategies into action; conducting organizational and legal studies; streamlining work procedures; and training civil servants. OMSAR is keen to remain responsive to the demands of the Lebanese administrations and to modernize them by building effective partnerships with them as well as with international donors, non-government organizations and the civil society.

The decades of civil war have thwarted the development of an efficient administration with modern facilities and skillfully executed functions. This has hampered economic recovery and stability. Consequently, OMSAR in Lebanon had to play a crucial role by acting as an agent of change. Building the Government's physical and administrative infrastructures will have a profound effect in improving the productivity of the Ministries and Public Agencies - and ultimately benefit citizens. The first rehabilitation program that targeted the civil service after the war was the national Administrative Rehabilitation Program (NARP) that identified the needs of the public sector entities for physical reconstruction, technical assistance and human resources. Loans and grants poured into OMSAR to meet the set recovery and development targets.

The ultimate goals are:

- * Ensuring efficient delivery of public services to all citizens;
- * Utilizing and growing the human capital of the nation;
- * Enhancing ethics, integrity and sense of belonging;
- * Keeping abreast of the latest technological developments and managerial good practices.

MOIM

MOIM in Lebanon is responsible for governorate, caza, municipalities, federation of municipalities and village matters, in addition to political parties and organizations.

The ministry was created in the first post-independence government in 1943. In 2000, it was named the Ministry of Interior and Municipalities. During the evaluation mission in May 2011 the minister (the independent Ziad Baroud) resigned.

The Ministry is in practice primarily concerned with security and central government administrative issues and is yet to establish its capacity to deal with municipalities in a substantive manner.

³⁸ Extracted from the website: <http://www.omsar.gov.lb>

5.7 Annex 7: Overview of CIUDAD Projects in Lebanon



EUMED Cities – EuroMed Cities Network on Good Local Governance

Location of Activities: Lebanon, Morocco,

Theme: Economic Development and Social Inclusion

Theme: Good Governance and Urban Development Policy

Sector: Good Governance

Lead Partner: Barcelona City Council (Spain)

The cities of Fes, Tangier and Ghobayré are currently experiencing rapid population growth, immigration and a concentration of vulnerable populations. This challenges local authorities to develop strategies to enhance sustainable human and economic development for the benefit of all citizens, particularly those in vulnerable communities.



Save World Heritage List (WHL) Cities War Free World Heritage Listed Cities

Location of Activities: Georgia, Lebanon,

Theme: Good Governance and Urban Development Policy

Sector: Cultural Heritage

Lead Partner: Council of the United Municipalities of Jbail-Byblos (Lebanon)

Both Byblos (Lebanon) and Mtskheta (Georgia) are WHL cities which have recently been threatened by the ravages of war. Despite the fact that WHL sites have a significant impact on the image of countries and local economies, few measures are put in place to safeguard them. In part this is due to a lack of awareness of civil and military concerned authorities (and even less concern is shown by attacking forces) of the provisions of 1954 Hague Convention and its two Protocols. An even more significant impacting factor is the lack of structures, guidelines, and capacity to develop appropriate policies, and prepare and implement risk management plans.



Partnership for urban renewal towards regional economic development

Location of Activities: Jordan, Lebanon,

Theme: Economic Development and Social Inclusion

Sector: Economic Development and Employment

Sector: Good Governance

Lead Partner: Province of Turin (Italy)

The operational capacity of local authorities as well as the physical conditions within small local communities, both in Lebanon and Jordan, needs to be enhanced. They lack both funding and skills. But these can be addressed by helping them build networks that bring together the administration, the private

sector, and civil society in a collaboration that benefits everyone.



GODEM - Optimised Management of Waste in the Mediterranean

Location of Activities: Lebanon, Morocco, Tunisia,

Theme: Environmental Sustainability

Sector: Solid Waste Management

Lead Partner: Capital Region of Brussels / ACR+

Not only does the average person in the EU produce twice as much waste as their southern neighbours, but in the south almost twice as much of the waste produced is organic. In general, however, on both sides of the Mediterranean, the quantity and changing composition of waste is making it urgent to find sustainable methods of waste disposal. Of particular concern in the South is the fact that waste is mainly thrown away in an uncontrolled manner, with only 5% being recycled.



WADI - Urban Water Management

Location of Activities: Lebanon, Occupied Palestinian Territory,

Theme: Environmental Sustainability

Sector: Water and Wastewater

Lead Partner: Municipality of Pisa (Italy);

Improved and more efficient water and waste water management is a major challenge facing local governments in the Eastern Mediterranean, where natural water resources are scarce and threatened by over-exploitation. Although there are piped sewerage systems in parts of larger cities, there is usually no waste water treatment and, in most urban areas, particularly smaller ones, households still rely on cesspits or septic tanks. This results in continuous contamination of groundwater resources.



European Group for
Evaluation EEIG
Germany



Aide à la Décision Economique
Belgium



Particip GmbH
Germany



Development
Researchers'
Network
Italy



Deutsches Institut für
Entwicklungspolitik
Germany



European Centre for
Development Policy
Management
The Netherlands



Overseas Development Institute
United Kingdom

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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Mali**

Prepared by: Emmanuel Pousse

July 2011

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

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List of Abbreviations

ACCRM	Association des collectivités, cercles et régions du Mali
ADERE Nord	Programme d'appui au développement des régions du Nord
AFD	Agence Française de Développement
AMM	Association of Municipalities of Mali
ANICT	Agence Nationale d'Investissements des Collectivités Territoriales
ARC	Cellule d'appui régionale
ARIANE	Appui au renforcement des acteurs non étatiques – EC support programme to CSO on the strengthening of the capacity of users' associations
ARM	Association des Régions du Mali
BSI	Budget Spécial d'Investissement de l'Etat
BTC/CTB	Cooperation Technique Belge - Belgian Development Agency
CAAD	Cellule d'Appui à la Décentralisation/ Déconcentration (du Ministère de la Santé, Education et Hydrolique)
CCC	Centres de conseil communaux (Centres for local advice)
CCN	Cellule nationale de coordination (national coordination unit)
CDI	Commissariat au Développement Institutionnel (Commission for Institutional Development)
CDMT	Cadre des Dépenses à Moyen Terme
CFAF/FCFA	Communauté Financière Africaine Franc (currency)
CFCT	Centre de Formation des Collectivités Territoriales (Training Centre for Local Authorities)
CIA	Central Intelligence Agency
CPS	Country Strategy Paper
CRIS	Common Relex Information System
CRO; CLO	Comité régional d'orientation, Comité local d'orientation (Regional and local Orientation Committees)
CSCOM	Centres de Santé Communautaire (Basic health care centres)
CSLP	Cadre Stratégique de Lutte contre la Pauvreté
CSO	Civil Society Organisation
CSRE	Comité de Suivi de la Réforme de l'Etat (Monitoring Committee of the State Reform)
CTSP	Transition Committee for the Welfare of the People
DAFCT	Direction Administrative et Financière aux collectivités locales
DAT	Dotation d'appui technique (Local investment fund to Local Authorities)
DCPND	Document Cadre de la Politique Nationale de Décentralisation (Framework Document of the National Decentralisation Policy)
DER	Développement Economique Régional
DGB	Direction Général du Budget (General direction of the treasury, Ministry of finances)
DGMP	Base de données des collectivités locales
DIC	Dotation d'investissement
DIN	Dotation d'investissement
DNCT	Direction Nationale des Collectivités Territoriales (National Institution for Local Governments)
DP	Development Partners
DT	Droits de Tirage (des CT par rapport aux fonds d'investissements de l'ANICT)
EC	European Commission
ECOM	Specific subvention to local communities
EDF	European Development Fund (for ACP countries)
EGEVAL	European Group for Evaluation
ENA	Ecole Nationale d'Administration
EQ	Evaluation Questions
EU	European Union
EUD	European Union Delegation
EUR	Euro (currency)
FED	Fond Européen d'Investissement
FICT	Fond d'investissement des collectivités locales (financial fund managed by ANICT)
FILOC	Base de données des collectivités locales

FNACT	Fonds National d'Appui aux Collectivités Territoriales (National Fund for Support to Local Authorities)
FPT	Fonction publique territoriale
GBS	General Budget Support
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation; formerly GTZ)
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation; now GIZ)
HCC	Haut Conseil des Collectivités (High Council of Authorities)
HQ	Headquarters
HRM	Human Resource Management
ICT	Information Technology and Communication
IDC	The Institutional Development Commissariat
JC	Judgement Criteria
LG	Local Government
MATCL	Ministère de l'Administration Territoriale et des Collectivités Locales (Ministry of Territorial Administration and Local Governments)
MDG	Millennium Development Goals
MDRI	Mission de Décentralisation et de Réformes Institutionnelles
MoEF	Ministry of Economy and Finance
MTEF	Mid-term Expenditure Framework
MTFPRE	Ministry of Labour, Civil Service and State Reform
NGO	Non-Governmental Organisation
NOC	National Guidance Committee
OISE	Outil Informatisé de Suivi Evaluation (database)
PACTEA	Programme d'appui aux collectivités territoriales pour l'accès à l'eau potable et l'assainissement (WATSAN programme)
PAGAM	Programme d'Action Gouvernemental relatif à l'Amélioration de la Gestion des Finances Publiques (Government Action Plan for Improvement and Modernisation of the Public Finance Management)
PARAD	Programme d'Appui à la Réforme Administrative et à la Décentralisation (Support programme for administrative reform and decentralization)
PARADER	Programme d'Appui à la Réforme Administrative, à la Décentralisation et au Développement Economique Régional (support program to the administrative reform, decentralisation and regional economic development)
PDESC	Plan de Développement économique et Social
PDI	Programme de développement institutionnel (Institutional Development Plan/ Program)
PISE	Programme d'Investissement du Secteur Education
PNACT	Programme national d'appui aux collectivités territoriales (National Plans for the Support to Local Governments)
PO	Programme Opérationnel
PRSP	Strategic Framework for the Fight against Poverty
SBS	Sector Budget Support
SG	Secretary General
SIGMA	Base de données des collectivités locales
SNV	Dutch development cooperation agency
TA	Technical Assistance
TDRL	tax per capita, the main financial resource of the LG
TF	Task Force
UNCDF	United Nations Capital Development Fund
WATSAN	Water & Sanitation

Note: The Evaluation uses the common acronym "EC/EU" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the EC/EU to delivery its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to Mali had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and assess Judgement Criteria (JCs);
- To asses if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting Mali as one of the field studies were:

- The importance of the country portfolio in terms of EC/EU support to decentralisation (the EC/EU disbursed around 120mEUR for direct support to decentralisation over the period 2000-2009);
- The EC/EU support to decentralisation was given since 2006 as sector budget support (60mEUR SBS complemented by 8mEUR supporting funds, capacity building measures, TA etc). Mali was the first country worldwide for which the EC/EU used a sector budget support modality as main funding modality to support decentralisation.
- The EC/EU supported the decentralisation via a top-down approach (via sector budget support), completed by a bottom-up approach in selected regions (via the project ADERE Nord).

The field visit was undertaken between 10/05 and 19/05. The evaluation team was composed of Emmanuel Pousse (team leader), Ibrahima Sylla (national senior consultant) and Sarah Seus (junior evaluation consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research focus

Besides collecting additional evidence related to answering the EQs, the field visit to Mali has specifically looked into the following:

<i>Research focus</i>	<i>Mainly related to EQ</i>
What lessons can be drawn of the EC/EU decision to support the decentralisation process via budget support after 10 years of continuous support?	3
The EC/EU is the lead donor and driving force in the decentralisation sector in Mali. Which lessons can be drawn from this role played by the EC?	4
The EC/EU (sector budget) support to decentralisation is directly linked to the state reform (it supports both, decentralisation and the state reform). What lessons can be drawn of this articulation of both reforms? What are the critical factors for a successful interaction in terms of 1) effective transfer of resources and capacity at both deconcentrated and decentralised levels, 2) local capacity building and 3) the improvement of service delivery at local level?	5-8
What have the outcomes of the EC/EU support been in terms of improved service delivery by LG and capacity of key government institutions? Are there improvements over time?	8

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners and the overall decentralisation process in the country. Documents consulted included relevant sectoral strategic plans such as the "*Document cadre de politique nationale de décentralisation*" (2005-2014), the *PNACT I "Programme national d'appui aux collectivités territoriales - Phase I"* (2002-2005) and *PNACT II* (2006-2010), the reform programme of the Malian state "*Programme de développement institutionnel*" (PDI), and its following operational programmes covering the periods 2002-2005 and 2006-2009. The main strategic documents of EC-Mali cooperation have also been consulted, including: "*Stratégie de coopération et programme indicatif national*" (2003-2007) and "*Document de stratégie pays et programme indicatif national*" (2008-2013). Furthermore various evaluations and analysis of decentralisation in Mali have been consulted such as: "*Decentralisation in Mali: Putting Policy into Practice, SNV/CEDELO 2004*" or "*Evaluation des Operations D'Aide Budgétaire au Mali de 2003-2009 – Rapport de Synthèse, Vol 1+3, 1ère Version, Février 2011*".

During the field visit, the evaluation team collected further documentation, especially:

- Recent progress reports produced by the government and international donors, audits and evaluations reports,
- Up-to-date data and statistics on the evolution in the transfer of financial resources as well as on service delivery.

A full list of documents reviewed is presented in Annex 2.

In addition to studying the documentation available, the team also interviewed a number of key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country. It is evident that for the extensive 9 years evaluation period, it is difficult to find persons able to give a comprehensive overview of the whole period. Nevertheless, the team managed to interview a broad range of persons with a good overview over the evaluation period at various levels such as:

- ministries (incl. sectoral ministries),
- ANICT ("*Agence Nationale d'Investissements des Collectivités Territoriales*"),
- local governments,
- representatives of local authorities, and
- civil society organisations.

The person in charge of decentralisation at the EUD (in office since 2005) has also been able to provide a broad overview and valuable insights into the sector.

The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency. Given the resource available for the mission (especially time-wise), prioritisation was necessary and the field team had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and intended to extract general findings, trends and recurring themes of particular relevance. The dialogue with informants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. Taking into account the consultants' knowledge of the local situation due to prior work, it was chosen not to carry out visits at local level but to rely on the information gathered in prior studies.

To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation portfolio of the EUD. Rather, it is an attempt to learn from the Mali experience and to encourage wider reflections on how best to structure and focus EU assistance to decentralisation processes.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description of the decentralisation process in the country

It is just after the revolution of March 1991 that Mali started a process of state reform involving a more democratic management, including a decentralisation of the state. The decision to make decentralisation the new mode of administration of the country is based "on a broad societal consensus and a shared political vision; it is even seen as a strategic priority for the construction of the "future" of the Malian nation."²

In 1992, the principle of decentralisation was enshrined in the Constitution of the 3rd Republic (Art 97-8). This marked the beginning of a state reform whose implementation continues until today. This reform is based on two main axes: a) the deepening of democracy and b) the reduction of poverty through local economic development and increase in the supply of public services to people.

Phase 1: Design of the process of decentralisation

Key elements of the institutional and territorial dispositions, such as the establishment of Local Governments (LG) and their democratically elected bodies, started to emerge in 1993³.

In the field of legal planning: An arsenal of legislative texts and regulations have been developed and adopted, making a total of around twenty laws and decrees, substantially influencing the political, administrative and institutional set.

In the field of administrative planning: The country's territorial organisation was significantly reviewed. In particular, the definition and geographic delimitation of different territorial entities have been carried out in a participatory process: the institutional reform has been broadly discussed with the civil society including the political class through the "reference group" (at national level) and the "study and mobilisation groups". At regional and local level, the process defined 761 "Local Governments" divided into three categories: the "**Commune**" (703 entities), the "**Cercle**" (49 entities) and the "**Region**" (8 entities), as well as the *District of Bamako* (considered as a region).

The **first local elections of 1999** equipped the 761 local governments with legislative and executive bodies that still ensure to this day their functioning.

In the field of institutional planning: in 2000, the reform process led to the creation of the "Ministry of Territorial Administration and Local Governments" (MATCL) and the attached "National Institution for Local Governments" ("*Direction Nationale des Collectivités Territoriales*" - **DNCT**). The MATCL is the supervisory authority of local governments and the DNCT has a key role in the design and implementation of the decentralisation process: it does not only watch over the application and development of the regulatory framework applicable to the Local Governments but is also responsible for strengthening the decentralisation process, by 1) supporting the LGs so that they can carry out better their functions and 2) enhancing the cooperation between the LGs and between the LG and other institutions. In addition, a "National Agency for Local Governments' Investment Programmes" ("*Agence Nationale d'Investissements des Collectivités Territoriales*" - **ANICT**) was created (and attached to the MATCL). The High Council of Authorities (HCC), set up in April 2001, ensures the representation of authorities at national level.⁴

In the field of political planning: The management of the new LGs is ensured by elected bodies (elected for a five-year term through either direct universal voting, in the case of the "Communes" or indirect voting in the case of the "Cercles" and the "Regions").

Phase 2: Implementation of the decentralisation process

The decentralisation reform entered in a new phase in the 2000s. The challenge then was to run the new arrangements and institutions in order to implement the effective transfer of functions and resources. But it is only in 2005, with the adoption of the "*2005-2014 Framework Document of the National Decentralisation Policy*" (**DCPND**), that Mali adopted a strategy for decentralisation for the following 10 years. This document describes a comprehensive strategic approach for the implementation of the decentralisation reform. The DCPND is declined in two main areas: 1/ the

² See: Catek Gouvernance Développement / Direction nationale des collectivités territoriales (2011), Etude sur le bilan et les perspectives de la décentralisation au Mali (p. 6-7).

³ See also: Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation (p. 7-9).

⁴ The roles of the different institutions and their functioning as well as the main stakeholders involved in the decentralisation process are described in more detail in annex 5.

PNACT⁵ - National Plans for the Support to Local Governments (2002-2006 PNACT I; 2006-2010 PNACT II; and 2010-2014 PNACT III) focusing on "decentralisation" and 2/ the 2003-2013 **PID** (Institutional Development Plan), focusing on the "deconcentration" of state services. These operational plans translate the willingness to ensure adequate articulation and coherence between decentralisation and deconcentration reforms⁶.

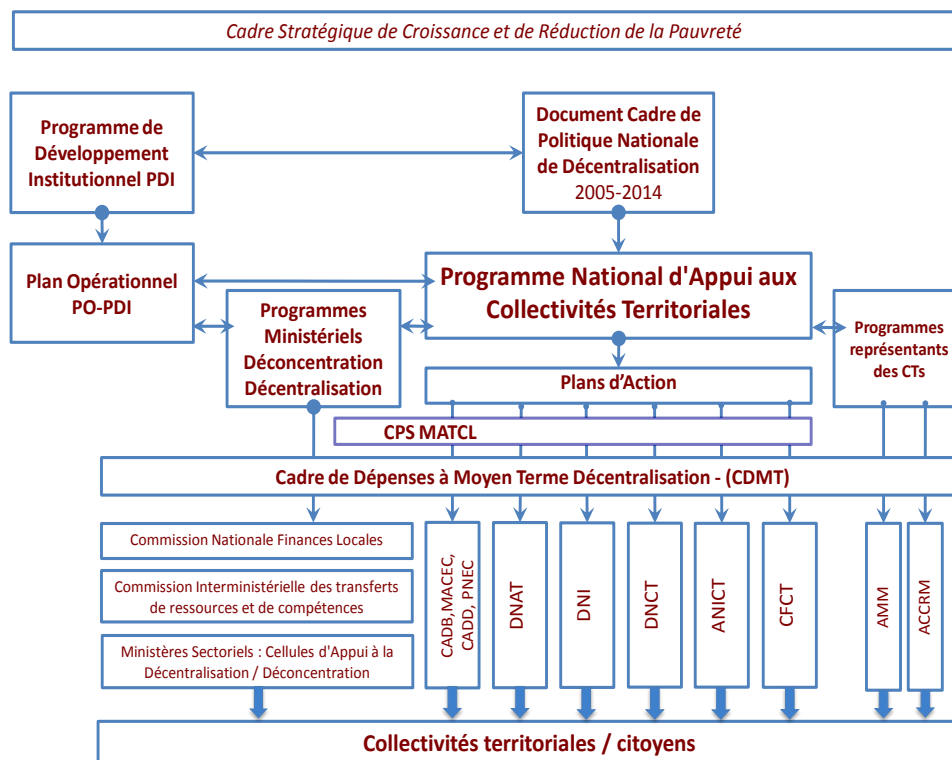
In order support the decentralisation process, in particular at territorial level, two instruments of financial and technical support were created and made available to local governments in order to support them particularly in the area of project management:

1. a financial fund managed by ANICT (**FICT**⁷) allowed specific investments by "Communes",
2. "Centres for local advice" (**CCC** – "centres de conseil communaux") were created at "Cercle" level in order to provide the "Communes" with adequate technical support.

Conceived as a temporary structure, their mandate ended in 2007. The CCC are now partly replaced by new support structures, for example technical centres for decentralised services or for newly created "inter-communality" structures, or the new "training centre of local governments" (CFCT) founded in 2008.

The institutional linkage of the Malian State Reform is presented in the figure below.

Figure 1 Institutional linkage of the Malian State Reform



Source : Ministère de l'administration territoriale et des Collectivités Locales/ Secrétariat Général (2009): *Programme National d'appui aux collectivités territoriales 2010-2014*, p 8.

Phase 3: Consolidating Decentralisation and accelerating Deconcentration

"Radical in its design of local autonomy, immediate in its generalisation ("decentralising the whole country and at the same time"), but progressive in its effective implementation"⁸.

One can find today a weakening of the decentralisation process, even though the effective transfer of financial and human resources at sectoral level is still little advanced. Having fully achieved the initial primary objective of the reform, namely democratic participation at various territorial levels, the second

⁵ Programme National d'Appui aux Collectivités Territoriales.

⁶ See also EC 2011: Evaluation des opérations d'aide budgétaire au Mali 2003-2009. Rapport de synthèse, version provisoire, p. 63.

⁷ *Fonds d'Investissement des Collectivités Territoriales*.

⁸ EC 2011: Evaluation des opérations d'aide budgétaire au Mali 2003-2009. Rapport de synthèse, version provisoire, p. 62

objective - the transfer of functions and resources and thus the improvement of the delivery of basic services - appears far from being completed.

Nearly 20 years after the launching of a major reform project, *"decentralisation is now an institutional reality, the process is irreversible and the gains for stakeholders, including local governments are indisputable"*⁹.

However, if on a legislative and institutional level the framework of decentralisation is existing, major constraints hinder the effectiveness and efficiency of the functioning of a state with several territorial levels. The challenge in the next years will be the acceleration of the effective transfer of financial and human resources and the improvement of the knowledge and competences of the decentralised players, for both LG services and deconcentrated state services. Today, decentralisation is heavily driven and funded by the development partners. In order to ensure the viability and autonomy of the LG in financial terms, it will be essential to find ways to increase their own tax revenue in the coming years.

The EU support to the decentralisation process in Mali

Mali was the first country in the world for which the EC/EU has used the specific sector budget support (SBS) modality to directly support decentralisation and state reform ("sector budget support programme for administrative reform and decentralisation – PARAD"). The SBS programme aims at strengthening the national institutional framework of governance in a context of fight against poverty through an improvement in the administrative capacity to conceive, manage and coordinate the policies and actions in favour of establishing effective decentralisation. The budget support programme includes a component of institutional support and is completed by a specific project to support the three northern regions in the decentralisation process, the ADERE programme. (see annexes 5.4.2 for details)

The EC/EU support through SBS continues with the program PARADER (2010-2014). The aim of this new SBS is to continue supporting the decentralisation process and the state reform by adding a Regional Economic Development component which should enable local governments to carry out infrastructure investments and to develop the local economy.

2.2 List of the major EC-funded interventions

The table below summarises the major EC-funded interventions in support to decentralisation covered by field phase analysis.

Table 1 List of the major EC-funded interventions during the evaluation period

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Appui au démarrage des communes au Mali	40,25	FED/1999/014-626	Project modality, financed the local competence centres that supported the newly created local authorities in assuming their responsibilities.
ADERE-Nord	5,87	FED/2005/017-650	Project targeting the three Northern regions. It consists in funds for regional investments as well as capacity building to LG.
Programme d'appui à la réforme administrative et à la décentralisation (PARAD)	71,82	FED/2006/017-914	Sector Budget Support modality including capacity building measures.

⁹ Catek Gouvernance Développement /Direction nationale des collectivités territoriales (2011), Etude sur le bilan et les perspectives de la décentralisation au Mali, p. 69.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

The EC/EU orientations on decentralisation appear to be clear for both national authorities and other partners. In the case of Mali, the leading role played by the EC/EU in decentralisation, with clear choices from the start, gave good visibility to its action. (*Ind 1.3.1; Ind 1.3.2.*)

The strategic framework is considered satisfactory and useful (e.g. reference document on "supporting decentralisation and local governance in Third Countries"). However, the "*recent evolutions decided at HQ level regarding the continuous assessment of the three general eligibility conditions for budget support prove to be inconsistent with the existing guidelines and with the contents of the signed financing agreements. It would thus be useful to indicate the new position of the HQ and amend the current financing agreements in order to avoid different understandings which would induce delays in the implementation of sector policies.*" (Programme Officer at EUD). It is thus apparently still necessary to continue discussing and refining the EC/EU approach on sector budget support and practical issues related to the implementation of the strategy to support decentralisation. (*Ind 1.3.3.*)

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1.: EC/EU procedures have allowed to adjust aid modalities and to be flexible. The project and budget support approaches could have been combined.

Ind 2.1.2.: There is a dialogue between the teams at the EUD, but, with respect to decentralisation, the dialogue is more linked with the team working on "economy" issues. Operating methods actually differs at the EUD unit in charge of infrastructures in terms of the respect of the code of local governments (esp. for the management of services or "*maitrise d'ouvrage*" by the regions).

Ind 2.1.3.: Only one person is in charge of decentralisation (covering the monitoring of the policy of decentralisation and the state reform, the management of related projects, the coordination with donors and the dialogue in this sector). Tasks are carried out in a context of heavy workload and thanks to a strong personal commitment.

Ind 2.1.4.: The field visit did not generate any information on this Indicator.

3.2.2 JC2.2. The EC has adequately adapted the staffing levels required to deal with local governance and decentralisation issues**Indicators:**

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1.: Only one person is in charge of decentralisation (covering the monitoring of the policy of decentralisation and the state reform, the management of related projects, the coordination with donors and the dialogue in this sector). Tasks are carried out in a context of heavy workload and thanks to a strong personal commitment.

Ind 2.2.2.: The person in charge has the necessary skills and has developed a real expertise/ know-how through the implementation of various programmes and the leadership role among Development Partners (DPs).

Ind 2.2.3.: EUD Mali staff has participated in two workshops out of three organized by the EC/EU headquarters (HQ) on decentralisation. These workshops are considered very useful in terms of exchanges of experiences between programme managers from different EUDs.

3.2.3 JC2.3. Improved framework for monitoring and internalisation of experience related to EC support to decentralisation**Indicators:**

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1. Annually (or sometimes bi-annually), EC/EU HQ organise a monitoring mission to Mali. A 2-page summary note is produced and is used as a framework of discussion between the EUD and HQ for the management of the programmes.

Ind 2.3.2. The transfer of knowledge related to other sectors supported by the EC/EU in Mali is difficult as the exchange within EUD staff is not institutionalised. Exchanges are thus rather ad-hoc and conflict of objectives or potential for synergic action are only discovered by chance. To illustrate this situation, the WATSAN programme (PACTEA) does not respect the principles of decentralisation as it goes against the idea of a management ("*maitrise d'ouvrage*") by the LGs themselves. After some parallel developments, some links could be established with ARIANE, a support programme to CSO on the strengthening of the capacity of users' associations. Interviews with EUD staff has revealed that the lack of communication between the EUD staff can be explained by time constraints and the absence of institutional exchange platform such as regular meeting and presentation of the work carried out in the different sectors.

Ind 2.3.3. No relevant information was collected regarding this indicator.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints
- Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA
- Ind 3.1.3. Quality of dialogue with partner country and beneficiaries
- Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance

Main findings from the field mission:

Ind 3.1.1: The EUD perfectly integrated the policy orientations of the Malian government in the late 1990s. These orientations were defined in the national conference held after the fall of the General Moussa Traore's regime, a conference which laid the bases of a new society. The decentralisation was meant to be at the heart of the reform. That is why the principle of decentralisation was actually placed in the forefront in the Constitution adopted in 1992. The new regime considered it as a central topic and made special efforts to create the conditions for the establishment of local governments. This work culminated in 1999 with the first local elections. These elections established the deliberative and executive bodies of 761 local governments which covered the entire national territory (703 Municipalities / "Communes", 49 Circles / "Cercles", 8 Regions / "Régions" and the District of Bamako). A corpus of texts was developed for this purpose and the development of LG was integrated in the various policy and strategy documents defined during this period.

The EUD has clearly considered its support as an accompanying measure to the decentralisation process and thus has made the choice of a long-term support.

Moreover, unlike in other countries, this change corresponds to a **very strong political choice of the Malian authorities** involving major institutional evolutions.

The strategy documents of the EC/EU (the framework documents of the EC-Mali partnership, the Country Strategy Papers 2003-2007 and 2008-2013) clearly reflect the analysis of the EUD of government policy directions and the choice to contribute to their implementation. The Malian government's orientations are also found in both the documents outlining the strategy of poverty reduction and the more general guidelines drafted in particular between 1995 and 2005. That said, a shift (at the level of the central government) occurred later, decentralisation disappearing from the political agenda.

The EC/EU Country Strategy Papers from 1997, 2003 and 2007 highlight the strategic choices of the government in the matter justifying that decentralisation becomes a focal sector of the EU-Mali cooperation. References are made to the 2002 national poverty reduction strategy which focused on:

- *"institutional development and improvement of governance (incl. participation) as a starting point to the decentralisation reforms which should be followed at different levels,*
- *human development and access to basic social services,*
- *development of infrastructures and support to productive sectors with in the first instance the emphasis on a development plan and a balanced regional policy of appropriate infrastructure."*

This 2002 PRSP¹⁰ is very clear in terms of decentralisation:

*"All the considered policies fit into the context of the **effective implementation of decentralisation**, which organizes the division of functions between the state and the LG. The institutional development programme will also provide the framework for strengthening the administrative decentralisation in conjunction with the decentralisation process. The reforms envisaged in the field of audit of public resources aiming at developing good governance will consolidate the activities currently engaged in the fight against corruption." (Ind 3.1.4.)*

¹⁰ Gouvernement du Mali (2002). Cadre Stratégique de Lutte contre la Pauvreté

Given the continuous and strong political will in Mali since the early 1990s, the choice of the EUD to make decentralisation a concentration sector was consistent with the expectations of the partner country. The size of the EC/EU support actually steadily rose over the years: from the 7th EDF (7 mEUR) to the 8th EDF (39 mEUR) and the 9th EDF (72 mEUR on decentralisation and the state reform, which represents 25% of the total commitments).

The list below presents again the main EC-funded interventions supporting decentralisation:

- Support to the mission of decentralisation within the framework of preparations for the implementation of legislative and institutional framework and the first local elections.
- Support to launch the "Communes" from 2000 to 2005 for an amount of 40 mEUR.
- PARAD, support programme for administrative reform and decentralisation, 2005 - 2012 for an amount of 72 mEUR.
- ADERE North programme of support for the development of the northern regions, from 2005 to 2011 for an amount of 5 mEUR.
- PARADER, support programme to the administrative reform, decentralisation and regional economic development from 2011 onwards for an amount of 75 mEUR.

See also next JC on the continuity of the EC/EU support.

Ind 3.1.2.: From the start of the support programme to the local governments, the choice of the EUD was to use national mechanisms of transfer of funds:

- the funding planned for the local governments went through the National Agency ANICT ("*Agence Nationale d'Investissements des Collectivités Territoriales*"), a perennial national mechanism for collecting all funding for local governments' investments (Investment Fund of Local governments - FICT¹¹); the ANICT has seen its mission widened in 2007 and is now also in charge of the attribution of the funds to local governments for technical support and operating expenses;
- the funding intended for the technical support was directed towards the national system of support to local governments the "council centres" (CCC – "*centres de conseil communaux*") and a national coordination unit (CCN – "*cellule nationale de coordination*").

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

Ind 3.1.3.: The 2006 EUD annual activity report illustrates well the approach of the EUD within this accompaniment characterised by a permanent dialogue with the Malian government:

"The decentralisation process was launched in 1992 and has become effective since the local elections in 1999 and the implementation of local governments.

*It is an essential element of the state reform. 2006 has seen the deepening of the decentralisation process and the adaptation of the administration to the system of local governments (684 "communes rurales", 19 "communes urbaines", 49 "cercles", 8 "regions" and the District de Bamako). **The Malian government has shown a real determination in the implementation of its strategic framework related to decentralisation.** This framework draws the guidelines of the decentralisation process for the next decade and details the activities for the coming years. The existence of this framework has been a key factor in the choice of the European Commission to move to a new modality of accompaniment of the Malian authorities: Sector Budget Support. "*

The various documents of the EUD highlight the central role played by decentralisation in the state reform process and the role of LG (the "Communes") in the delivery of basic social services. The analysis of the EUD has matched the one of the Malian authorities: initially focused essentially on LG ("Communes"), the support has taken into account the state reform and then regional development aspects. This is clearly the result of an ongoing dialogue between the EUD and national authorities.

The above extract from the 2006 report is not trivial. This year corresponds to the end of the rise of decentralisation as a priority of the Malian authorities. The framework document of the national decentralisation policy ("*Document Cadre de la Politique Nationale de Decentralisation*" - DCPND 2005-2014) is certainly a clearly defined strategic document (making the linkages between decentralisation and state reform in particular on deconcentration, transfers, etc.) but it has not been backed by a strong political support of Malian authorities until now.

¹¹ *Fonds d'Investissement des Collectivités Territoriales.*

Yet, the EUD developed its programmes under the 9th EDF and decided to use sector budget support as a main modality of support based on the fact that a clear policy framework for decentralisation and a real political will prevail until the 2000s. Unfortunately, **the political agendas reversed in the late 2000s and this lead to a paradoxical situation with decentralisation being backed by development partners rather than by the Malian authorities in 2010.**

Nevertheless, this decline of political will do not put into question the foundations of decentralisation in Mali which is strongly rooted in the political landscape. Local Governments operate and deliver services despite the incomplete transfer of functions and resources.

Several elements illustrate the decline in interest of the national government for decentralisation. Decentralisation does no longer appear in the programme document of the current President of the Republic for the last elections. Moreover, the level of transfer of resources to local authorities stagnates or even declines. In addition, the transfer of powers have never really been implemented despite that LG have assumed the new powers and functions from the start of the process. Central governments have in their vast majority tried to slow or block these transfers. It was necessary to wait ten years before the Prime Minister gave instruction to activate these transfers (in 2008), on a new political impetus stemming from weak results of sectoral policies. Overall, from 2007 onwards, the dialogue between the EC/EU and national authorities has been less fruitful and more "confrontational" dealing with commitments which have not been realised.

Ind 3.1.4.: see details in *Ind 3.1.1.*

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

Indicators:

- *Ind 3.2.1.* Evidence of sequencing of approaches/entry points according to national contexts
- *Ind 3.2.2.* Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases

Main findings from the field mission:

Ind 3.2.1: The sequencing of EC/EU interventions is interesting. It shows how the EC/EU has rapidly expanded its intervention to take into account the institutional environment of decentralisation and then the related economic issues (regional economic dimension). The sequences of interventions have been:

- 7th FED: support for the preparation of decentralisation and the design of tools;
- 8th FED: support for the start-up of the "Communes",
- 9th FED: support for the state reform and continued support for decentralisation, and integration of a focus on the northern regions:
- 10th FED: continued support for state reform and decentralisation, and integration of the regional economic dimension.

During the 7th FED, the EC/EU has supported the national authorities to create the necessary conditions for the implementation of decentralisation: preparation of the legal and institutional framework, support for the establishment of the consultative framework for the administrative division, preparation of technical and financial tools to support the local governments to organize elections. Here the point of entry was a *direct support to the national body* responsible for preparing the implementation of the decentralisation process: the "*Mission de Décentralisation et de Réformes Institutionnelles*" (MDRI).

During the 8th EDF, the EC/EU has provided the resources to finance the start up of the "Communes". This involved (i) the financing of the investment of the "Communes" through the "*Agence Nationale d'Investissements des Collectivités Territoriales*" (ANICT) and (ii) the financial support of a mechanism to provide technical support to local governments¹². This contribution proved to be decisive as it allowed LGs to establish themselves and invest in several areas including basic social services. The entry point was the *financial support to the "Communes"* through: 1/ the funding of the national system which channelled funds to LG, and 2/ still the support to the national structures in charge of piloting the decentralisation process and providing technical support.

During the 9th EDF, the EC/EU has sought to address one of major obstacles to the progress of decentralisation which was the non-implementation of the planned state reform. The institutional development program (PDI) established in the state reform was giving no result. The contribution of

¹² FICT – "*Fonds d'Investissement des Collectivités Territoriales*".

the EC/EU aimed at supporting the authorities more consistently and to establish a "stronger link between decentralisation and deconcentration". This is the essence of the PARAD programme. The entry points are a *financial support to the national system financing the LG* and a *contribution to support the state reform process at national level*.

In parallel, the EC/EU has chosen to provide *support to the development of the Northern regions*. The "regions" are a key step in territorial planning and the territorialisation of public policies. Choosing to work also directly with that level, the EC/EU strengthened their role and allowed them to acquire tools for consultative planning process for public investments with on the one hand the lower level LG, "Cercles" and "Communes", and, on the other hand, the local state services. The entry point was a *support at regional level*.

With the 10th EDF, the EC/EU pursues the same interventions with still as guiding thread the combination of *support to state reform and decentralisation as well as the support to regions* but also the integration of *economic development dimensions*. It is noteworthy that the support to the regions (through ADERE and PARADER) has been made in the form of specific commitments and not of budget support.

What comes out as **the strengths of the EC/EU action** is:

- **The continuity of its intervention** and the **combined support to decentralisation and state reform**.
- **Coupled intervention**: at national level, on the actors responsible for the implementation of the decentralisation process and the related institutional framework, and, at local level, on the financial support to municipalities.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as "When and how to use sector budget support?" or "what are the risks related to the") are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1: The EC/EU support has evolved from a "project / programme" support to a sector budget support. In 2006, Mali was the first country where the EC/EU launched a sector budget support to decentralisation. The sector budget support has always been combined with direct support in the form of programmes or specific commitments.

The **first support** consisted of commitments essentially in favour of the MDRI to prepare the legal and institutional framework and other actions prior to the elections. In 2000 the programme supporting the start up of the "communes" was also in the form of a project including several components one of which actually corresponded to an indirect budget support to municipalities (contribution to the FICT - Investment Fund of Local Governments¹³ managed by the ANICT). In 2005, in line with the logic of accompanying the decentralisation policy that had been implemented for several years by national authorities and due to the existence of a clear policy in this area and encouraging results in the first years of the process, the EC/EU decided to move towards sector budget support (SBS). The pre-requirements in terms of policy documents and sector programmes existed with: the 2006-2015 framework document of national decentralisation policy ("*Document Cadre de la Politique Nationale de Decentralisation*" – DCPND), the national programme of support to the "Communes" (PNACT II 2006-2010) and the Institutional Development Programme (PDI 2003-2013). Furthermore, there was a mid-term expenditure framework - MTEF ("*Cadre des Dépenses à Moyen Terme*" – CDMT) for decentralisation and the state reform. Nevertheless, these MTEF were considered to be weak.

59 mEUR of the 72 mEUR **PARAD programme** were used for SBS (75% to decentralisation and 25% for the state reform) and 13 mEUR were set aside for specific activities related to institutional support.

¹³ "*Fonds d'Investissement des Collectivités Territoriales*".

It is noteworthy that the PARAD corresponds to 8,6% of the budget support received by Mali for that period (2006-2009) and almost 22% of the volume of SBS.

The weight of PARAD in financing the decentralisation and state reform is crucial because it represents 30% of contributions for decentralisation (contribution of state and development partners) and 48% of contributions for the state reform.

The **ADERE** programme was implemented as a "project".

The new **PARADER** programme continues within the same logic as for the PARAD combining sector budget support and project support for institutional aspects. 44 mEUR were allocated to SBS and 31 mEUR were allocated in the form of "project", of which 7 mEUR for structuring investments for regional development (support to decentralisation - DER component), 12 mEUR for the support of regional assemblies (DER), 5mEUR for institutional support for the state reform and 3 mEUR for the support to decentralisation (DNCT, ENA / CFCT).

A significant part of the SBS within PARAD and PARADER was directed towards the ANICT.

Ind 3.3.3.: Analysis of the EU support to decentralisation through SBS

The analysis of the use of SBS within the framework of PARAD offers many lessons due to the pilot nature of support in the "sector" of decentralisation. The SBS has been delivered in the form of fixed and variable tranches. The ratio between fixed tranches and variable tranches vary over time: the fixed payment is 100% in year 1, 60% in year 2, 50% in year 3, 40% in year 4.

The goal of SBS is to ensure some predictability in the delivery of aid and to progressively enter a results oriented logic based on indicators. The success of a SBS is generally due to three factors:

- the quality of sectoral dialogue between stakeholders (national authorities, representatives of LG and partners);
- the relevance and quality of the indicators chosen to underpin this sectoral dialogue and to trigger the payments of the different tranches;
- the support in terms of capacity building to accompany national actors directing the process.

Based on these elements, the evaluation team has tried to draw some lessons from this SBS experience by analyzing the following aspects:

- The structure of consultation and dialogue¹⁴;
- The selection of indicators for SBS;
- The effects of the SBS;
- The combination with the project approach.

The structure of consultation and dialogue.

The implementation of budget support is accompanied by the identification of the bodies that are responsible for implementation and monitoring of the relevant policies and those who will be considered for political dialogue and consultation between the government and pooling partners.

Here, the system related to the state reform, the decentralisation process and the monitoring of relevant programmes shows a superposition of six bodies having in theory different functions and different nature. In reality, there are often overlaps with monitoring responsibilities.

This leads to a fragmentation of responsibilities especially as the body most highly placed in terms of monitoring and supervision, the Monitoring Committee of the State Reform (CSRE), which was supposed to decide on potential trade-offs and to suggest reorientations, is practically not functional.

The evaluation team observes that:

- The CSRE was set up within the framework of the dialogue between the government and its partners with the goal of having a national authority at the highest level that would ensure this coordination of reforms. The CSRE is under the supervision of the Prime Minister. The implementation of this committee was one of the specific target indicators of SBS. In fact, it took time to meet the target (2006 to 2009). Given the fact that this situation could create the suspension of disbursement, partners had to meet several times with the national authorities and engaged in extensive discussions.
- The institutions responsible for the implementation reform (CDI – "*Commissariat au Développement Institutionnel*") and the National Directorate of Local Governments (DNCT "*Direction Nationale des Collectivités Territoriales*") have weaknesses in terms of "institutional

¹⁴ This requires analyzing two crucial aspects: 1/ whether the institutional entities involved in the dialogue are actually recognized decision-making bodies that are well functioning; 2/ whether the decisions stemming from this dialogue lead to concrete actions by the government.

positioning" which limits the scope of their actions. The Commission for institutional development (CDI) does not really play a guiding role due to an ambiguous institutional positioning. It is in fact placed on a level with the Ministry responsible for the state reform, although it could be attached to the Prime Minister in order to be heard in other departments because of the cross-cutting of involved issues.

- The DNCT remains rather marginalized within his department, the MATCL without any real autonomy of action neither representation in the regions. It has few qualified human resources and low capacity to influence the choice of policy directions. It is expected to be transformed into a General Directorate, which would give him more scope for making decisions.
- A general weakness of all the committees established concerns the fact that the meetings are not prepared, the members come without having taken note of the questions to be addressed or bringing the point of view or proposals of their structures.
- The panel of decentralisation appears as a place for exchange between partners and the authorities, but it is the CDI and DNCT who participate at the governmental level and it appeared that their weight was limited. The recurrent questions asked by partners on points that are not resolved in the process of decentralisation (transfer of powers and resources to LG, reform of local taxation, monitoring of decentralisation, technical support to LG ...) illustrates the limitations of this panel.
- Within the established monitoring system, an "annual review" allows to analyze the situation of the indicators jointly between nationals and partners. This review appears to be an interesting place for debate on the progress and constraints but it always stays at a level of "technicians".

In **summary**, one can ask whether there is a real political dialogue. In view of the observations made, we can say that the answer is no for the period after 2006. We are in the typical case of the absence of real support of the reforms by the government, the conditionalities are fulfilled under pressure of the partners, but without any real initiatives from the government. You can also question the relevance of the multiple bodies set up in the absence of political support. If the institutions in place and in charge of the relevant areas assumed their responsibilities, these ad hoc and parallel bodies (CSRE, Panel of decentralisation, annual review) would not be necessary.

This lack of supporting the reform is rooted largely in the unwillingness of central administrations to change their policies and move towards decentralisation with the necessary transfers. Since there is no political will to induce changes in these central administrations, and neither a requirement in this area at the level of the National Assembly, the process has bogged down. Sectoral dialogue related to the SBS can only suffer from that.

The selection of indicators for SBS.

For the PARAD, 12 indicators were selected (see Annex 7: Other annexes). Nine indicators concerned decentralisation and three the state reform. Some indicators are decomposed into sub-indicators, leading, once disaggregated, to the total number of 21 indicators.

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

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

The indicators themselves seem to be justified even though some can be discussed. In particular one must notice the difficulties in fulfilling them. The reasons of these difficulties have laid in the formulation phase of the indicators which reveals a lack of accuracy in the definition of the calculation procedure and the obstacles to gather the right data for the indicators in the implementation phase. This difficulty is explained In order to calculate the fulfilment of the indicators, the specific supporting documents have first to be generated which then causes delays in the original deadlines. Furthermore, there is a lack of accurate definition of certain indicators (e.g. one indicator is the existence of water points, which then does not take into account the operational water points¹⁵) or questioning about construction of the indicators (e.g. for the deconcentration of the budget: "is the progress in the transfer of the resources consistent with the needs of deconcentrated services?"), the fact that the

¹⁵ The external audit of spending in the decentralization process of Mali revealed several misleading indicators which hide a very poor quality of some infrastructures or procedures in the decentralization sector.

databases non-functioning (SIGMA, OISE and DGMP) are not any more in use or not updated. In some cases, the reliability of data is questioned by certain observers (as indicators of the number of sessions and the PV of the municipal executive).

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

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

Box 1 *Evaluation of budget support operations in Mali*

"As for the indicators themselves, with hindsight of four years operating SBS, and despite their average rate of satisfactory achievement (in the range of 10/12, the figures for 2009 are still to be verified), it appears that this attack is not always revealing an improvement in the situation described by the indicator. Without challenging their relevance point by point, we can address them the critic of having been designed without sufficient consideration of their specific modalities of implementation¹⁶. While stimulating aimed performances they remain punctual and do not necessarily have a positive impact on their context. Their appreciation does not sufficiently take into account the current dynamics, as it was stressed during the meeting of the Focus Group MoEF¹⁷. "

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

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

The combination with the project approach

The share of funds PARAD as "project" is relatively high: 13 mEUR. This choice is explained by the desire to provide ongoing support to institutions responsible for decentralisation and state reform, the Ministry of Territorial Administration and Decentralisation (MATD) and the Commissioner of Institutional Development (CDI). Their weakness is known, the option was to focus on their capacity building, mainly with technical assistance. To this is added the financing of external control in the achievements of the ANICT.

After some starting difficulties, related to the control program and the adequacy of technical assistance, adjustments were made and institutional support could proceed as planned. Technical assistance to DNCT (punctual supports) and CDI (permanent and ad hoc AT) was assessed. It helped to support these structures in the production of tools and texts.

This contribution was all the more necessary that the state has not increased as expected in human resources as the two key structures. This situation calls also on the willingness of the state to provide the means to drive its reform.

The results of budget support

Document analysis of budget support in Mali recalls the various achievements of budget support:

- LG work (they are in their third term). The sustainability of LG as an institution is progressing. They hold regular meetings of their governing body. The development of a local development plan, one of the obligations made by the Code to LG, is made. They produce their budgets and administrative accounts on time.

¹⁶ E.g. Indicator 5 "LG's own resources /per capita" is not underpinned by a policy for improving the local tax system, indicator 8 "Fiscal devolution of ministries" is calculated based on endowments and not on the basis of the amounts executed; indicator 10 "Commissioning of 31 Receipts-tax collections" does not take into consideration the means of running these services.

¹⁷ Ministry of Economy and Finance.

- LG make investments and produce services; this is in large part due to the financial support of the EC/EU to ANICT via BS since 2006 (more than 14 000 projects under funding ANICT, half from EDF funds). Achievements (investments in various equipments, services etc.) performed by local authorities are numerous and have changed the landscape of LG.
- The effective development of the local civil service reinforces the capacity of LG, including (i) the creation in 2007 of the Training Centre for Local Authorities (CFCT), (ii) more than 2.500 local civil servants in 2007-2008 in 2008-2009 and the recruitment of 721 new officers.
- Strengthening the role of the region thanks to the effective function of coherence of development strategies and planning.
- The development of inter-community continues, despite the difficulties it is one of the tracks for the sustainability of the device for technical support.

These undeniable achievements should not obscure the fragility of LG, primarily due to their limited financial resources, the incomplete transfer of powers and lack of monitoring and control services from of the state.

Ind 3.3.2. Information related to this indicator will partly be found in the above point (Ind 3.3.3.) related to the analysis of the SBS. One can emphasize the issue of the support to regions within the ADERE and the PARADER. It has already been indicated that the support addressed to the regions is carried out in the form of specific commitments. It seems regrettable that the investment support to the regions did not use the ANICT channel even though the EUD tried to make that all funds (from the state and the partners) would pass through this channel. It is also regrettable that the regions are not fully responsible for the choice of allocation, management and implementation of these funds as provided by law and that some funding has already been directed to road infrastructure.

Ind 3.3.4: – The EUD draws a mixed picture of the SBS: **positive in terms of disbursement and direct support to the communes, more limited in the removal of obstacles to the reform process of the state and decentralisation.** Delays in the transfer of functions and powers as well as political and financial support by the partners and not by the state itself raise many questions about the need for continued support in the form of SBS.

Indeed, in a context where it now has a low political support, many observers wonder about the maintenance of a sector budget support to decentralisation. The question is worth asking, but the answer is not easy. Should the SBS be really questioned? The evaluation team tries to offer some elements of answer below.

On the one hand there are tangible results: local governments operate, produce services and the democratic process is taken place. After ten years, which is a relatively short time period given the context of Mali, decentralisation is now strongly rooted in the institutional landscape and does not seem reversible. The EC/EU has contributed greatly to this success; the current SBS has certainly been instrumental in maintaining the decentralisation in the agenda of state reform and funding the "communes".

On the other hand, the weak political support undermines one of the conditions of the SBS. It is clear that without the contribution of partners and the EDF in particular, the "*Communes*" would not have reached this point.

The introduction of the SBS has also obliged a new kind of dialogue between the EC/EU and national authorities. Despite the weakness of the dialogue, despite the imperfections of the current system, the mechanism of SBS requires a focus on results. It seems best to continue to improve the approach as well as pressure on the national government to respect their commitment rather to go back.

Three elements support the idea of continuing the SBS to decentralisation:

- The policy environment can change and the political support to the decentralisation process can evolve positively. It makes more sense to **position itself over time** (as does the EC/EU now) regardless of political vicissitudes, rather than to change its mode of action based on them.
- Decentralisation is a cross-cutting dimension of the state reform. To provide continuous support facilitates the fact that it is taken into account in the various sectors. And the **improvement of basic services delivery** which helps achieving the MDGs requires the capacity development of local governments.
- The SBS can provide a minimum level of **predictability** of the resources available to implement a national policy; moreover, if adequately designed as a tool for dialogue, the SBS can be a useful tool to **induce changes** where necessary.

The experience of the EUD and national authorities should help to better frame the coming budget support, the "conditionalities" and the choice of indicators. A key to success will certainly be to better

ensuring the link between the different supports (budget and non budget support), to accelerate the transfer of functions and powers at sectoral level and to take into account the cross-cutting dimension of decentralisation. The increase in resources at local level, including the level of the national budget allocated to local governments, should be one of the main points in upcoming discussions about the future SBS.

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

Ind 3.4.1: The multi-actor approach is well illustrated in programming and strategic documents of the EUD. However, it should be noted that in the infrastructure sector, the place of LG is less well considered.

Ind 3.4.2: The EC/EU operates at three levels: municipal, regional and central levels. The first two levels involve LG, the central level concerns the institutions in charge of the state reform and decentralisation. The guiding documents of the EC/EU take fully into account the role of central institutions (DNCT, CDI) and the need to strengthen them.

Yet, the approach does not really consider LG elected officials at the national level nor does it take into account the National Assembly. Attempts to work with the association of elected officials had not given convincing results. Associations of elected officials have taken little initiative to boost the decentralisation process and to actively engage in lobbying.

Regarding the civil society, it has not been significantly involved. It is more at a lower level that links can be established between civil society and other actors of the decentralisation process, in particular in the planning of public investments and the co-management of facilities financed by LG.

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind 4.1.1: Development partners (DPs) involved in decentralisation have created an TF "decentralisation and institutional development." The working group can trade on the implementation of the decentralisation process and a degree of harmonisation of interventions.

Ind 4.1.2: The EUD has been instrumental in encouraging other partners to meet national mechanisms in place (ANICT device and technical support). The EUD has not hesitated to play its political weight to influence the choice of the World Bank. The latter has been forced to take account of these devices, but did so only marginally. The World Bank has always remained outside the system of decentralisation focusing on a community approach.

Ind 4.1.3: Since the start of decentralisation, EUD is the leader among DPs. This role was reflected in two ways: (i) being the "voice" of donors involved in discussions with the authorities and (ii) ensuring

an overall consistency to finance the technical support facility and financial. Indeed, the majority of donors have targeted their interventions including geographically. The EC/EU has agreed that its funds are not targeted and can thus meet the needs in areas not supported. With this choice the equalization system could be effective.

There is an ad hoc structure for coordination among donors and government called the "Panel de la decentralisation". This coordination platform is lead by the EUD. The majority of partners recognize the leading role played by the EC/EU, although some believe that the EC/EU tries to always first consider its own point of view.

Ind 4.1.4: The EC/EU is a lead donor and driving force of decentralisation. There is a consensus among donors on the approach developed by the EC/EU. In the future decentralisation support (programme PARADER) the EC/EU plans to use a new cooperation modus with EU Member states ("convention de delegation) which allows delegating a part of the programme implementation to EU Member States. In this case it will be Germany (GIZ) and Belgium (CTB-BTC). Interviews with EU Member State representatives revealed that the EC/EU procedures are demanding and rather inflexible and that this is the reason for a negotiation phase taking more than one year. The agreement should be finalised in the current of 2011.

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1. The dialogue was ongoing with the other DPs supporting decentralisation (see above). The main partners were CTB, UNCDF, GTZ, SNV and AFD (now with limited support). These partners all finance the PNACT (national support programme to local authorities), like the EU. The EUD has consulted these stakeholders during the programming process.

Ind 4.2.2. The majority of partners recognize the leading role played by the EC/EU, although some believe that the EC/EU tries to always first consider its own point of view.

The current issue of targeting funds, geographically and by sector, now called a new dialogue between donors and between donors and the central government (the current trend leads to a questioning of the equalization system and equity in access to funds).

Ind 4.2.3. – There is a joint funding of the PNACT, including joint financing of the national fund to support local authorities FNACT (see also the FICT).

The table below summarises the financial contributions to the FNACT over the period 2001-2010.

	<i>Amount in Fcfa</i>	<i>%</i>
Government	16 467 193 064	11%
EDF	49 972 885 896	34%
Other DPs	80 276 394 493	55%
Total - DT	146 716 473 453	

It is noteworthy that the support from the EDF was actually larger in the early years, reaching 73% in 2003. A gradual introduction of other donors in the system and the transfer of part of the sector funds reduced the proportion represented by the EDF contributions.

Ind 4.2.4. Interviews with EUD staff as well as government representatives confirmed an active participation of EUD staff in national decentralisation fora, such as the "revue conjointes annuelle" between EC/EU and the government and the "Assises de la decentralisation".

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1. Education and health are not focal sectors of the EC/EU cooperation with Mali. But the infrastructure sector is one, and, in this sector, the "communes" level is barely taken into account. In particular, it is not planned that the projects of infrastructure development related to the functions of the LG are managed by the LG themselves. This would actually be contrary to the law. This contradiction also appears in the programme ADERE and now PARADER regarding the financing of regions.

Ind 4.3.2. Gender is generally included in the decentralisation programmes. One of three key indicators on the improvement of service delivery (in both PARAD and PARADER budget supports) is the enrolment ratio for girls.

The environment is taken into account with the possibility for LG to fund environmental activities within the funds received; environmental management is one of the function transferred to LG.

Ind 4.3.3. There are no specific indicators related to decentralisation in the context of General Budget Support. In the context of budget support, a section is devoted to public finance management (with the programme PAGAM). Improving public financial management is a crosscutting and crucial issue. It will have a direct impact on all sectors and the financing capacity of the state. That said, it is regrettable that this programme does not take into account the local public finance.

It is noteworthy that the results in terms of improving public financial management are not satisfactory, prompting questions about the continuation of General Budget Support. This could influence the decision on whether to continue SBS or not.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1: From the start of the decentralisation process, the transfer of functions and powers was a central concern in policy documents and programmes. A national strategy for transfers was quickly set. And the first direct support of the EC/EU did contribute in the development of these guidelines.

Ind 5.1.2. Entities in charge of decentralisation were supposed to be guarantors of the implementation of the decentralisation policy. In the early years, the positioning of the instance in charge of decentralisation, MDRI, and the political support to decentralisation have given the necessary weight. The fact that decentralisation was under the responsibility of the Ministry of Territorial Administration, becoming the Ministry of Territorial Administration and Local Government (MATCL), aimed to empower the ministry in the conduct of decentralisation. The creation of the DNCT within the department responded to the need to have an operational entity to monitor the implementation of decentralisation and coordination of planned actions. Later, the establishment of the Commissioner of Institutional Development was to provide an overall consistency of the various aspects of state reform including decentralisation and deconcentration. Policy documents cited above (Document national policy framework for decentralisation 2005-2014), and related programs produced by these administrations (the PNACT, the Institutional Development Program-PDI-) confirms the initial orientations.

But, from 2004 / 2005, a decoupling gradually took place between the government and the reality of technical orientations of political power. Speeches and official documents made fewer cases of decentralisation. Witness the transfer of skills and resources that have not materialized in a decade.

The EC/EU, through the consultation bodies, has always tried to address the issue of transfers, but without significant influence. Through institutional support to the CDI, the EC/EU tried to offer support to line ministries to work on aspects of decentralisation / devolution. The response has been very limited. Both aspects are treated separately, purely formal, with persons with low-motivation and capacities to carry out this type of exercise. One cannot expect that an administration successfully conducts from in-house such an important reform that challenges the prerogatives and power-sharing existing within it.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1: The 1992 Constitution laid the foundation for decentralisation. Law 93-008 defines conditions of the "free administration of Local governments" ("*libre administration des collectivités*"). This text was supplemented by a series of other texts on the status of elected officials and staff, local finance, election law, the code community... We can say that the legal corpus of decentralisation is relatively complete. The EC/EU has significantly contributed to the development of the legislative framework for decentralisation, especially through the first interventions it has funded.

Ind 5.2.2: Three decrees D02-313, 314 and 315 were made in relation to transfers in the areas of education, health and hydraulics.

LG have taken up the functions that recognised by the law and, mainly with external funds, they have invested in various sectors, especially education. But central administrations have not played the game: none planned, organized and implemented the transfers despite the decrees. It is only in late 2008 that the Prime Minister gave a strong impulse by requesting the various ministries to actually implement the transfer of functions and resources to local governments based on a plan of transfers. An Inter-Ministerial Commission to monitor the transfer process was set up to ensure the proper implementation of this decision. Support units on decentralisation and devolution were established in around ten ministries. However, it seems that these units are actually not really operational.

A real transfer of resources and functions has only taken place in the education sector (in 2010); the process has mainly focused on teachers management. But this transfer has actually not been properly accompanied: overnight, LG found themselves empowered in the management of thousands of teachers without that adequate structures had been established for this purpose.

The Ministry of Health has realized the transfer of community health centre (CSCOM), but they only have a status of "association". Like the Ministry of Education, the Ministry of Health is now using the ANICT to channel the funds for the investment projects of LG. Specific "counters" ("*guichets*") were created for this purpose.

In the hydraulic sector it is considered that the equipments have been transferred to LG, and that, as a consequence, there is nothing more to transfer. This is a simplistic view that summarizes the transfers made in terms of equipments. A proper transfer of functions should also ensure that the LG have the means to exercise these functions and that a proper accompaniment system is put in place. Once the central government makes the transfer, the relevant line ministries should still ensure monitoring and provide overall guidance in the sector and ensures that each actor is able to perform its duties. The services in charge of hydraulics in Mali are unfortunately not willing to understand this system.

Regarding other areas, no major breakthrough is noted. Each year an assessment is made on the implementation of the recommendations of the Prime Minister; this assessment always leads to the same observation: stagnation. The transfer plans prepared or being prepared by the Ministries are generally inconsistent and do not reflect a real sector strategy to ensure consistency between decentralisation, deconcentration, transfer of financial resource, human resources adjustment and changes in procedures.

In summary, at sector level, apart from education, sectoral legislation is far from being aligned with the legislation on decentralisation. Despite some efforts to improve the situation, the EC/EU has not managed to make the change happen regarding the problems of sector alignment. Nevertheless, it should be noted that it is thanks to the support of the ANICT (to which the EC/EU has strongly contributed) that the LG have managed to assume most of their new functions with respect to public investments in a number of key sectors.

3.5.3 JC5.3. Local governments' fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

Ind 5.3.1: Concerning **human resources**, the overall capacity is considered low. A distinction must be done between elected officials and LG staff. The level of elected officials is very low because of the high percentage of illiterate elected officials in rural areas (more than 55% of elected herders and farmers). This is a logical situation in a largely rural country. In addition, there is the high turnover of elected officials each term (over 60% of turnover), which requires systematically the training of these new elected officials. It is noteworthy that the part of teachers among the elected officials gradually increases from one term to the next one, reaching 10% in the 2009 elections.

This weakness could be overcome with a well-trained and stable administration that would ensure institutional continuity. Yet, this is not the case. The poor resources of LG do not allow them to recruit good staff, often only the Secretary General (SG) has a "baccalaureat" or university degree. The remaining staff consists of an assistant to the mayor, an accounting manager and one or two officers and cleaners. It is different in large urban LG with an organisation better structured and a management staff generally better trained. It is noteworthy that there is a high turnover of staff for two main reasons: general shifts at local elections (the new mayors prefer to surround themselves with people of their obedience) or late payments and lack of attractiveness of wages.

A major effort has nevertheless been made in recent years under the leadership of DNCT:

- a special civil service for LG ("*fonction publique territoriale*" - FPT) was established with several branches: administration, finance and technical area. Minimum criteria are required to integrate the FPT, improving the level of management staff and ensuring safety in employment. 2500 workers have already been part of the FPT so far.
- New hires were made in 2008 with 721 managers who have followed refresher courses before joining their assignment,
- a Training Centre for Local Authorities ("*Centre de Formation des Collectivités Territoriales*" - CFCT) was established in 2007 with a mandate to train and upgrade elected officials and LG staff.

At "region" level, also highly disadvantaged in terms of staff, an effort has been made to enable the recruitment of 3 to 5 managers with university degrees for the positions of Secretary General, accounting and finance director, social affairs director and economic development promotion director.

Programmes and support of the EC/EU have contributed to the improvement of human resources. It is noteworthy that the EC/EU is funding part of the CFTC (together with Germany).

Ind 5.3.2. Concerning **financial resources**: LG resources come from local taxes and transfers from the state and donors via ANICT. By processing the data submitted by the Directorate General of Budget (Ministry of Economy and Finance) concerning the implementation of the budget over the period 2000-2010, we see that the state contribution represents only 20% of the direct support to LG.

Table 2 Origin of transfers to local authorities (excl. LG's own resources)

Year	State budget	External Resources	Accumulation
2000	957.500	3.407.000	4.364.500
2001	2.350.000	3.401.000	5.751.000
2002	2.300.000	16.108.639	18.408.639
2003	2.492.000	10.310.000	12.802.000
2004	2.755.260	5.837.000	8.592.260
2005	2.755.260	9.946.000	12.701.260
2006	2.755.260	12.274.690	15.029.950

2007	3.272.260	10.786.593	14.058.853
2008	3.036.877	13.877.100	16.913.977
2009	3.652.239	24.203.307	27.855.546
2010	3.307.538	9.794.773	13.102.311
Total	29.634.194	119.946.102	149.580.296
%	20%	80%	

Sources: General direction of the treasury, Ministry of finances - DGB (Currency: Thousands of CFA,)

The analysis of the mobilization of ANICT drawing rights (for the investment financing of LG) shows that the contribution of the state on its own investment budget is only 11% over the last 10 years.

Table 3 Contribution to local investment fund: Contribution by stakeholders

Year	Other donor	EDF	State - BSI ¹⁸	total	Other donor	EDF	State - BSI
2001	218.965.189	247.540.406	112.392.700	578.898.295	38%	43%	19%
2002	2.059.352.767	8.470.657.939	1.508.762.358	12.038.773.064	17%	70%	13%
2003	2.058.853.646	8.402.012.814	985.161.011	11.446.027.471	18%	73%	9%
2004	1.954.236.838	3.241.075.582	749.340.770	5.944.653.190	33%	55%	13%
2005	4.090.559.016	2.951.400.907	1.574.500.560	8.616.460.483	47%	34%	18%
2006	3.228.952.469	8.204.768.755	1.332.054.452	12.765.775.676	25%	64%	10%
2007	20.087.659.651	5.758.756.046	1.625.383.859	27.471.799.556	73%	21%	6%
2008	18.498.903.746	5.414.425.303	2.596.568.993	26.509.898.042	70%	20%	10%
2009	17.012.159.921	5.110.867.094	3.799.601.053	25.922.628.068	66%	20%	15%
2010	11.066.751.250	2.171.381.050	2.183.427.308	15.421.559.608	72%	14%	14%
Total	80.276.394.493	49.972.885.896	16.467.193.064	146.716.473.453	55%	34%	11%

Sources: ANICT calculation on demand of the evaluation mission (Currency: CFA)

In 2010, a new transfer (of 80,6 billion CFA francs) is operated for the benefit of the LG in education. This is actually related to the transfer of teachers' salaries. This figure should not create an illusion of volume because no additional resources are actually granted: amounts transferred correspond to amounts for payments of charges already defined and these transfers provide no additional financial flexibility to municipalities. The opposite can be expected as there will be additional costs associated with the management of these financial flows and nothing is planned for that.

A report on local taxation was released in 2011 but it unfortunately only gives figures from 2007. The finding in terms of local taxation is an average of 1013 CFA francs per capita of tax revenue. Own revenues represent 92% of operating expenses. Wages represent an average of 40% of operating expenses, the figure is much higher in small municipalities. The 2011 assessment report on decentralisation¹⁹ indicates that the local taxation accounts for 75% of own revenues in 2007.

Trainings of elected officials have systematically concerned the improvement of local revenues. In LG supported by specific programmes, an assessment of potential sources of tax revenues was made. Improvements were noted where elected officials had a proactive approach in this area. However, a general observation is the lack of correlation between the improvement in tax revenues and the improvement of the level of investment and services (although this was an assumption that underpinned the reasons for decentralisation).

It is noteworthy that the local taxation system is not included in the state budget system. There is therefore no visibility. Existing data came mainly from the OISE database that fuelled the database on local finances (FILOC). But the latter is no longer updated since 2007.

The 2011 assessment report on decentralisation notes that "*Compared to the Gross Domestic Product (GDP), these block transfers of the state are extremely low, less than 1% throughout the period 2005-2008. Compared to total state revenue, the transfer made to LG is only 0,48% in 2009.*"

Moreover, behind these numbers lies a great disparity in the distribution of funds among LG. This disparity is due to the fact that ANICT is receiving more and more "targeted" funds, to a sector and / or a geographic zone, to the detriment of unrestricted/ discretionary funds. In the early years of ANICT, only 20% of funds were targeted. Today the trend is reversed: more than 80% of the funds are targeted. As a consequence, the equalization system can no longer function.

¹⁸ Budget Spécial d'Investissement de l'Etat.

¹⁹ Etude sur le bilan et les perspectives de la décentralisation au Mali (2011).

It should be noted that the transfer related to funds for investment in health and education operated through ANICT from 2007 onwards (15 billion per year on average) can explain the situation: there has been an important influx in quantitative terms of sector targeted funds (mainly for PISE / education).

Table 4 Overview of the evolution of the use of discretionary & non discretionary funds for local investments

	DT 2001	DT 2002	DT 2003	DT 2004	DT 2005	DT 2006	DT 2007	DT 2008	DT 2009	DT 2010
Fonds généraux	4 400 000	15 780 908	10 372 237	7 848 385	5 142 059	7 720 094	5 999 490	5 364 513	5 063 307	4 478 151
Fonds spécifiques	693 483	2 386 566	2 408 746	3 015 705	4 475 383	5 568 633	23 764 358	24 729 050	17 754 449	23 147 010
TOTAL	5 093 483	18 167 475	12 780 983	10 864 090	9 617 443	13 288 728	29 763 849	30 093 564	22 817 756	27 625 161
Fonds généraux	86%	87%	81%	72%	53%	58%	20%	18%	22%	16%
Fonds spécifiques	14%	13%	19%	28%	47%	42%	80%	82%	78%	84%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Study on fungibility, AHT-Betico, ANICT, 2011; note: the data DT are slightly different than the data provided by ANICT (Currency: Thousands of CFA francs)

This table shows the changes between the discretionary funds ("general funds") and the funds allocated (geographically or sectorally) here called "special funds". The percentage of unrestricted funds increased from 86% in 2001 to 16% in 2010. The autonomy of the "Communes" is thus increasingly challenged.

The 2011 assessment report on decentralisation mentions such distortions "for the transfer of the state, the disproportion is very strong between the sparsely populated Communes and the municipalities with large populations (e.g., 613 CFA / capita for the Kidal region against 118 CFA / capita for the Sikasso region), - there is no correlation with the amount of own resources / capita (Sikasso has the highest rate of own resources / capita, 2358 FCFA, is entitled to a transfer of 118 CFA / capita while Mopti has 538 CFA of own resources / capita is entitled to a transfer of 545 CFA / capita)."

Several observations emerged:

- the operation of joint depends primarily on the own revenues, including local taxation;
- their own investment capacity is also dependent on the local taxation;
- transfers of the state are limited,
- financing of investment depends to 90% from outside.
- significant distortions between the LG and the equalization system does not play.

Today, **decentralisation is funded primarily by external resources.**

Moreover, it is the sustainability of LG which is at stake and the way they are financed. Financing can realistically only be based on local taxation. While flexibility exists in terms of financial recovery it is far from covering all the needs. It all boils down to the starting point on the mismatch between the functions transferred and the available resources.

The EUD is well aware of the existing problem. This is why it was planned to work on the reform of local taxes in the PARAD programme, through its support to the CDI. Yet, it would have been appropriate to have previously carried out a detailed analysis of the cost of decentralisation and the means to finance it.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.*

Main findings from the field mission:

Ind 5.4.1: In fact, the financial autonomy of LG did not improve (see also JC5.3/ Ind 5.3.2). Local taxation should be reviewed and the contributions of the state actually depend on investment to 90% from outside. Autonomy of LG to choose their investment is also limited by the system of allocation of funds. Through an active policy dialogue at sector level, the EC/EU has made some efforts to improve

the situation and to advocate for more transfer of resources from the state to the local²⁰ level but without significant success to date.

Ind 5.4.2: While LG have the right to hire and fire staff, actually, in practice, the weakness of their resources makes this autonomy rather theoretical.

Ind 5.4.3: The division of powers between different levels of local governments is not a major problem. However, the issue of the ownership of public investments made by a higher level local government in the territory of a lower level local government remains.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1.* Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively
- *Ind 6.1.2.* Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved
- *Ind 6.1.3.* Existence and use of M&E system
- *Ind 6.1.4.* Development of intergovernmental / inter-ministerial relations in support of decentralisation policy

Main findings from the field mission:

Ind 6.1.1. & Ind 6.1.4. With respect to the capacity of the national structures in charge of decentralisation, mainly the DNCT, it appears that the capacity to formulate policy exists, as illustrated by the national policy framework document on decentralisation.

However, if we look at the upper tier of the government and the issue of inter-ministerial initiatives, it is quite different: capacities are actually quite low.

Overall, the DNCT (for the "decentralisation reform") and the CDI (for the "state reform") are considered as weak structures to be further strengthened. Through the PARAD and PARADER programmes, the EC/EU has provided **substantial support** to these two structures. But this support can not compensate for the **lack of will at the Prime Minister's Office** and Presidency level to develop **"inter-ministerial initiatives"**. The attempt to establish an inter-ministerial commission on the transfer of functions and powers has illustrated the "decoupling" between the different levels of authority. The choice to put the DNCT in charge of the inter-ministerial commission could only condemn the initiative, its institutional and political weight being insufficient.

The number of qualified officers is limited at the DNCT (it can be considered that there is a core group of 4 or 5 persons). With respect to the CDI: a flowchart has been redefined with an enhanced number of officers to meet the needs of conducting the reform of the state. Unfortunately, some of these positions are still vacant, illustrating the low motivation of the state to develop efficient structures.

Ind 6.1.2. For representatives of local authorities and civil society, there is no doubt that there is little enthusiasm by the government to boost the decentralisation process.

Ind 6.1.3. A system of monitoring and evaluation has been developed relying mainly on the OISE database, strongly supported by the EU. However, since the cessation of CCC in 2007, the database is actually no longer functional. There was a failure to transfer it to the local authorities. Currently, the DNCT carries out the collection and centralisation of hard copies used for some of the data collection.

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1.* Evidence of improved financial management in local governments

²⁰ The indicator 6 from the PARAD BS programme covers this issue but does not oblige change in this respect.

- Ind 6.2.2. Evidence of improved planning in local councils
- Ind 6.2.3. Evidence of improved HRM in local governments
- Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level

Main findings from the field mission:

Ind 6.2.1. The 2011 assessment report on decentralisation²¹ points out weaknesses in the capacity of local authorities. Mismanagement of public funds is often cited. But this is not based on a detailed analysis which would highlight any potential evolution in the management capacity of LG. The report actually mentions the perception of the citizens about the management capacity of LG.

Ind 6.2.3. Interviews with resource persons who have been supporting the LG for several years, gave a more mixed picture. Although the rotation of elected officials is a reality, it seems that there is a significant improvement in the capacity of the elected officials who are in their second term. Elected officials assert they are no longer afraid to talk to state services on any aspect.

The level of human resources has been significantly improved with the LG civil service ("*fonction publique territoriale*"). But this shift of status from LG employee to civil servant has been accompanied by an improvement in their remuneration and benefits without the resources of LG being increased. Consequently, the share of the operating budget for salaries increased at the expense of other budget lines, e.g. operations and investments.

Overall, although weaknesses remain, LG have the minimum level of staff that allows them to operate and assume their basic functions: administration and overall management of the institution, services related to the civil status, monitoring of investments,

The capacity of LG also depends on support available, support supposed to balance the weaknesses of their human resources. The system "*Centres de Conseils Communaux*" (CCC) was established when the "Communes" were created (in 2000), mainly with funding from the EU. This system was intended to be temporary (3 years), the time that elected representatives and local administration got used to their new functions and define a suitable and sustainable way of working.

But the CCC was maintained until 2007 and the phasing out from the CCC system was not sufficiently prepared. The development of "pools of decentralized technical units" (available upon request of LG) does not work. Several reasons may explain this situation. First of all, efforts in this area are hampered by the low motivation of central government officers. For these officers, support to LG is not an obligation and it is a way to request high fees for their services at a level which is often prohibitive for LG. This brings us back to the issue of the low commitment of the central government to accompany the decentralisation process and the weak coordination between the central government bodies and the various stakeholders at the decentralised level. The second factor is the low capacity of the deconcentrated services' staff itself which is not prepared to play this role of support and advice to LG. Finally, LG need to prepare a three-year plan of their need in terms of support and technical advice. This plan is required to obtain a Provision for Technical Support (managed by the ANICT) which enables them to pay for specific technical support. Few LG manage to produce these plans, and they appear more like a series of training rather than a real plan for capacity building with an analysis of the needs of these LG to improve their action.

A self-assessment system had been introduced in the early years of the decentralisation process. This system allows LG to measure their strengths and weaknesses and identify actions to strengthen their implementation capacity. This tool, developed by SNV and other partners, has been well used in the LG supported by the DPs. Unfortunately, it seems no longer used.

An interesting action for capacity development of LG has been the establishment of the Training Centre for Local Authorities, the CFCT ("*Centre de Formation des Collectivités Territoriales*"). The centre has been supported by Germany and the EU. It provides an essential response to capacity development as a sustainable tool for basic training and refresher courses for LG staff and elected officials. However, it has faced several problems: it is designed to train "category C" employees. Management officers, "category B" and "category A", are trained at the ENA, the national school of administration. The partners had asked before starting financing the CFCT that this issue should be solved so that the CFCT could form all types of LG employees. An agreement was reached, but only for three years: the problem will thus appear again. Another issue is that the funding of the CFCT depends on the ANICT. The CFCT should have an autonomous budget and not depend on the goodwill of the management of the ANICT to finance its operations. It is indeed noteworthy that the ANICT depends essentially on external funding.

²¹ Etude sur le bilan et les perspectives de la décentralisation au Mali (2011).

Ind 6.2.2 Regarding the planning capacity: all LG have their PDESC development plan ("plan de développement économique et social"). In most "Communes", specific support has been provided by various organisations to design these plans. Results have been heterogeneous, depending on the capacity of the consultancy or the NGO involved. In many cases, involved organisations substituted for LG in the design of these plans instead of accompanying them in this work.

The main criticism of the PDESC concerns the poor match between the plans and the resources available. But can elected officials really be blamed for proposing a vision of development of their territory in line with the competences they are given and in line with the expectations of their citizens? It appears that elected officials are actually not responsible for the lack of consistency in public policy.

The weak capacity of LG is pointed out in the external audits²² carried out in the framework of the ANICT-funded projects. Observed weaknesses, without putting in question the relevance of the instruments, called for better control and the clear identifications of responsibilities in these failures in order to take the right corrective actions. The result of these audits is quite negative. It is for example explained that:

- For 11% of the LG "the compliance with financial procedures for payment of public expenditure is deemed insufficient",
- For 88% of the LG in the sample "the compliance with administrative and control of procurements procedures is deemed insufficient (taking into account documents submitted)" (against 96% for the reference year before :2006-2007),
- For 41% of the LG "technical studies are considered insufficient",
- For 71% of the LG "control and monitoring of implementation are considered inadequate",
- For 75% of the LG "construction works present defects", etc.

While these figures give a clear picture of the results of the audit, they are to be taken with caution in terms of the conclusions to be drawn. Indeed following aspects need to be considered: (i) the often late release of the drawing rights which leads the LG to go very fast in the achievements of the project in order not to lose the benefits of their endowments, (ii) the absence of control of the national authority in charge of following the sector but also of the ANICT.

More regular checks of the functioning of LG would certainly have limited the errors or abuses. The advantage of this audit is to lay bare the shortcomings and push the actors to understand their causes and take action to improve them. It is noteworthy that, following the audit, an action plan has been designed to initiate corrective actions. It is however regrettable that this type of tracking system was not established earlier and is not integrated into the monitoring and evaluation system.

Ind 6.2.4. Concerning the system of monitoring and evaluation, it is important to note that the OISE database was theoretically also intended to provide information to local LG and not just to the national level. However, during the period when it was functional, LG were asked to feed the database but no information was returned to them.

In terms of lessons learnt, it would be necessary to review the monitoring and evaluation systems in order to make them less complex (the OISE database was certainly too exhaustive). Moreover, they should be used as tools for a dynamic dialogue between stakeholders on the shortcomings identified, their cause and the existing solutions.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1 Overall, associations of locally elected officials or of LG have failed. An association of Municipalities of Mali (AMM) and an association of "Cercles et Regions" have been created. But the latter was eventually split into two distinct groups: one for the "Cercles" administrative division and one for the "Regions".

In recent years, these associations have not been successful in defending the interests of LG. They received support from several donors (including the EU), especially the AMM. The record is not

²² This external control system was recommended following the 2004 and 2005 evaluations of the instruments for technical and financial support but was only put in place in 2008.

satisfactory and **donors have preferred to withdraw their support to these associations**. The conclusion is that the elected head of these associations are also members of the ruling party and do not want to criticize the government's action in decentralisation for fear of being marginalized within their party. This applies also to the Members of Parliament as well as to the High Council for LG ("*Haut Conseil des Collectivités*" - HCC). The national context is characterised by on the one hand the lack of political will of the central government and on the other hand the lack of initiative, proposals of change and advocacy skills by locally elected officials.

Ind 6.3.2 Regarding community-based organizations working with the "*Communes*" for service delivery and local governance, efforts have been made in the areas of education and health, where users' associations are now more empowered and their relationship with the "*Communes*" are rather well defined. Yet, regarding local governance, the evaluation team has not identified cases showing the involvement of NGOs in the long run.

Ind 6.3.3 There is no systematized research studies carried out on issues related to local governance. There are occasional, very specific and small analysis carried out by certain NGOs.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1. Mali has experienced three local elections: 2000, 2004 and 2008 (which were supported by the EU). The elections went well and show the maturity of the country in this area (44% of participation at the last election). A potential illustration of the interest of citizens in these elections is the high turnover of elected officials with a lot of "votes sanctions" against teams considered to be failing in their management.

Ind 7.1.2. The planning process of LG is a rather participatory approach. A wide consultation with civil society is organized on the occasion of the design or update of the PDESC. The system of "*Centres for local advice*" (CCC – "*centres de conseil communaux*") largely funded by the EC/EU, focused on supporting participatory planning. But the situation is heterogeneous, depending on who provides support for the development of the PDESC: some remain at a purely technical level paying little attention to participation.

The 2011 assessment report on decentralisation²³ highlights a large weakness in the articulation between the levels of LG and the stakeholders. In particular, there are still several inconsistencies between LG programmes and sectoral programmes prepared by central governments.

The citizens' perception survey reveals that the vast majority of them feel that they are not involved in decision-making and are misinformed. However, they are generally quite satisfied with the improvement of the accessibility and the quality of public services.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Ind 7.2.1: The accountability of elected officials vis-à-vis their citizens is not granted. While the council meetings are open to the public, little advertising given and few incentives are provided for such participation. Some argue that cultural factors should be taken into account as it is not usual to hold accountable the chief.

Nevertheless, efforts have been made to advertise budgets and the results of assemblies' discussions on signboards in town halls. Unfortunately, this practice is not systematic. The 2011 assessment report on decentralisation notes that public debate has not become a common practice yet.

²³ Etude sur le bilan et les perspectives de la décentralisation au Mali (2011).

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

Ind 7.3.1: See JC 8.1.

Ind 7.3.2. LG are informed about the grants they will receive from ANICT. But there is no induced effect on the information to the citizens, except regarding the official communication of the budget.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

Ind 8.1.1 Funds for LG investments are channelled through ANICT. The evolution of these amounts is described in details in EQ5.

It is noteworthy that, over the period 2001-2010, 147 billion CFA (223 mEUR) were allocated to and mobilized by LG. Between 2002 and 2006, the average was 10 billion FCFA / year (15mEUR). From 2007 onwards, the average increased with the shift to sector fund in education and health up to 25 billion CFA francs / year (38mEUR). On average, this corresponds to 50 000 EUR per LG but, as explained above, there are actually huge disparities between LG.

In the 2001-2010 period, the contribution of the EC/EU amounted to 76 mEUR (Drawing Rights mobilized – "Droit de Tirage"). This represents 34% of the funds raised via ANICT. The contribution of other donors during this period accounts for 55% of the funds and the central government for 11%.

It is important to note that the contribution of the EC/EU has been instrumental in the first FICT ("*Fonds d'Investissement des Collectivités Territoriales*") managed by the ANICT. During the 2001-2005 period, this contribution amounted to 70% of the funds. Without the EC/EU support, the FICT would not have reached a substantial level and would not have covered the whole country. The ratio was then reversed with the introduction of specific sector "drawing counters" ("*guichets sectoriels*") in 2007.

Today, thanks to EC/EU budget support and the fact that the EDF funds for ANICT are not targeted, a minimum of equalization can continue. LG which do not received targeted funds can benefit from a minimum level of drawing rights.

It is noteworthy that there is no consolidated data to assess the share of investment excluding ANICT funds. A qualitative study in 2004 (PADC feasibility financed by the AFD) was carried out on a limited sample of LG and revealed that 72% of funding registered as "LG investment" in the period 2001-2004 came from the ANICT. Yet, when all actual investments project carried out in the administrative division were considered, only 40% of the investments had been funded by the ANICT. This fact was explained by the investments for which funding did not go through the LG budget. These investments actually often reflected the dynamism of the Mayor to raise funds from other sources. There is no evidence whether this situation has prevailed in subsequent years.

Ind 8.1.2. The following criteria are used to calculate the drawing right (DT) of each LG:

- Population,
- Remoteness,
- Level of equipment.

During the first period (FICT1), small LG were clearly favoured, it was to compensate for their under-equipped situation.

A fourth index was been considered and corresponded to the rate of recovery of the "TDRL" (tax per capita, the main financial resource of the LG). This index was not applied during the FICT1 and its use during the FICT2 has encountered some difficulties.

In fact, there is no pre-determined formula to allocate budget to LG. Each year, the Board (based on a proposal of the DG of the ANICT) decides the weight to be attributed to each of these criteria.

A formula was proposed for the FICT 2 (2004 ANICT study)²⁴. It seems that this formula could not be applied because of the difficulty in calculating the indices, the multiplication of drawing counters ("*guichets*") and the fact that funds became targeted sectorally and / or geographically.

In general, the development partners now complain about the lack of transparency in the current method of calculation. The EC/EU support had limited influence on the choice of the method to calculate the drawing rights.

Ind 8.1.3. There is no real public-private partnership for the delivery of basic public services in Mali. The system that prevails is more a system of co-management with the users. For example in the health sector, they are user groups that manage community health centres (CSCOM – "*Centres de Santé Communautaire*") and a "partnership framework" has been established between these associations, LG and the deconcentrated health services. Regarding schools, a management committee involves the school principal, the parents and a representative of the LG.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- Ind 8.2.1. *Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- Ind 8.2.2. *Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

It is very difficult to assess any contribution of the EC/EU to the improvement of local infrastructures maintenance, especially given the fact that the aid was delivered in the form of budget support. The EC/EU has indeed supported the CCC ("*Centres de Conseils Communaux*") which played an active role in this area providing specific guidance for the improvement of LG maintenance system. Overall, it appears that maintenance of local infrastructures is still a major problem in Mali.

Ind 8.2.1.

Although the external audit reports²⁵ note that in the 2008-2009 sample 16% of investment projects are not completed and not functional, there are few fully implemented investment projects that are not functional. But the same report indicates that 55% of infrastructures are not subject of a maintenance policy. It notes that for 41% of investment projects there are insufficient technical studies (although there was a significant improvement as it was 67% of insufficient studies in 2006-2007). Construction defects are numerous (71%) showing a significant weakness in terms of control. Hydraulic infrastructures are the ones with the most defects.

Ind 8.2.2. The central government formulated a directive in order to oblige LG to allocate 15% of their budgets for maintenance operations. This seems however difficult to be applied given the limited budgets of LG (which is largely used to pay salaries and to cover the financial requirements for new investments). There is no consolidated study giving the exact share of LG budget for maintenance. Recent qualitative studies indicate either an absence of expenditures for maintenance or a very low level of expenditures.

In Mali, LG generally consider that the responsibilities for maintenance of buildings and equipments lies at the level of the management committees and that costs should be covered by the budget of these committees (e.g. school management committee, health facilities users associations). The issue of maintenance of local infrastructures is indeed still a real problem to date.

²⁴ "La détermination des droits de tirage de chaque collectivité territoriale résulterait de l'application de la formule suivante:

- Droit de tirage = droit de tirage pour l'ensemble de la région x (indice synthétique de la collectivité / □ indices synthétiques de toutes les collectivités de la région);
- Indice synthétique = Indice population + indice éloignement + indice équipement + (recettes TDRL recouvrées / prévisions de recettes TDRL)."

²⁵ Contrôle externe des investissements des Collectivités Territoriales (2008). 6 rapports semestriels entre 2008 et 2010 ont été réalisés par le bureau d'audit SOCOTEC financés par la EUD Mali. Marché no : 038/S/2008/ON/FED/ MLI.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *Ind 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *Ind 8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.1. – Thanks to the projects financed via the ANICT, LG were able to substantially increase their "credibility" as well as the level of equipment which have included classrooms, equipment for local administration, economic equipments²⁶ and to a lesser extent to health facilities.

The table below shows the number of ANICT funded projects in different sectors for the period 2001 to 2010. It is important to note that the EC/EU contribution amounts to 76 million EUR (which has enabled to finance not less than 7.466 local infrastructure projects).

Table 5 Number of ANICT funded projects by sector

Code	Label	Amount EDF	Amount other DPs	Nr of Projects EDF	Nr of Projects other DPs	Total amount	Nr of Projects total
101	Territorial planning - economy	1.458.360.432	2 652 773 632	139	146	4.111.134.064	285
106	Equipment – economy	21.265.091.916	16 606 702 812	3.259	1.503	37.871.794.728	4 762
202	Sanitation – environment	36.282.796	39 150 062	6	5	75.432.858	11
203	Living conditions – environment	80.769.929	651 955 261	9	18	732.725.190	27
207	Natural resource management– environment	1.894.471.954	1 281 613 789	211	88	3.176.085.743	299
304	Culture – social	1.161.331.978	694 149 884	139	41	1.855.481.862	180
305	Education – social	14.574.666.533	59 437 453 934	2.289	3.541	74.012.120.467	5 830
308	Hydraulic – social	3.753.416.794	5 271 764 729	578	271	9.025.181.523	849
309	Health – social	5.690.031.233	9 925 312 347	828	573	15.615.343.580	1 401
310	Sports – social	58.462.331	182 711 107	8	8	241.173.438	16
TOTAL		49 972 885 896	96.743.587.557	7 466	6.194	146.716.473.453	13.660

Source: ANICT

Ind 8.3.2. The Statistical Yearbook "Malikunafoni" 2002-2008 produced by the technical unit of the PRSP provides interesting background information. Knowing that the social indicators measured relate directly to services provided at local level (usually under the responsibility of LG despite incomplete transfers), it can be considered that these potential improvements are due in large part to the implementation of decentralisation.²⁷

The rate of assisted deliveries increased from 40 to 61% between 2002 and 2008, the coverage of antenatal care increased from 54 to 84%. The percentage of population with access to a health facility within 15 km from 68 to 86% (for the same indicator but for a radius of 5 km, it increased from 44 to 58%).

The number of primary schools increased from 3923 (incl. 3441 public schools) to 4687 (incl. 3921 public schools), which represents an increase of 14% of public schools. The level of enrolment increased from 1,3 to 1,8 million pupils in primary education. The gross enrolment rate increased from 67 to 80% between 2002 and 2008 and the net rate from 51% to 61%. The student/ teacher ratio decreased from 57 to 52. The percentage of households with access to safe water increased from 57% to 71%.

The result of the citizens perception survey (conducted as part of the 2011 assessment report decentralisation) confirms the positive opinion in terms of LG improving the level of service provided. Apart from the management of water points, more than 50% of the population is satisfied with the quality of decentralized services, 72% for school construction.

²⁶ Market place, transport hub, veterinary facilities, etc.

²⁷ For example, very few newly built schools are not under the responsibility of LG.

For example, the following table taken from a 2009 study on decentralisation in the education sector²⁸ shows the contribution of LG and "Cercles" councils to education (sample of 16 LG in three regions). This contribution of 15 EUR per student at LG level (21.000 EUR per year globally) is not negligible given the low budgets of LG. As a comparison, the effort of the central government in education for 7 to 15 year-old students was 56 EUR per student.

Table 6 Contribution of LG to the level of expenditures per student

(amount per student and in CFA)

	"Conseils de Cercle"	LG	LG > 2000 inhabitants	LG from 10000-20.000 inhabitants	LG < 10000
Operating expenses					
Teachers' salaries	75	525	45	285	1 245
Other expenses (subv. ECOM, facilitators, etc)*	-	545	345	179	1 110
Costs of organizing the exams*	121	301	183	201	521
Allocation of school supplies	211	343	375	73	580
<i>Sub-Total</i>	<i>407</i>	<i>1 714</i>	<i>948</i>	<i>738</i>	<i>3 456</i>
Investment expenses					
Classroom construction	1 645	5 920	2 975	5 175	9 610
Other constructions	332	2 064	447	809	4 937
Expenses on school furniture	156	811	-	1 050	1 384
Other expenses	-	-	-	-	-
<i>Subtotal investment</i>	<i>2 134</i>	<i>8 796</i>	<i>3 422</i>	<i>7 034</i>	<i>15 932</i>
Total (operating+investment)	2 541	10 510	4 370	7 771	19 388

* declarative elements that could not be verified in the administrative accounts

As already noted above, **the contribution of the EC/EU was instrumental in the provision of funds that have increased the level of services.**

²⁸ I&D 2009.

4 Conclusion concerning the hypotheses to be tested and main challenges to be discussed in the synthesis phase

The Mali case is characterised by a paradox: move from a decentralisation process supported politically by the national government to a decentralisation process driven by Development Partners.

Decentralisation was a major focus closely linked to the revival of the Malian society following the fall of the dictatorship of Sekou Toure in 1991. The orientations and actions of the government led by Professor Alpha Oumar Konare as well as the contents of the new constitution have ensured a strong political support to initiate the decentralisation process. It is noteworthy that the Malian authorities have received broad support from international donors to support this process.

Ten years after the establishment of local authorities, the situation has surprisingly reversed. The political will is lacking, decentralisation seems to have stalled, and many indicators illustrates the situation (for example, financial transfers from the state to LG stagnate and remain at a low level and an alternatives to temporary technical support system have not been established). Decentralisation is now actually supported by Development Partners rather than by the national government. DPs finance around 80% of the decentralisation process. A pause in donor support would definitely halt the decentralisation process.

However, LG are now rooted in the political landscape of the country and there have been three rounds of local elections. They somehow work in spite of several weaknesses and they have managed to significantly improve the level of services on their territory. Despite the incompleteness of transfers, they have assumed their new functions thanks to external financing. Yet, today, the limited financial resources as well as the brakes to the transfer of functions are an obstacle for them to operate efficiently and improve the quality of services they are supposed to provide.

Other achievements are noteworthy as: the establishment of the territorial civil service, the Centre for Training of Local Authorities and the devolution of the administration of the Treasury.

A major role of the EC/EU in the decentralisation process.

The EC/EU has supported since the start the Malian authorities in carrying out this process, implementing the necessary instruments (legislative, technical support facility, funding mechanism) and financing these instruments.

The EC/EU has managed to work over the long run and adapt its intervention. It has expanded its intervention from decentralisation to state reform which led to a better integration of both processes. Decentralisation can not be conceived independently of the evolution of the state in which it is situated, the synergy between decentralisation and devolution is indeed essential.

The EC/EU has been the spearhead for the design, implementation and funding of national tools. It has supported the system for technical support to LG and the creation of the National Investment Agency of Territorial Authorities (ANICT). It showed the example and the majority of partners have followed its path and join forces to support these various measures. The EC/EU financial contribution has been crucial for the sustainability of these systems and to support equalization of funds for LG.

The EC/EU was able to play the role of leader of DPs on decentralisation and became the main actor in the "sectoral" dialogue with national authorities. Thanks to its action, decentralisation has remained on the top of the agenda. The EC/EU has supported the national bodies in charge of decentralisation and state reform (DNCT and CDI) ensuring them to have a minimum of means and technical assistance despite the difficult environment.

An appropriate choice in terms of aid so far, but questions for the future.

The support of the EC/EU has evolved from a project approach to a sector budget support to finance the facilities for technical and financial support, coupled with a project approach for targeted institutional support. The results, in terms of achievements over the past ten years, are indisputable, despite the obstacles encountered in recent years and the lack of political support. Only the support for regions has been in the form of specific commitments of the EC/EU without an own management ensured by LG, a system that could be perhaps discussed.

The initial project approach modality has built the instruments of decentralisation and has supported their installation.

Budget support has strengthened this momentum and ensured the further development of national instruments to carry out decentralisation. This budget support has ensured (i) the fact that these instruments were functioning properly, (ii) equalization mechanism (between LG financial resources), especially in the early years, (iii) the establishment of another form of dialogue between DPs and the

national government on the implementation of decentralisation and state reform, putting it in front of its responsibilities. In addition, the disbursement rates are extremely good (over 90%) and key indicators have been achieved.

Despite these achievements, SBS is being seriously questioned. The two main reasons are: the lack of political will that results in solving the non-critical issues (which are the transfer of functions and financial transfers to LG) and the more global challenges in the reform of public finances that impact on the overall capacity of the State in all sectors.

Lessons learnt

The choices of the EC/EU have generally been relevant. But several lessons can be learned from the past experience:

- The support to the establishment of a temporary technical support to LG ("*centres de conseil communaux*" - CCC) was adapted to a situation of quick start-up of the "Communes". Neither the newly elected officials nor the hostile local administration were initially prepared for that change. Results of the CCC activities to develop the capacities of LG are generally assessed positive.
- But, stakeholders relied too much on this system and attempts were made to extend the use of this temporary system instead of working with all involved actors on a sustainable solution. The removal of this system in 2007 was done without the establishment of a satisfactory replacement solution.
- In this kind of process, it would be desirable to involve more the local administration from the start and ensure that it will have the resources to work with the new LG rather than relying on temporary project mechanisms. Project mechanisms cannot replace the advisory role to local actors which is required; they can only accompany the whole process. The cost of traditional project support could largely exceed the costs of setting up a sustainable system for LG capacity building.
- At its start, ANICT proved to be a powerful tool which allowed a rapid provision of funds to LG across the country. Without this instrument, and of course the financial support by DPs, LG would not have had the means to invest and improve the level of services on their territory as they did.
- The weaknesses observed in the field are primarily the result of a lack of monitoring by administrative bodies in charge of following-up LG and by ANICT's regional agencies. This problem could have been largely minimized if simple measures of control and monitoring had been implemented. For future similar support, it should be kept in mind that a proper monitoring system which would help to identify, trace and deal with problem areas must be established from the start and taken as a condition to continue the whole process.
- The traditional mechanisms for "static" M&E which consist in "photographing" a situation are insufficient to monitor the dynamics in place and to correct deficiencies. Monitoring tools of institutional capacity that can meet such needs exist and are well known but unfortunately not used.
- Over time ANICT became an all-powerful entity, whose mode of governance as well as its intermediation costs are increasingly questioned. The act of getting all the grants to municipalities through this single channel at the expense of using Treasury channels raises questions. LG lose financial independence, the abundance of their budget depends on (i) the decisions of the ANICT and (ii) conditions related to the use of these funds. Furthermore, the disproportionate increase in targeted funds (geographically or sectorally) compared with the unrestricted funds skews the "equalization scheme", and thus the equal opportunity for LG in access to finance, and reduce the decision-making power of LG in investment decisions on their territory.
- The ability to guide this process is key. The contribution of the EC/EU to the DNCT and CDI was instrumental in trying to develop and maintain a minimum of capacity at technical level. But this capacity could affect the decision-making and political level, the lack of effective inter-anchor is a major deficit. Weak associations of elected officials has not remedied this deficit. These associations consist of elected officials from majority party and are not ready to oppose themselves to the government.
- The experience of the SBS is certainly mixed, but its limitations are mainly due to the weak political situation of the moment. Sectoral dialogue is weak, but the experience on the choice of indicators and their assessment as well as the combination of fixed and variable tranches should improve the mechanism. The introduction of "conditionalities" could be suggested on

the most critical determinants for the continuation of the process and a stronger connection with the conditionality of budget support should be ensured. The logic of pursuing SBS is to continue to work on the long run in favour of an enhanced service delivery at local level, which goes through the capacity building of LG to provide these services and therefore the existence of sustainable instruments and resources at their disposal. The low current political support should not make stakeholders deviate from this direction.

- The **continuation of the SBS** could focus on the following:
 - *A work more focused on decentralisation and deconcentration in the sectors (health, water, education...).* It is indeed at the sector level that the transfer of functions and resources and the development of new procedures between LG, decentralized government services and users are important. The development and implementation of "2D" (decentralisation and deconcentration) operational plans could be an answer, provided: (i) they are not superficial plans and that all stakeholders are involved, (ii) both aspects of 2D are adequately integrated in a single plan. Initiatives carried out through the CDI are following this direction but they still need to be consolidated.
 - *A work focusing on territorialization of public policies through the regional level.* This work is complementary to the previous point. The aim is to get the actors in the different sectors to reflect on the implementation of national policies at regional level as part of a dialogue with the regions and other LG on the territory.
 - *The choice of indicators to reflect real progress in the process and not just a one-off assessment.* This is one of the difficulty to be resolved to improve the dialogue within the framework of the SBS.
- It is desirable to maintain the state reform and decentralisation at the top of the agenda of the **dialogue between DPs and Government**. The SBS can help for that.

5 Annexes

5.1 Annex 1: List of people interviewed

<i>Last name</i>	<i>First Name</i>	<i>Organisation</i>	<i>Designations</i>	<i>Date of interview</i>
Adama	Sissouma	DNCT	Directeur de la DNCT	11/05/2011
Dr. Brahim	Fomba	CFCT	Directeur CFCT	11/05/2011
Aguissa A.	Aziz	CDI	Commissaire Adjoint	11/05/2011
Elly Prosper	Arama	Confed	Coordinateur	12/05/2011
Bounafou	Touré	Cellule d'Appui à la Réforme des Finances Publiques	Coordinateur	11/05/2011
Ousmane	Coulibaly	Cellule d'Appui à la Réforme des Finances Publiques	Chef de division S&E	11/05/2011
Marimpa	Samoura	Cellule d'Appui à la Réforme des Finances Publiques	Chef de division études	11/05/2011
Mr.	Ballo	Cellule d'Appui à la Dec.		12/05/2011
Abdoulaye	Toure	Ministère des finances	Directeur Général du Budget	12/05/2011
Ibrahim	Coulibaly	Ader Nord	Coordonnateur national,	12/05/2011
David	MOGOLLO HUERTA,	EUD Mali	Chef de section développement rural et décentralisation	12/05/2011
Christophe	Casas	EUD Mali	Chargé de décentralisation	12/05/2011
Tierry	LAMBORION	Consultant	Assistant technique de la UE à la DNCT	
Mathias	Robert	EUD Mali	Chargé de programmes, économie du développement,	12/05/2011
Habas	Josette	Consultante		12/05/2011
Youssef S.	Konate	MATCL	Conseiller Technique chargé de la décentralisation	13/05/2011
Siaka	Camara	Tresor, DNCTP		13/05/2011
Mr.	Traore	CPS/MATCL		13/05/2011
FOFANA	Fily	Ministère de l'Education	CADDE-Education	13/05/2011
Modibo	Dolo	Plan		13/05/2011
Ibrahim	Mohamed	Association des Régions du Mali (ARM),	Président ARM, président AR de Tombouctou	16/05/2011
SEKOU	Fantamadi	Association des Régions du Mali (ARM),	Président AR de Koulikouro	
Michel	Francoys	CTB	Chargé de décentralisation	16/05/2011

DICKO	M. Allaye	PACT/GIZ	coordonnateur national	16/05/2011
CAFFERINI	Lionel	AFD	Directeur adjoint	16/05/2011
Boubaca	BA	Association des Municipalités du Mali	Président AMM et maire de la commune V	17/05/2011
Youssouf	Diakite	Association des Municipalités du Mali	Secrétaire permanent	17/05/2011
Allaye	Touré	Association des représentants de la société civile	Président	17/05/2011
Sidibé	Souleymane	CADD Hydraulique	chef Cellule	17/05/2011
Bréhima	Thiero	CADD Hydraulique		17/05/2011
Amadou	Imnar	CADD Hydraulique		17/05/2011
Youssouf	DIAKITE SP	Association des Municipalités du Mali (AMM)		17/05/2011
Ahmad	Fawaz	Socotec	Responsable de la mission de contrôle externe ANICT	17/05/2011

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- SNV, ECDPM, REDL (2007) :Mali: Comment évaluer les impacts de la décentralisation?
- SNV,CEDELO (2004): Decentralisation in Mali: Putting Policy into Practice.
- Union Européenne ; Warnier, Jean-Marcel ; Kreff, Martine (2006) : Mission d'Audit organisationnel et financier de l'Agence Nationale d'Investissement des Collectivités Territoriales - Rapport Final De Mission.
- World Bank/ Shah, Anwar, Theresa Thompson and Heng-Fu Zou (2004): The Impact of Decentralisation on Service Delivery, Corruption, Fiscal Management and Growth in Developing and Emerging Market Economies: A Synthesis of Empirical Evidence. CESifo DICE Report 2(1): 10-17.

5.3 Annex 3: Detailed list of EC-funded interventions

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount²⁹ (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Support for the start-up of communes in Mali	2000 - 2005	40,25	40,25	FED/1999/014-626	Top-down	N	Grant to GoM	Government, Republic of Mali
ADERE-North	2005 - 2011	5,87	5,21	FED/2005/017-650	Bottom-up	L	Grant to GoM	Private companies/ Dvpt agencies, Cooperation Technique Belge Ctb Sa
Support program for administrative reform and decentralisation (PARAD)	2005 - 2012	71,82	64,5	FED/2006/017-914	Top-down	N	Sector Budget Support + Grant for capacity building	Government, Republic of Mali
<i>Indirect interventions</i>								
Roundtable decentralisation	2005	0,04	0,04	FED/2003/016-487				
Supporting the development of municipal health strategies in Bamako and Ouagadougou	2009	0,93	-	DCI- NSAPVD/2009/021-107				

²⁹ This amount corresponds to the contracted amount as indicated in the EC CRIS database.

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Programme D'appui Au Démarrage Des Communes

Budget: 40.245.826 EUR

Start date: 2000

Objectives and expected results:

Overall objective:

- Help to improve the services of proximity ensured by the newly established local governments ("communes") with the overall objective of fight against poverty.

Specific objectives:

- Capacity-building of new municipalities (local level):
 - Development of the capacity (esp. "Maîtrise d'ouvrage") to manage the services on technical aspects, including participatory planning,
 - Development of the capacity (esp. "Maîtrise d'ouvrage") to manage the services on financial aspects (in particular, mobilization of local resources).
- Strengthening of the capacities to plan, coordinate and monitor the reform at the central level.

Expected results:

- The municipalities plan and implement their development programmes;
- The municipalities have adequate financial resources and implement investment budgets;
- Institutional capacity for consultation, planning, participatory planning, monitoring and execution of the process of decentralisation are strengthened at the level of the central government and its decentralised bodies.

Activities:

- The establishment of "local counselling centres" Centres de Conseil Communaux (CCC) to provide assistance to the local governments for the overall management of projects/ services ("Maîtrise d'ouvrage").
- The establishment of the National Coordination Unit (Cellule de Coordination Nationale - CCN) of the CCC.
- The establishment and staffing of the National Agency for Local Governments' Investment Projects (Agence Nationale pour l'Investissement des Collectivités - ANICT), the well-functioning of its structures, and the implementation a financial support facility for Local Governments' Investment Projects.
- Capacity building of line ministries ("services de tutelle" such as "Ministry of Territorial Administration and Security") and the Treasury. In addition, awareness campaigns are planned.
- The development, implementation and monitoring of procedures and management tools at the central level.

5.4.2 Intervention 2

Title: ADERE-Nord

Budget: 5.766.969 EUR

Start date: 2005

Objectives and expected results:

Overall objective:

- Promoting new regional development dynamics in the region of Timbuktu, Gao and Kidal and its possible replication in other regions of Mali.

Specific objective:

- Assist in the development of a network of institutional stakeholders, communities and actors of the private sector,

- Help them to work together so that they play their respective roles and develop common strategic plans of regional and local development that will be implemented thanks to the corresponding action plans.

Expected results:

1. To support the decentralisation at regional level

- The strategic development plans of the three northern regions are developed and the corresponding action plans are defined in a participatory sense;
- Regional assemblies of the three Northern Regions are reinforced;
- The central and decentralised territorial administration services have enhanced responsibility for their role in steering the reform and supervision;
- The private sector and non-state actors are mobilized, consulted and involved in regional development;
- The development partners work together to coordinate their actions around a shared approach.

2. To support the base municipalities

- Community initiatives are integrated into municipal development plans and the capacities of communities to make themselves heard are reinforced;
- Municipality initiatives are supported by sensitized municipalities, ensuring proper training of these initiatives in a strategic framework;
- The municipalities have enhanced powers to assume control of work in difficult areas for the benefit of Dhaka and Community Initiatives;
- The private sector and communities are mobilized, consulted and involved in the development of their municipality;
- Partners in development are associating to coordinate their actions around a shared approach.

Activities:

An **advisory support** at two levels:

1/ at central level, with the establishment of a "central unit support" to the DNCT in charge of:

- supporting the DNCT in reflections and production of notes and methodological techniques for the recognition of the territorial approach of the region;
- controlling and coordinating the activities of regional support units of Timbuktu, Gao and Kidal and especially to provide them with methodological support for the implementation of strategic development plans and the integration of community initiatives in the municipal development plans (elaboration of conceptual and strategic documents, notes and methodological tools to aid decision making);
- defining and monitoring the implementation of a strategy of training and communication of regional and local actors;
- coordinating and strengthening the support system at startup of Communes (NCC and CCC) and this especially in the context of actions for municipalities in favour for them
- promoting replication in other areas of development tools at the service of the 3 northern regions and their municipalities;
- supporting the three units in the regional develop specifications and coordinate programmes this year between the 3 regional units;
- ensuring coherence, synergy and complementarity between the different actions of development partners involved in the North.

2/ at the level of each region, through a regional support cell (ARC) to be established in order to provide:

- support to decentralisation at the regional level;
- support to grassroots communities.

A financial support that is organized into two components:

- Resources for institutional strengthening in the Northern Regions to enable funding of technical studies, training, communication actions, accompanying measures and preliminary studies for community initiatives and small equipment for the benefit of regional institutions

(decentralised and devolved) as well as activities relating to the definition of strategic plans of regional development.

- Particular attention will be given to supporting participatory process aimed at maintaining peace and the prevention of conflicts.
- A fund (8 million EUR), intended to co-financing of regional investment and community initiatives, housed at FICT and implemented by the ANICT.

5.4.3 Intervention 3

Title: Support programme for administrative reform and decentralization (PARAD)

Budget: 71.821.305 EUR

Start date: 2005

Objectives and expected results:

Overall objective:

- Improvement of service delivery ensured by local authorities.

Specific objectives:

- Strengthen the capacity of the supervisory authority in matters of council control.
- Steering and coordination of decentralisation.

Expected results:

- Participation of LG's representation at central level is facilitated.
- LG receive institutional support and closer monitoring by the deconcentrated state services as well as of the ministry of the local governance.
- DNCT features, uses and disseminates regular and detailed information of all aspects of the LG's activities (capacity control and coordination).
- DNCT provides material, financial and human resources, to realise its annual programs of activities, covering implementation, coordination and monitoring of the component "decentralisation" of PARAD.

Activities:

- Permanent technical assistance at ANICT and expertise mobilised on request of ANICT.
- Revision by the ANICT of criteria for determining the drawing rights of LG
- Training of agents of ANICT and decentralised services of the Treasury
- External audit of investments financed through permanent funding of the FICT fund: The audit shall cover the following issues: quality, cost, accessibility, attendance
- Revision of the feasibility criteria of the drawing rights for investment of the ANICT governed funds to take better into consideration participation and consistency with the sector policies and funds
- Development of criteria by ANICT of modulation of the amount of the contribution of communities according to national sectoral policies
- Developing and testing provisions governing the participation of communities for the programming of investments (in synergy with the ADERE program)
- Development of modalities for implementation of inter-communalities for some equipments
- Studies on the local economy for the development of income-producing investments
- Exchange operations with African and European communities: identification of good practices, mobilising expertise, training, other exchanges
- Study and consultation necessary for the implementation of procedures of coordination between initiatives of LGs and sectoral actions (including Hydraulic, health and education)
- Development of technical manuals for major equipments, for use by communities and works of masters (modeles plans and specifications detailed, current faults)
- Institutionalising participatory budgeting methods
- Development of manuals for managing services (direct management, Delegate and community) to use by communities
- Revision by ANICT of feasibility criteria of the applications of investments for a better consideration of the management services (financial and organizational feasibility)

- Formulation of national strategy for local resource mobilization
- Office supplies for LG representation association: AMM ACCRM and HCC
- Meetings, trainings and study tours AMM ACCRM et HCC
- Organisational audit plan and deconcentration of MATCL Plan transfer of resources to decentralized services
- Texts, manuals and training activities related to support and control in the use of decentralized services, local expertise
- Equipment and logistics of decentralized services (identification, acquisition, implementation). Computer: PO coordination and funding.
- National consultation of elected representatives on technical support and evaluation of CCC
- Finalization of the organisation of the support and institutional authority
- Periodic assistance to local and external development and sustainability of the base OISE
 - Additions / update existing data
 - Development of new ratios, adding new fields, on the basis of ANICT;
 - Development and management of an organization perennial (1) for data collection, (2) for the dissemination of data (internet publications and periodicals)
- Setting up the system of collecting data of the OISE base
- Training of operators responsible for collecting and processing OISE data.
- Training of central and decentralized services involved in the inheritance and use of OISE data
- Perpetuation of institutional positioning of the system for collecting, processing and dissemination of data about decentralization
- Ongoing technical assistance to DNCT and specific expertise mobilized at demand
- Communication actions necessary for coordination (publications, workshops and seminars, website maintenance)
- Equipment of the central services
- Exchanges with administrations supervising the sub-region (study tours, sub-regional workshops)
- Annual, mid-term review, annual PARAD audits.

5.5 Annex 5: Detailed country context

5.5.1 Introduction

The following text serves the purpose of tracing the evolution of the decentralisation process in Mali and providing the reader of this country note with an insight into the major institutions of decentralisation and their functions. Thus, the text is a summary of the following documents:

- *Catek Gouvernance Développement /Direction nationale des collectivités territoriales (2011), Etude sur le bilan et les perspectives de la décentralisation au Mali,*
- *Délégation de l'Union Européenne au Mali; Goby, Michèle et al. (2009). Evaluation à mi-parcours du programme d'appui au développement des régions du Nord (ADERE Nord). Rapport final.*
- *Délégation de l'Union Européenne au Mali; Goby, Michèle et al. (2009). Evaluation à mi-parcours du PARAD. Rapport final.*
- *Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation.*
- *Ministère de l'administration territoriale et des Collectivités Locales/Secrétariat Général (2009): Programme National d'appui aux collectivités territoriales 2010-2014.*
- *Primature/Ministre délégué à la réforme de l'Etat et aux relations avec les institutions (2003) : Programme de développement institutionnel.*
- *Commission Européenne (2011) : Evaluation des opérations d'aide budgétaire au Mali 2003-2009. Rapport de synthèse, version provisoire.*
- *Instruction N° 08-0003 / PM – RM du 21 novembre 2008 du Premier Ministre relative à la mise en œuvre des transferts de compétences et de ressources de l'Etat aux collectivités territoriales*
- *CDI, Flizot, Stéphanie (2010) : Etude sur la révision du système de fiscalité locale.*
- *Commission Européenne (2003): Stratégie de Coopération et programme indicative 2003-2007 Appendice 6 : La politique de décentralisation.*
- *Diawara, Diouf, Logie, Majerowicz, Pousse (2004) : Evaluation du dispositif d'appui aux collectivités territoriales du Mali. Rapport définitif.*
- *Convention de financement entre la CE et la République du Mali. Appui au développement des régions du Nord (Adere-Nord).*
- *Convention de financement entre la CE et la République du Mali. Programme à la réforme administrative et à la déconcentration (PARAD).*
- *Convention de financement entre la CE et la République du Mali. Programme d'Appui à la Réforme Administrative, à la Décentralisation et au Développement Economique Régional (PARADER). Annexe Dispositions techniques et administratives.*

Where considered appropriate, the most eloquent passages were extracted literally.

5.5.2 History and overview of the development of the decentralisation process in Mali

According to the introductory words of the strategic framework document of the decentralisation process (2005 DCPND): *"Decentralisation in Mali is the culmination of a long quest, which dates back to pre-colonial times. Since then, the various regimes that have succeeded have been working in the search for a decentralised model suited to socio-cultural realities of the country. Several models have thus been developed and some tested. All sought, in varying degrees, to adapt the Administration to the political context and to achieve a better harmony between the state and the citizen."*³⁰

It was only after the democratic revolution of March 1991 and the collapse of the centralised state, sole manager of public affairs, that a new vision of a political and institutional system of public management was possible.³¹

To understand the current political developments in Mali (2000-2010), one must go back to the revolution of March 1991 which allowed for the first time the full democratic opening. The country was

³⁰ Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation p. 5

³¹ Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation p. 6

then led by the Transition Committee for the Welfare of the People (CTSP) headed by Colonel Amadou Toumani Toure. By April 1991, a transitional government was appointed and political parties were allowed unrestricted. This movement was known as the "full democracy" (« démocratisation intégrale »). The CTSP has been organising the National Conference from July 29 to 12 August 1991. It has brought together 36 parties and 1070 associations and adopted notably a draft Constitution, a charter party and an electoral code. The Constitution of the Republic was adopted by referendum with 98,35% of the vote on 12 January 1992. It definitely avouches the multiparty system in its Article 28 and many other civic and social rights. Decentralisation is from this time on enshrined in the new Constitution (Article 97-8). As well explained by Catek Government Development, decentralisation "is seen as a strategic axe for building the "future" of the nation of Mali. Indeed, this choice made for the decentralisation reflects a broad consensus in society as it is seen as a response to the request for change, the emergence of a new government more democratic and for local economic development."³²

5.5.2.1 Phase 1: Designing decentralisation

Key elements of the institutional and territorial dispositions, such as the establishment of local governments and their democratically elected bodies, started to emerge in 1993³³. The implementation of the decentralisation reform in Mali is characterised by two major impulses:

- On the one hand the reform of decentralisation has been driven by strong political will manifested through the establishment of a project mission: The '*Mission of Decentralisation and Institutional Reform (MDRI)*'. The MDRI, whose work was completed in 2000, was mandated to design and prepare the implementation of decentralisation. In this context, it conducted baseline studies, initiated the legal arsenal of the reform and worked in the mobilisation and involvement of all stakeholders (state services, civil society organisations, community leaders and technical partners and financial) in the reform.³⁴
- On the other hand, there was a willingness to involve stakeholders in the process of designing the reforms and the delimitation of the new territorial entities. Thus, institutional reform has been discussed with the entire social body including the political class across the reference group (national level) and study groups as well as mobilisation groups (regional and local level). The geographic definition and delimitation of different territorial entities were conducted in a participatory process.³⁵

Until 2001, decentralisation took shape through a series of significant developments in the field of legal, administrative, institutional and political planning³⁶ :

In the field of legal planning: An arsenal of legislative texts and regulations have been developed and adopted, making a total of around twenty laws and decrees, substantially influencing the political, administrative and institutional set.

In the field of administrative planning: The country's territorial organisation was significantly reviewed. In particular, the definition and geographic delimitation of different territorial entities have been carried out in a participatory process: the institutional reform has been broadly discussed with the civil society including the political class through the "reference group" (at national level) and the "study and mobilisation groups" (at regional and local level, highlighting 761 local governments divided into three categories: the "**Commune**" (703 entities), the "**Cercle**" (49 entities) and the "**Region**" (8 entities), as well as the *District of Bamako* (assimilated as a region). With the first local elections of 1999, the 761 local governments were equipped with legislative and executive bodies that still ensure to this day their functioning.

In the field of institutional planning: in 2000, the reform process lead to the creation of the "Ministry of Territorial Administration and Local Governments" (MATCL) and the attached "National Directorate of Local Governments" (DNCT). The MATCL is the supervisory authority of local governments. The DNCT has a key role in the design and implementation of the decentralisation process: it does not

³² Catek Gouvernance Développement /Direction nationale des collectivités territoriales (2011), Etude sur le bilan et les perspectives de la décentralisation au Mali, p. 24, 25

³³ See also : Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation p. 7-9.

³⁴ Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation p. 8

³⁵ For the creation of local governments, a strong criteria used by the Government of Mali has been freedom of villages / fractions to get together to form the basic territorial unit and to appoint its town chief.

³⁶ Voir aussi : Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation p. 7-9

only watch over the application and development of the regulatory framework applicable to the Local Governments (LG) but is also responsible for strengthening the decentralisation process, by: 1) supporting the LG so that they can carry out better their functions and 2) enhancing the cooperation between the LG and between the LG and other institutions. In addition, a "National Agency for Local Governments' Investment Programmes" (ANICT – "Agence Nationale d'Investissements des Collectivités Territoriales") was created (and attached to the MATCL). The High Council of Authorities (HCC), set up in April 2001, ensures the representation of authorities at national level.

In the field of political planning: The management of the new local governments is ensured by elected bodies (for a five-year term; elections correspond to direct universal voting, for municipalities, and indirect voting, for "cercles" and regions).

5.5.2.2 Phase 2: Implementation of the decentralisation process

The second phase in the process of decentralisation is the operationalisation of the reform, which starts with the establishment of institutional bodies, in particular the installation of deliberative councils of elected representatives as well as the taking over by permanent structures, ensuring the relay of the MDRI, notably the MATCL, the DNCT and ANICT. The challenge of this second phase was the initiation of decentralisation, with the definition of the outlines of the process with its objectives, strategic axes, programmes and action plans.

But it is only in 2005, with the adoption of the "2005-2014 Framework Document of the National Decentralisation Policy" (DCPND), that Mali adopted a strategy of decentralisation for the following 10 years. This document describes the overall strategic and operative system of implementation of the decentralisation reform. It aims to investigate the connection and consistency with sectoral policies and in particular the reform of deconcentration of the government.³⁷

The DCPND (2005-2014) is articulated around four key strategic axes:

- capacity building of political and administrative staff in the of decentralised local authorities;
- improvement of deconcentration of governmental administrative and technical services;
- development of local citizenship;
- capacity building of private service providers of local level.

Systems implementing the DCPND are divided into two separate action programs, one aiming at decentralisation, the other at deconcentration:

- The National Program of Support to LG, of which Phase III began in 2010 (part decentralisation);
- The Institutional Development Program (PDI) (part deconcentration).³⁸

Regarding the transfer of power at sectoral level, three decrees from 2002 are ordering the transfer of power to local authorities in the three priority sectors: education, health and water. However, the actual transfer of functions and resources is only to be set up in a third phase of the decentralisation process.

5.5.2.3 Phase 3: Consolidating Decentralisation and accelerating Deconcentration

As the evaluation report of the SBS indicates: « *Radicale dans sa conception de l'autonomie locale, immédiate dans sa généralisation (décentraliser tout le pays et en même temps), mais progressive dans sa mise en œuvre, la décentralisation doit aujourd'hui répondre à des exigences en matière :*

- d'affermissement de la démocratie locale (libre administration et gestion démocratique),
- de renforcement des moyens des LG comme acteurs du développement (transferts de compétences et de ressources par l'Etat, effectivité de leur maîtrise d'ouvrage, mobilisation de ressources locales),
- d'amélioration de leur contribution à la réduction de la pauvreté (accès des populations aux services de base, création et pérennisation d'équipements, de richesses et d'emplois locaux) »³⁹

³⁷ Commission Européenne (2011) : Evaluation des opérations d'aide budgétaire au Mali 2003-2009. Rapport de synthèse, version provisoire, p. 63

³⁸ Voir aussi : Ministère de l'administration territoriale et des Collectivités Locales/DNCT (2005): Document cadre de politique nationale de décentralisation

³⁹ Commission Européenne (2011) : Evaluation des opérations d'aide budgétaire au Mali 2003-2009. Rapport de synthèse, version provisoire, p. 62

The Ministerial Instruction no 08-0003 of November 21, 2008 "related to the transfer of state competences and resources towards local authorities"⁴⁰ provides new impetus to the process of transfer of competences which began to falter. One factor behind this slowdown is the weakening of political support at President Amadou Toumani Toure's assumption of office. The instruction from 2008 sets up the administrative and institutional measures as well as measures related to financial and human resources transfer, such as:

- The implementation of three-year-plans for the transfers of state competences and resources to local governments. These plans are established within each sector ministry
- The establishment of a support unit of the decentralisation and deconcentration in each sectoral ministry
- Preparation of draft decrees laying down details of the transfer competences in sectors concerned⁴¹

5.5.3 Legislative and regulatory framework for decentralisation in Mali

The strength of the Malian decentralisation process is the inclusion of the decentralisation principle in the Constitution of the Third Republic (art 97-8) as the mean of administrating the country. Thus, the foundations for all future legislation and institutional organisation are established.

5.5.3.1 Legislation

The decentralisation reform is supported by a legislative and regulatory infrastructure. The table below lists the most important ones.

Table 7 Selection of most important decrees and laws regarding decentralisation

1993-2001
The principle and conditions for the administration of local government (Law 93-008 of 11 February 1993, amended December 1996);
Law No. 95-035 of 12 April 1995 Local Authority Regulations;
Officials of the Local Authorities (Law No. 95 022 of 30 May 1995);
Conditions of appointment and duties of state officials in Local Authorities (Law No. 95,210 of May 30, 1995);
The special status of the District of Bamako (Act No. 96 of February 2, 1996);
The conditions and terms of provision of Local Authorities of the decentralised services of the State (March 1996);
The establishment and management of the Local Authorities (Law No. 96 050, 16 Octobre 1996).
The fiscal resources of local authorities (the fiscal resources of municipalities (Act No. 044 of July 7, 2000),
Décret 313, 314, 315, 4-6-2001 : fixant les détails des compétences transférées de l'Etat aux LG en matière d'éducation, santé, hydraulique rurale et urbaine
2002-2011
Décret N° 02-313/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux Collectivités Territoriales en matière d'éducation
Décret N° 02-314/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux Collectivités Territoriales des niveaux, commune et cercle en matière santé.
Décret N° 02-315/P-RM du 04/06/2002 fixant les détails des compétences transférées de l'Etat aux collectivités Territoriales en matière d'hydraulique rurale et urbaine,
Loi n° 07-072 du 26 décembre 2007, art.4: dotation d'investissement des LG, dotation pour la garantie des emprunts des LG, dotation pour les appuis techniques, dotation pour l'appui au fonctionnement des LG, dotation pour l'intercollectivités.

5.5.3.2 Election of 1992, 1999, 2004 and 2009

Since the start of reform, four elections were held: in 1992 for the 19 urban municipalities only, in 1998/1999, 2004 and 2009 for all local governments.

⁴⁰ Instruction Ministerielle 08-0003 relatif aux transferts des compétences et des ressources de l'Etat aux collectivités locales.

⁴¹ See also : Instruction N° 08-0003 / PM – RM du 21 novembre 2008 du Premier Ministre relative à la mise en œuvre des transferts de compétences et de ressources de l'Etat aux collectivités territoriales.

The installation of local bodies totalling 10,752 elected representatives and numerous development activities that the elected representatives carried out have helped to entrench the democratic process in Mali.

The local elections mobilise the entire political class and a considerable number of voters (in 2009 44.61%⁴² of voters were counted) with a consistently higher participation of women.

The proper functioning of the elections, the voter participation rate and an impressive renewal of the elected in the elections of 2004 and 2009 are indicators of the continuity of local authorities as an institution. Local authorities have begun their third term in 2009 which allows observing developments, in particular to note the increased awareness by citizens of the existence of local institutions.

The high turnover of elected representatives from one election to another (at least 60% in the national average) helped to strengthen the role of the institution "local authority" regardless of the persons who embody it. This high turnover has however obvious drawbacks, the loss of capacity and experience, which is seen by residents concerned about the proper management and development of their LG.

5.5.4 The actors and institutions of decentralisation

The diagram below illustrates the institutional framework of decentralisation in Mali. The roles and function of various institutional actors of decentralisation are described in more detail in this chapter.

The law 96-059 from November 4, 1996 establishes LG, which materialises in 703 local authorities, including 682 new municipalities which were added to the existing ones in Bamako. The community is a voluntary association of several villages and nomadic groups. The municipality has the responsibility to provide a forum for consultation, arbitration and coordination to promote local development. The 703 municipalities are integrated within a wider local government composed of 49 "cercles", 8 regions and the Bamako district.

Despite their categorisation of urban or rural and their practical diversity (size and area), the municipalities obey to the same model: as they are equal in rights they have the same organs and the same powers as set out in the Code of Local Authorities as a general competence clause (article 14 of the local authority code). Such a clause legitimates their intervention in all areas affecting their development.

This also holds for "cercles" and regions (local authority code art. 83 or 131). Their mandate of local authorities is submitted to the electors every 5 years.⁴³

The "study on the local tax system" describes well the situation in terms of territorial fragmentation:

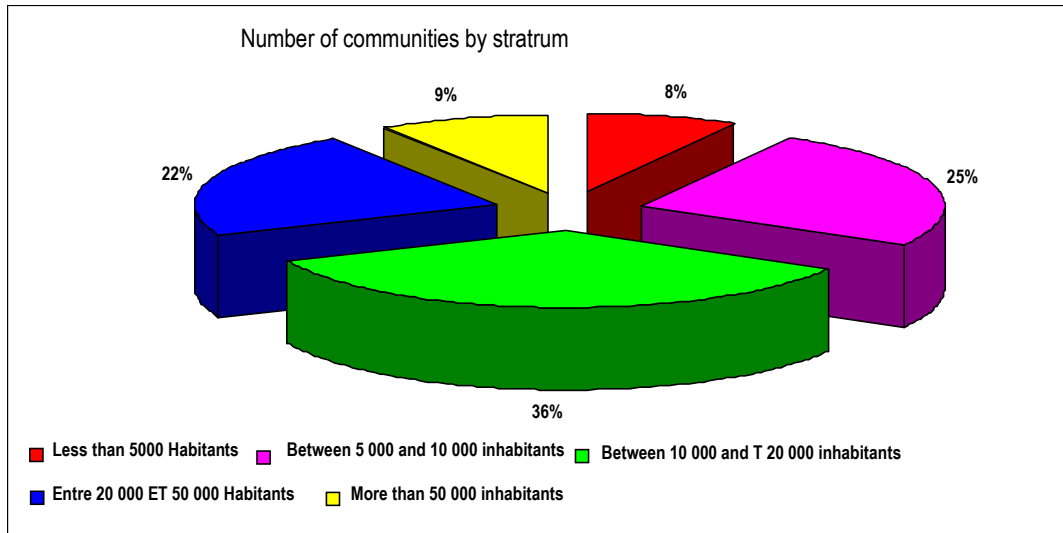
"A major challenge for the management of the town is now the size of municipalities. 523 municipalities have less than 20 000 inhabitants, three quarters of Communes). Small municipalities (fewer than 10,000 inhabitants) alone represent 36% of municipalities, more than a third. Indeed, the small size of some municipalities is an impediment to their viability.

The 2009 census include:

- 8% of municipalities with less than 5000 inhabitants (62 municipalities)
- 25% of Communes between 5000 and 10 000 inhabitants (191 municipalities)
- 36% of municipalities between 10,000 and 20,000 inhabitants (270 municipalities)
- 22% of municipalities between 20,000 and 50,000 inhabitants (168 municipalities)
- Only 9% of municipalities with more than 50 000 inhabitants."

⁴² sources : MATCL, Rapport de synthèse des résultats officiels des élections communales du 26 avril 2009

⁴³ See also: Flizot, Stéphanie : *Etude sur la révision du système de fiscalité locale*, p. 7-10



Source: ANICT, calcul : Flizot, Stéphanie : *Etude sur la révision le système de fiscalité locale* , 7

The functioning of local authorities

The Constitution stipulates that local authorities are self-governing through elected representatives assemblies or elected councils and that their deliberative bodies elect their own executive bodies:

At the "communes" level: The communal council is elected by direct universal suffrage on the basis of list of candidates. The voting system is proportional. The number of Councillors to be elected depends on the population of the "commune". The range of Councillors ranges from 11 to 45 members. Once the board is in place, it elects Mayor and the deputies who constitute the board or the municipal executive body. Like the number of Councillors, the executive body size varies between 3 and 5 depending on the population of the "commune".

At the "cercles" level: The district council is composed of communal councillors elected by local councils by secret ballot. The range is 2 to 5 representatives. The council of the "cercle" shall elect, once in place at its first meeting, the executive body: the Chairman and two Vice-Presidents.

At the "regions" level: The Regional Assembly, a body of free administration of the region is composed of Councillors from "cercles" elected by secret ballot by the elected councils of "cercle" level in the region. The number of representatives per "cercle" council depends on the demographics and varies from 2 to 4. The Regional Assembly shall elect its chairman and two Vice-Presidents.

Local authorities are endowed with financial autonomy and legal personality. As such, they identify and organise hierarchically independently their development priorities, develop and implement their budgets in accordance to the rules of public accounting. Following this principle, no local authority may exercise tutelage or hierarchy over another.

If each local authority is autonomous in its management, the fact remains that the powers are exercised under the control of the state and under the conditions laid down by law. This means a legal control exercised by the government representative on the actions and bodies of local associations. This control is either a priori or a posteriori. There may never be an arbitrary control. In addition to the control of legality, the authority is supposed to support and advice the LG.

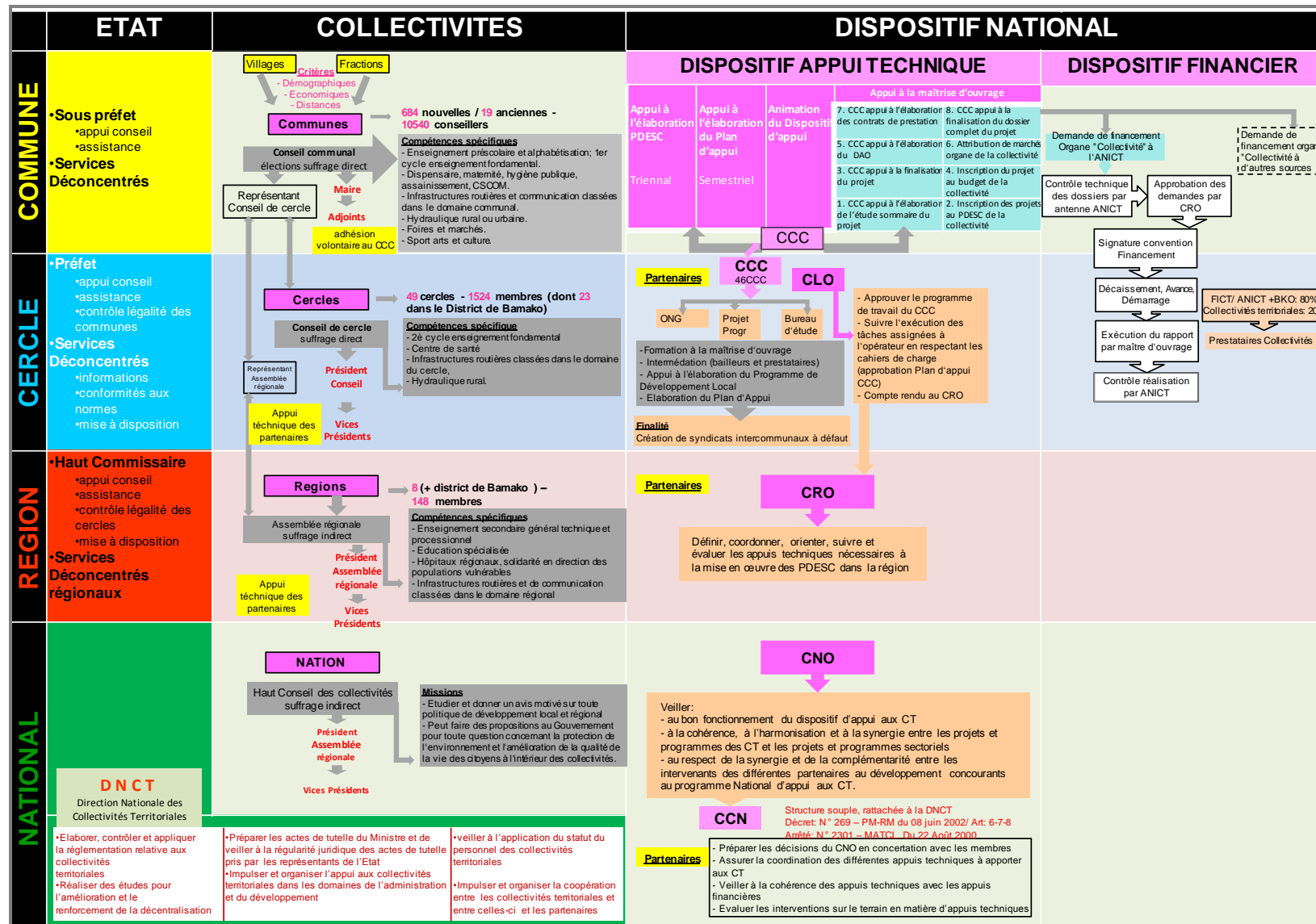
5.5.4.1 Functions and powers of local governments⁴⁴

General functions, belonging to all categories of local government without distinction, are the following:

- drawing a development program and management plan of land or space;
- preparation, voting and implementing the budget and accounts;
- creation and management of customised services and agencies;
- setting tax rates and taxes to the extent permitted by law;
- loans, loan guarantees and equity participation;

⁴⁴ See also : Commission Européenne (2003): *Stratégie de Coopération et programme indicative 2003-2007* Appendice 6 : *La politique de décentralisation*, p. 56-58

Figure 2 Institutional organisation of decentralisation in Mali



- regulation of the administrative police;
- acceptance or rejection to legacy.

Specific functions⁴⁵ related to the position and role of each category of local authorities in the territorial administrative hierarchy are listed in table below. It is to be noted that there is today in many cases a transfer under the law but which has not yet been complete in practice. Indeed, the progressive transfer is planned and adjusted, in particular in targeted areas such as education, health, water and natural resource management.

<i>Commune</i>	<i>Cercle</i>	<i>Region</i>
Preschool education	Second cycle of basic education	Secondary, general, technical and vocational education
Literacy	Health centres	Special education
First cycle of basic education	Infrastructure in the cercle	Regional hospitals
Clinics and maternities		Solidarity towards vulnerable populations
Community health centres		oad infrastructure in the region
Roads in the municipality		Tourism
Public transport		Energy
Rural and urban water supply		
Fairs and markets		

The resources allocated to local associations⁴⁶:

The resources of local authorities include:

- The budgetary resources from the state transferred to the LG:
 - the general decentralisation fund based on the principle that any transfer of competence from the state to the LG must be accompanied by a transfer of resources
 - special grants from the state for the operation and / or investment.
- Fiscal resources:
 - State tax transfers to decentralised authorities
 - direct taxes and indirect.
- Products by nature:
 - operating income and tariff revenue
 - financial products and income from field.
- Loans for investment and cash flow (gross revenue collection of the operating section of the budget allocated to the investment community).
- Donations and bequests and other resources (grants of the national investment agency ANICT, partners and other subsidies).

The body representing local authorities at central level:

The presence of authorities at national level is ensured by two kinds of bodies representing different status and functions:

- The High Council for LG (HCC) is one of eight institutions of the Republic fixed by the Constitution of 1992 (art. 99-105). Its role is to ensure the institutional representation of territorial LG. Being elected by all councillors and having an advisory role on all policies of regional and local development, it can also make proposals to the Government in matters concerning environmental protection, improving the quality of life within LG.
- **Association of the Regions of Mali (ARM) and the Association of Municipalities of Mali (AMM).** These common law associations assume the following roles: 1) representation and advocacy of their members, 2) support and advice in the areas of information, training and communication, 3) promotion of partnership between the Malian and foreign LG.

⁴⁵ See also: Décrets 313, 314 et 315 du 4 juin 2002 fixant les détails des compétences transférées de l'Etat aux collectivités territoriales en matière d'éducation, de sante et d'hydraulique rurale et urbaine.

⁴⁶ See also : Commission Européenne (2003): Stratégie de Coopération et programme indicative 2003-2007 Appendice 6 : La politique de décentralisation, p. 56-58

5.5.4.2 The main national bodies

The Ministry of Territorial Administration and Local Government (MATCL) and the National Directorate of Local Authorities (DNCT)

Existing department to decentralisation reform, the Ministry of Territorial Administration and Local Government (MATCL) is the supervisory authority of local governments. Its role is that of assistance and advisory support to local councils and the judicial review at the regional level.

Established in 2000, the National Directorate of Local Authorities (DNCT) plays an important role in the design and implementation of the decentralisation process. More specifically, it is responsible for:

- Developing, monitoring and enforcing regulations to local authorities.
- Conducting studies to improve and strengthen the decentralisation.
- Preparing documents for guardianship of the Minister and to ensure the lawfulness of actions taken by the supervising state officials.
- Promoting and organising support to local authorities in the areas of administration and development.
- Ensuring implementation of the staff regulations of local authorities.
- Promoting and organising cooperation between local authorities and between them and the partners.

However, the DNCT does not have its own representations at a regional and local level and the question arises at this time to establish a General Direction and to devolve to the regional level.

The Institutional Development Commissariat (IDC)

Created by Ordinance No. 01-22/P-RM 20 March 2001, the Institutional Development Office's mission is to develop the state reform and the implementation of the devolution of services of the State and to ensure coordination and oversight in its implementation. Major mission to strengthen

- the process of democratisation under way with the emergence of a civil society to participate more in public policy development,
- the institutional and organisational capacity of state and local governments taking into account the policies of decentralisation, devolution and privatisation.

As a service within the Ministry of Labour, Civil Service and State Reform (MTFPRE), the IDC is responsible for developing the elements of the modernisation of the State, for ensuring coordination and monitoring its implementation. It must therefore give new impulsions but also watch over synergy between stakeholders. This is questionable when seeing its current status, the location within the ministerial hierarchy and the own limited response capacities.

5.5.4.3 National systems of support to local authorities

To support the decentralisation process and more specifically at the territorial level, initially two instruments of financial and technical support to local authorities were created. They support LG in carrying out their responsibilities, especially in project management.

The financial arrangements

On a financial level, the **National Investment Agency of Territorial LG (ANICT)** was established in 2000. ANICT is a national institution of an administrative nature, endowed with legal personality and financial autonomy, oriented sustainable, financially responsible for supporting all three levels of local government. It is under the supervision of the MATCL.

To this end, the Agency receives different financial resources, of these are major grants from the state and its development partners. Originally designed to administer the grants allocated to the implementation of the investments under management responsibility of the LG under the **Investment Fund for Local Authorities / FICT**, ANICT expanded its role. Since 2007 it manages the endowments of the **National Fund for Support to Local Authorities / FNACT**, successor to the FICT, in principle through five wickets:

- Provision of Technical Supports FNACT (DAT)
- Provision of Investment FNACT (DIN)
- Staffing of the Inter Community FNACT (DIC)
- Support Operation (DAFCT)
- Guarantee of borrowings (DGECT)

However, only two are functional allocations to date:

- The DIN (formerly FICT), which has historically benefited the most from general, sectoral or geographical state funding as well as from technical and financial partners; It is based on the same principle as before the FICT, i.e. the investment in project management of LG
- The DAT which was created following the retirement of the CCC to allow councils to ask for technical support as needed.

The other three allocations of the FNACT have no resource and remain ineffective so far.

Each LG has a right to draw for the mobilisation. This requires the expression of a demand from the LG for an investment that has to be carried out within the boundaries of the community and has to be included as investment in the local development programme that has to be approved by the local council representation.

The **National Guidance Committee**, established in 2000, comprises representatives of local authorities, ministries and professional organisations and civil society organisations. The NOC is responsible for setting policy action of the support to LG. It has branches at the regions and "cercles", the Regional Committees and Local Orientation (CRO, CLO). The role of these is the decision of investment financing by the ANICT at different territorial levels as well as coordination and supervision of the technical to the municipalities, the municipal council centres.

The technical arrangement

The **Centres for Communal Councils (CCC)**: In parallel to the financial mechanism, a support system to control the municipal authority was established in 2000, the Centres for Communal Councils. These were introduced on "cercles' level" and their expertise was to be mobilised at the request of local municipalities. This device had the objective of assisting the municipal authorities, newly established and not prepared, even hostile, to the decentralisation process.

The CCC was designed as a transitional device until a final takeover by the municipalities. This technical support facility marked therefore the will of the government and its partners to build community support for their daily implementation work in order to be able to manage immediately the funds and investments that allow the LG to realise the first actions of the communal life.

Originally scheduled for 3 years, the device has finally come to an end at the end of 2007.

Box 2 Centres for local advice (CCC – "centres de conseil communaux")

Analysis extracts made in the assessment of support mechanisms for local governments in Mali:

This device is particularly ambitious and original installation. Rather than replace the LG and local services that can take on, it was preferred to enhance the skills present in the medium to promote the sustainability of the support. Similarly, and in continuity with this original approach, the CCC were identified among the structures operating in different "cercles" to take advantage of their knowledge of the environment and its actors. Thus a twenty-funded operators fifteen separate DPs is responsible to perform the functions assigned to CCC in the 49 "cercles" making up the country.

The cost of a CCC, composed of 3 to 4 frames, which follows from 12 to 15 municipalities, 30 million returns each year to be between 2 and 2.5 million per municipality per year. 15 of 49 CCC was funded by the 8th EDF.

Each CCC was entrusted to an operator already established in the "cercle", or NGOs, consultancy or project, selected on the basis of precise specifications.

The end of the mandate of the CCC has been resulted for many local authorities in a deficit in technical support.

Following the end of the CCC different option have been adopted to provide local authorities with needed support and advice. One has been the creation of technical services at the governors and prefects. One thing is though, that state officials, which are making up poles are inadequately trained, supervised and equipped to provide assistance and advice.

Another way chosen by the LG was to group municipalities in regional inter-organisational unions. To date there 46 unions exists.

However we must still note the lack of knowledge of the local actors of principles and procedures when it comes to creating, organising and running of the inter-organisational structures. Common services created difficulties in operation due to the weakness of their own technical capabilities and lack of technical and financial support.

Enabling LG to have clean and efficient technical services also involves initial and continuing training of their agents. With this in mind, the **Training Centre of the Local Authorities (CFCT)** was established in 2007.

Monitoring and evaluation

To monitor the performance of local authorities, the DNCT has established a monitoring and evaluation mechanism built around a **Computerized Monitoring and Evaluation Tool (Outil Informatisé de Suivi Evaluation - OISE)**. The database OISE is the reference tool at national, regional and local levels to drive the device to support local authorities and provide the information needed to drive the decentralisation.

The database OISE is an ambitious tool and it has been less and less used since the end of mandate of the CCC, due to a lack of capacity of actors within the LG information.

5.5.4.4 Instances of consultations and meetings multi-stakeholder

The design and implementation of a reform such as decentralisation and reform of the state affecting all levels of government and a majority of sectors and involving a multitude of actors, requires steering bodies, coordination and exchange.

Thus, there are consultative bodies at different levels and involving multiple actors in policy dialogue, e.g.:

- The panel of decentralisation and reform of the state, held biannual, is a place of exchange between the government and sectoral ministries. It also includes DPs.
- Annual Review of decentralisation and institutional development.
- The sectoral Roundtable of decentralisation brings together official representatives of decentralisation in the DPs.

5.5.5 Deconcentration and state reform

To succeed, the decentralisation process - initial engine of reform of the state - must fit into a broader movement to modernise central, devolved and decentralised governments.

The finding of a consubstantial relationship between decentralisation and deconcentration led Mali to see the reform of the state as the major axis of its overall policy. Thus, the Strategic Framework for the Fight against Poverty (PRSP) in Mali, approved in 2002, defines institutional development, improved governance and decentralisation as its first line of intervention. It thus confirms the decentralisation and institutional development in their role as tools to fight poverty.

The component 'devolution' of this reform movement is realized through the Institutional Development Program (PDI), adopted in 2003. It forms the counterpart of PNACT, dedicated to supporting decentralisation.

The PDI 2003-2013, adopted in 2003 by the government is part of a new sectoral policy that the Malian government has made in governance and modernization of the functioning of government. It aims to initiate a process of institutional reforms with particular emphasis on the reform of the devolution of central services essential to the success of decentralisation.

The five strategic areas of PDI:

- Reorganisation of central government and strengthening public management (6.1),
- Strengthening devolution (6.2),
- Consolidation of the decentralisation (6.3),
- Upgrading and strengthening human resource capacity (6.4),
- Communication and relationships with users (6.5).

The PDI is driven by the Commissioner of Institutional Development and operationalized in multi-annual operational programs, the PO-PDI 2006-2009 and 2010-2013.⁴⁷

The Government Action Plan for Improvement and Modernisation of the Public Finance Management / PAGAM-GFP, adopted April 20, 2005 is the component "Public Finance" in the PDIs. The relationship between these two programs is essential since the decentralisation and deconcentration / effective state reform are in need of an adapted public finance framework. Indeed, the mobilisation of financial resources from LG depends crucially on the financial services reform in the state on the territory.

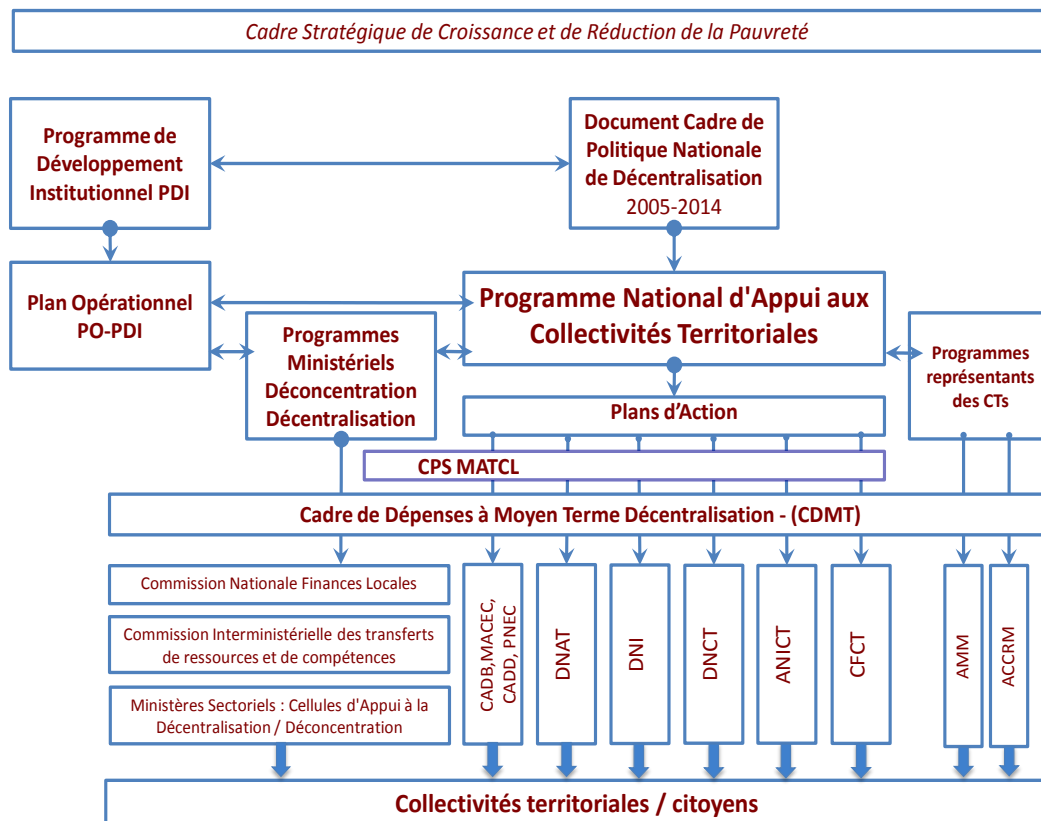
⁴⁷ Voir: *Primature/ Ministre délégué à la réforme de l'Etat et aux relations avec les institutions (2003) : Programme de développement institutionnel.*

Technical enterprise is more impervious to the eyes of the people that decentralisation, state reform inevitably encounter resistance to change, both in civil society, especially in departments slow to mobilise. She now faces a deficit in capacities of structures responsible for its implementation and a lack of vision shared by all players.

To reinvigorate the reform process including the transfer of skills and resources sectors, the Prime Minister in November 2008 published a statement on the implementation of transfer of skills and resources to the development establishment of an Inter-ministerial Commission for controlling the transfer. Following this statement, units supporting decentralisation (CADD) were created in departments whose responsibilities have been transferred by law to LG (including health, education and water). The CADD has as objective to develop and implement triennial plans to transfer skills and resources.

The diagram below shows the institutional process of decentralisation and deconcentration.

Figure 3 The Reform of the Malian State



5.5.6 Progress to date

Nearly 20 years after the launch of a comprehensive project to reform, decentralisation has become an institutional reality, the process is irreversible and the gains for stakeholders, including local authorities are indisputable.

However, if a legislative and institutional framework for decentralisation is existing, there is now the major constraints that hinder the effectiveness and efficiency of operation of a state with several territorial levels. The challenge in coming years will be the acceleration of the effective transfer of financial and human resources and improving the knowledge and skills of those territorialized, both services of local authorities and decentralised services of the State of Mali. Decentralisation is now heavily funded by the scope and technical and financial partners of Mali. To ensure the viability and autonomy of LG on a financial plan, it will be essential to raise own tax revenues to municipalities in the coming years.

5.5.7 EC/EU support

The European Commission has contributed early in the process of decentralisation in its implementation and its development through funding and technical support, including the decentralisation mission and institutional reforms.

Following the first elections in 1999 and the effective implementation of local authorities, the EC/EU contributes to strengthening the capacity of the Malian state and provides technical support and financial services to municipalities created through the project « **Appui au démarrage des communes** ». This project finances then both counselling centres and municipal investment fund, FICT, which is distributed through the ANICT.

Mali was the first country in the world for which the EC/EU has used the SBS-specific decentralisation and reform of the state: the SBS '**support program for administrative reform and decentralisation (PARAD)**'. The SBS Decentralisation aims to strengthen the institutional framework of governance in a context of poverty reduction through improved administrative capacity to design, manage and coordinate policies and actions in favor of establishing effective decentralisation. This budget support is accompanying a component of institutional support and is completed by a specific support project for the three northern regions, the program **ADERE North**.

The EC/EU support through a sector budget support continues in the program PARADER (2010-2014). The aim of this SBS is to continue to fuel the reform of decentralisation and the state by adding a component to 'regional economic development'. This should allow local governments to make infrastructure investments and develop the local economy.

5.6 Annex 6: Mali in brief

5.6.1 Overall information

Mali is a vast landlocked country with an area of 1.241.238 km². It is located in the Sudano-Sahelian region of West Africa and shares 7.000 km border with Algeria, Niger, Burkina Faso, Côte d'Ivoire, Guinea, Senegal and Mauritania. Its estimated population in 2011 is nearly 14 million people. It knows four major agro-climatic conditions that are:

- the Sudano-Guinean south, 6% of the country with 800 to 1200 mm of annual rainfall;
- The Sudanese zone in the centre, 17% of the country with 600 to 1000 mm of annual rainfall;
- the north Sahelian zone, 26% of the country with 200 to 600 mm of annual rainfall;
- the Saharan zone, north of Timbuktu and Gao, 51% of the country with 200 mm rainfall.

On a hydrographical level, Mali is watered in its southern and central part by the Niger river (about 1 700 km) and Senegal river (800 km) and tributaries.

Figure 4 Map of Mali



Table 8 *Essential facts and figures*

<i>The main ethnic groups in Mali</i>	<i>% of population</i>
Mandé	35 %
Soninke	15 %
Fulani	17
Sonrhais	6 %
Tuaregs and Moors	10 %
Others	5 %
<i>Religions in Mali</i>	
Islam	90%
Pure animism	9%
Christianity	1%
<i>The main languages</i>	
French (official)	
Bambara	80%

Source : World Factbook CIA

5.6.1.1 Demography

Mali is characterised by:

- A very young population: the median age is 15 years and the cohort of 0-15 year olds represent 48% of the population while those over 60 years are 3%;
- A population that consists mostly of women: women represent 52% and they live on average 51 years against 47 years for men;
- A high birth rate: a crude birth rate (49.5 per thousand) and a fertility rate (6.4 children per woman);
- A high mortality rate but declining (16 per thousand). Infant mortality (0-5 years) remains a concern at 107 per thousand;
- Concentration of people in the South: the population distribution according to the eight administrative regions of the country is as follows: Sikasso (18%), Ségou (17%), Koulikoro (16%), Mopti (15%), Kayes (14 %), District of Bamako (10%), Gao (4.9%), Timbuktu (4%) and Kidal (0.4%);
- Low incidence of family planning with 7% and excision remains a widespread practice.

5.6.1.2 The Malian economy

In economics, it should be noted that despite the global economic crisis and an unfavorable regional context (insecurity in the Sahel, political crisis in Côte d'Ivoire), Mali remains on a growth trajectory with an appreciable rate which rose by 4.5% in 2009 to 5.8% in 2010. This increase in growth between 2009 and 2010 is attributable mainly to primary and tertiary sectors whose growth rates were respectively 11.5% and 4.5% in 2010 against 5.6% and 3.5% in 2009.

- Regarding the service sector, the continued progress in the fields of mobile telephony and information technology and communication (ICT) partly explains the good performance of the sector.
- As for the role of the primary sector in the economic growth, this is also a constant in Mali: the primary sector occupies about 85% of the population and provides about 80% of national GDP (about \$ 400 per capita).
- Even if the secondary sector is somewhat in recession over the past three years, Mali remains the third largest African producer of gold after South Africa and Ghana with an output of 46 tons in 2010.

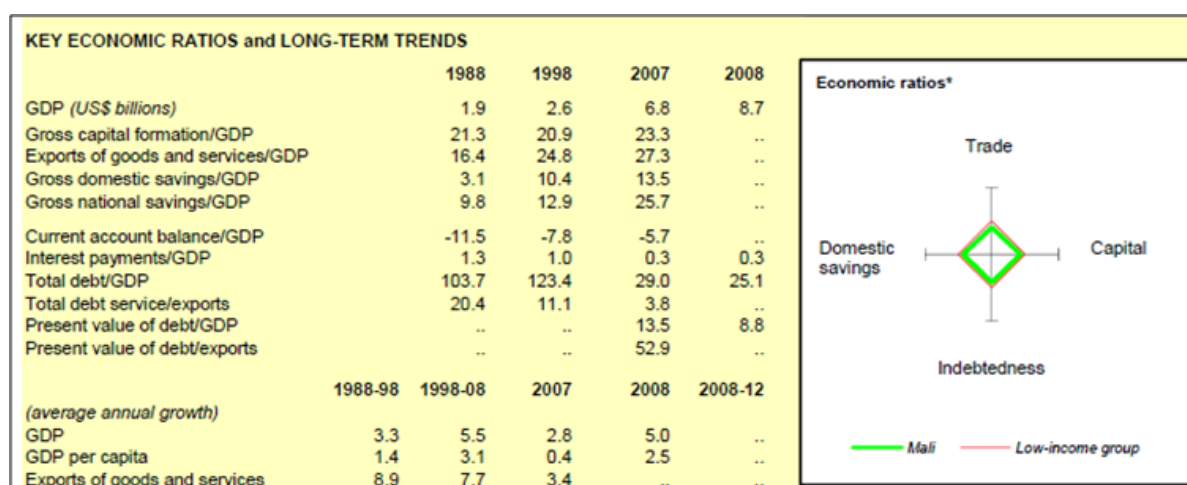
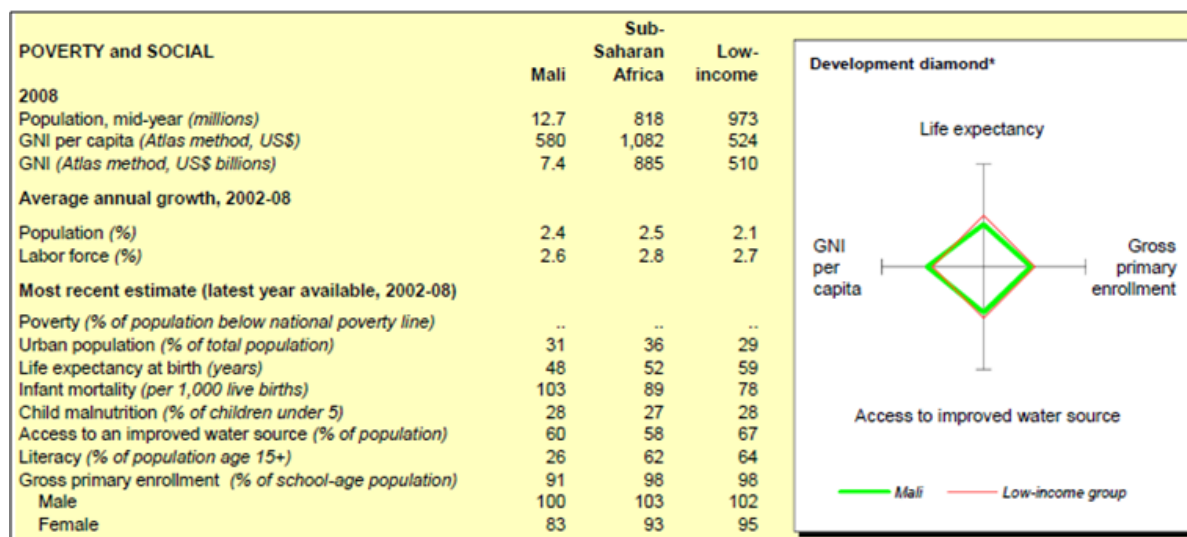
5.6.1.3 The weight of agriculture in the economy

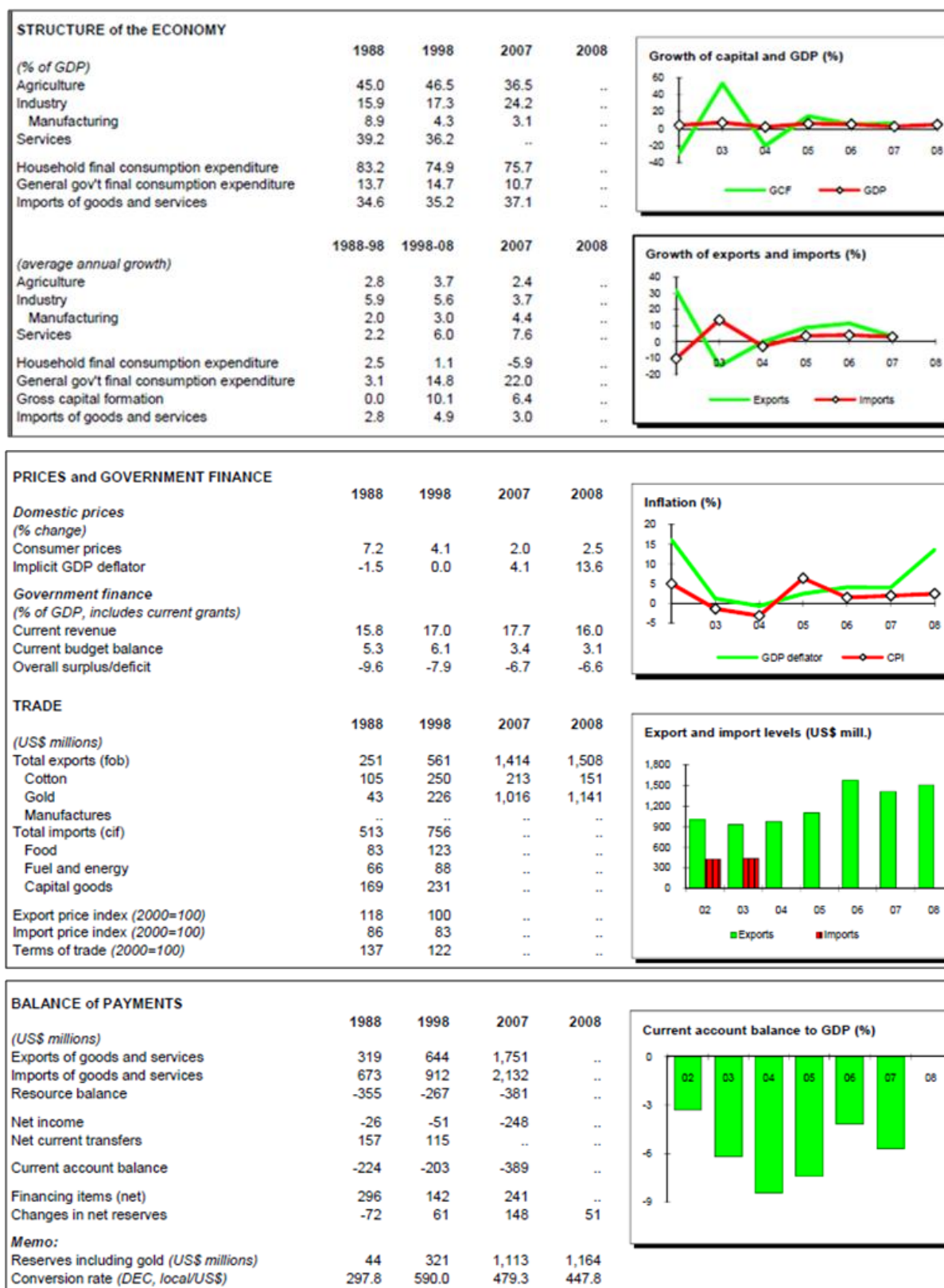
Agriculture represents 22% of Mali's exports and is practiced by 630 000 small family farms of 9 to 10 people.

- Three million hectares annually are highlighted, with 90% for crops (millet, sorghum, and rice mainly). These cereals are the staple diet of the Malian population, however, remaining heavily dependent on a more and more erratic rainfall.

- **Livestock** is the second largest sector of rural production. The types of livestock farming are sedentary and nomadic grazing which is nomadic or semi nomadic with nearly 75% of the livestock (cattle, small ruminants and camels). Livestock production is estimated at 277.1 billion CFA. It is the main source of income for 30% of producers.
- The contribution of fisheries to the national economy is estimated at about 22.1 billion or 3.4% of GDP in 2008. The average national production of fish is estimated at 100,000 tons per year, which makes Mali one of the leading producers of freshwater fish in Africa. The fishing industry would employ 500,000 people, of these 120,000 fishermen.

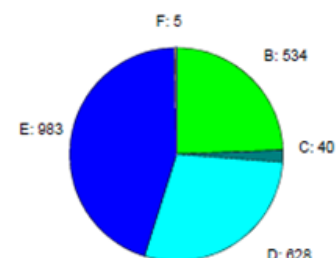
5.6.2 Socio-economic data





EXTERNAL DEBT and RESOURCE FLOWS				
	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	2,020	3,205	1,985	2,190
IBRD	0	0	0	0
IDA	390	1,009	452	534
Total debt service	78	82	67	68
IBRD	0	0	0	0
IDA	5	16	3	4
Composition of net resource flows				
Official grants	190	202	724	647
Official creditors	112	52	210	204
Private creditors	-2	0	-1	-1
Foreign direct investment (net inflows)	7	9	73	127
Portfolio equity (net inflows)	0	0	-6	0
World Bank program				
Commitments	100	22	203	117
Disbursements	61	48	139	88
Principal repayments	2	9	0	0
Net flows	59	39	139	87
Interest payments	3	7	3	4
Net transfers	56	32	136	83

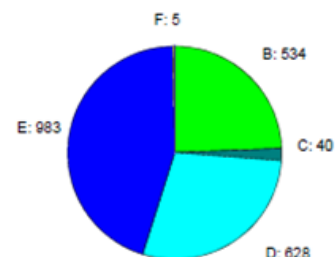
Composition of 2008 debt (US\$ mill.)



A - IBRD
B - IDA
C - IMF
D - Other multilateral
E - Bilateral
F - Private
G - Short-term

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Composition of 2008 debt (US\$ mill.)



A - IBRD
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D - Other multilateral
E - Bilateral
F - Private
G - Short-term

Note: 2008 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete

Source: Development Economics LDB database.

5.7 Annex 7: Other annexes

5.7.1 Indicateurs PARAD

		Population access to basic services covered by the LG	
		1	Villages with at least a functional point of drinking water
2	Prenatal consultations	% of women having at least one consultation during their pregnancy	
		Average number of prenatal visits / woman	
3	Girls' schooling		
Decentralisation policy			
4	Quality of local governance	% of regular meetings held by local councils	
		% of PV drafted by the municipal executive and forwarded to the parent	
		% of administrative accounts produced by the community	
5	Own resources per inhabitant LG		
6	Transfers from the state to LG		
Interdependence decentralisation-devolution			
7	Assistance in project management of LG	% of LG having access to assistance	
		% of LG satisfied with the assistance	
8	Budgetary decentralisation of ministries (operating funds)	MATCL (hors DNAT)	
		MEF (hors DGBE et DGCE)	
		DNPD (ex-MPAT)	
		MA	
9	Decentralisation of ministries' employees	MEA	
		MATCL	
		MEF	
		MPAT	
		MA	
		MEA	
State Reform			
10	Commissioning of 31 revenue-Perceptions		
11	Computerisation of administration		
12	Deadlines for public procurement		

5.7.2 Frameworks for the decentralisation and state reform

Common Frameworks		
Monitoring Committee for State Reform / CSRE (2006)	<ul style="list-style-type: none"> Chair : Prime Minister Members : all concerned ministries Biannual frequency 	<ul style="list-style-type: none"> Oversee the implementation of programs of decentralisation and state reform Oversee the implementation of PARAD
Panel of donors (2006)	<ul style="list-style-type: none"> Alternative chair : CDI et DNCT Biannual frequency 	<ul style="list-style-type: none"> Promote information and donor coordination in the field of state reform and decentralisation
State Reform		

Coordination Committee of the Programme of institutional development / CCPDI (2006)	<ul style="list-style-type: none"> • Chair MTFPRE • Members: Representatives of the State of LG, the private sector, trade unions and civil society • Frequency Quarterly 	<ul style="list-style-type: none"> • Ensure coherence of reform policies and their implementation by relevant stakeholders • Assisting the Minister for Reform of the State in the implementation of PARAD
Decentralisation		
National Orientation Committee of technical support to LG / CNO (2000)	<ul style="list-style-type: none"> • Chair MATCL • Members: ANICT, DNCT, DNP, MA, ministries, OP, civil society • Biannual frequency 	<ul style="list-style-type: none"> • Coordinate, direct, monitor and evaluate the necessary technical support to LG • Participate in Ccpdi • Participate in Steering Committee PARAD
PARAD		
Steering Committee (2006)	<ul style="list-style-type: none"> • Chair alternating CDI DNCT, Vice President DGB • Members: CDI, DNCT, ANICT, MA, ACCRM, HCCT, MEF, PRSP, sectoral ministries, DUE • Quarterly Frequency 	<ul style="list-style-type: none"> • Monitor program performance • Review monitoring reports • Alert the political authorities if necessary • Make recommendations
Annual Review (2006)	<ul style="list-style-type: none"> • Joint Forum State / EU Commission 	<ul style="list-style-type: none"> • Check the satisfaction of general conditions and specific tranches and the achievement of indicators • Determine the amount of tranches • Make adjustments

5.7.3 Extracts from the assessment report about budget relief in Mali 2003-2009

Table 9 Budgetary efforts of the Malian government for the decentralisation policy from 2000 to 2010 (domestic financing of the state budget)

Designations	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Ordinary expenses											
Grants to local LG	0	1.350.000	1.400.000	1.442.000	1.485.260	1.485.260	1.485.260	1.435.260	1.402.239	1.402.239	1.507.538
Support of supervisory structures of LG	0	625.000	800.000	824.000	848.720	782.795	1.000.744	1.025.762	1.065.463	1.050.053	1.120.604
National Directorate of Local Authorities	5.768	45.981	51.360	82.153	66.887	65.092	75.184	113.953	102.375	100.569	99.708
National Agency for Investment in territorial LG	0	0	50.000	50.000	51.500	51.500	71.500	73.500	71.127	76.000	76.000
Center for territorial community education	0	0	0	0	0	0	0	0	0	100.000	114.839
Credits transferred from the Ministry of Education to LG within the financial law	0	0	0	0	0	0	0	0	0	0	80.599.924
Crédits transférés par le Ministère de la Santé aux collectivités dans la loi de finances	0	0	0	0	0	0	0	0	0	0	1.554.000
Total ordinary expenses	5.768	2.020.981	2.301.360	2.398.153	2.452.367	2.384.647	2.632.688	2.648.475	2.641.204	2.728.861	85.072.613
Investment expenses											
Support of the National Directorate of Local Authorities	28.500	30.000	0	0	0	0	0	0	0	0	0
Support for the establishment of LG	957.500	1.000.000	900.000	1.050.000	1.270.000	1.270.000	1.270.000	1.837.000	1.634.638	2.250.000	1.800.000
Réhabilitation des infrastructures de tutelle des collectivités	0	750.000	630.000	700.000	700.000	700.000	900.000	970.000	915.530	700.000	750.000
Multi-Sectoral Development Programme for the Decentralisation in Koulikoro	9.500	10.000	0	0	0	0	0	0	0	0	0
Support programme for the decentralisation in the region of Koulikoro	0	0	0	0	0	0	100.000	0	0	100.000	40.000
Construction Center of Elected	0	0	0	0	0	0	0	0	112.361	150.000	100.000
Project for the support of economic and regional Development and decentralisation	0	0	0	0	0	0	0	0	0	100.000	100.000
Total capital expenditure	995.500	1.790.000	1.530.000	1.750.000	1.970.000	1.970.000	2.270.000	2.807.000	2.662.529	3.300.000	2.790.000
Grand Total	1.001268	3.810.981	3.831.360	4.148.153	4.422.367	4.354.647	4.902.688	5.455.475	5.303.733	6.028.861	87.862.613
<i>Grant for LG + implemented support</i>	<i>957.500</i>	<i>2.350.000</i>	<i>2.300.000</i>	<i>2.492.000</i>	<i>2.755.260</i>	<i>2.755.260</i>	<i>2.755.260</i>	<i>3.272.260</i>	<i>3.036.877</i>	<i>3.652.239</i>	<i>3.307.538</i>

Table 10 External financing included in the state budget for the decentralisation (2000-2010)

Designations	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Project support to the rural LG of Tombouctou	995.000	756.000	524.000	523.000	0	420.000	0	0	0	0	0
Project support to the rural LG of Mopti	0	1.083.000	306.000	482.000	395.000	150.000	60.000	0	0	0	0
Multi-Sectoral Development programme for the Decentralisation in Koulikoro	212.000	140.000	140.000	212.000	0	0	0	0	0	0	0
Support-Program for the development circle in Menaka	1.500.000	1.022.000	586.000	0	0	0	0	0	0	0	0
Promotion of decentralisation	700.000	400.000	400.000	0	0	0	0	0	0	0	0
Support for the implementation of communes / ANICT	0	0	14.152.639	8.293.000	5.303.000	9.376.000	1.816.000	2.931.000	4.781.000	14.562.000	5.422.000
Projet d'Appui au processus de décentralisation au Mali	0	0	0	0	139.000	0	134.000	0	0	0	0
Project to support the local development of the 7th region	0	0	0	800.000	0	0	0	0	0	0	0
Program to support decentralisation in Koulikoro	0	0	0	0	0	0	1.148.000	351.000	1.492.000	1.141.000	54.000
ANICT/FICT/FAT/AC	0	0	0	0	0	0	9.116.690	7.504.593	7.008.180	4.878.307	2.509.035
Support for the regional development of the north	0	0	0	0	0	0	0	0	595.920	525.000	442.771
Support program for economic and regional Decentralisation and development	0	0	0	0	0	0	0	0	0	3.097.000	1.350.000
National Directorate of Local Authorities (PACY)	0	0	0	0	0	0	0	0	0	0	16.967
Total⁴⁸	3.407.000	3.401.000	16.108.639	10.310.000	5.837.000	9.946.000	12.274.690	10.786.593	13.877.100	24.203.307	9.794.773

Sources: Ministry of Economy and Finance (for the "Grant for LG + implemented support": recalculation by the team).

⁴⁸ Cumul période 2000-2010: 119.946.102.



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United Kingdom

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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Peru**

Prepared by: Philip Bøttern

September 2011

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

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List of Abbreviations

AGORAH	Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion den las Regiones de Ayacucho y Huancaveloca
AMARES	Apoyo a la Modernización del Sector Salud y su Aplicación en una Región del Peru
AMPE	Asociacion de Municipalidades de Peru
AMRUVACH	Asociación de Municipalidades Rurales del Valle de los Chankas
CAF	Andean Development Corporation
CCI	Intergovernmental Coordination Council
CGR	Contraloría de la República - the Auditor General of the Republic
CIES	Consortium de Investigacion Economica y Social
CND	Consejo Nacional de la Descentralización
COMDE	Consejo Municipal de Desarrollo Educative
CPG	Body of Public Managers
CSP	Country Strategy Paper
CTAR	Transitory Council of Regional Administration
CTB	Belgian Development Agency
DIRESAS	Dirección Regional de Salud
EC	European Commission
EFLCPE	Focused Strategy to Combat Poverty
EQ	Evaluation Question
ETIS	Task Force for Social Investment
EU	European Union
EUD	Delegation of the European Union
EUR	Euro
FAO	Food and Agriculture Organization
FEMULP	Federacion de Municipios Libres de Peru
GBS	General Budget Support
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
GoP	Government of Peru
HRM	Human Resource Management
HRM/D	Human Resource Management and Development
IADB	Inter-American Development Bank
IGV	Impuesto General a las Ventas (Value Added Tax)
IMC	Inter-Ministerial Commission
IMF	International Monetary Fund
JC	Judgement Criterion
JCI	Juntas de Coordinación Interregionales (Interregional Coordination Bodies)
Jica	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (German Bank for Reconstruction)
LA	Local Authorities
LAP	Local Development Plans
LBD	Ley de Bases de la Descentralización
LFA	Logframe
LG	Local Government
LGA	Local Government Association
M&E	Monitoring and Evaluation
MCLPP	Mesas de Concertación de lucha contra la Pobreza
MdE	Modernisation of the State Programme
MEF	Ministerio de Economía y Finanzas (Ministry of Economy and Finances)
MINSA	Ministerio de Salud (Ministry of Health)
MoH	Ministry of Health
MUNIRED	Red de Municipalidades de Peru
NGO	Non government Organisation

NSA	Non State Actors
PADs	District Development Plans
PAN	Programa Articulado Nutricional (EURO-PAN)
PASA	Programa de Apoyo a la Seguridad Alimentaria
PCM	Presidencia del Consejo de Ministros
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIB	Producto Interno Bruto (Gross National Product)
PMdE	Programme for Modernisation of the State
PMGSB	Improvement Plan for Basic Social Spending
PNDC	National Capacity Development for Public Administration and Governance of Regional and Local Governments
PP	Participatory Planning
PRES	Ministry of the Presidency
REMURAY	La Red de Municipalidades Rurales de Ayacucho
REMURPE	Red de Municipalidades Urbanas y Rurales de Peru
ROM	Result Oriented Monitoring
SBS	Sector Budget Support
SdD	Secretaria de Descentralización (Decentralisation Secretariat)
SECO	Economic Cooperation and Development Division at the Swiss State Secretariat for Economic Affairs
SERVIR	Initiative to improve the civil service in a comprehensive and continuous services to the citizens
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank

Note: The Evaluation uses the common acronym "EC/EU" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the European Commission (EC)/ European Union (EU) to delivery its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to Peru had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To asses if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting this country as one of the field studies were:

- Example of interventions following a **bottom-up** entry point;
- **Continuity in the support** to decentralisation over the past decade;
- Illustration of the context of EC/EU support in **South America**.

The field visit was undertaken between 13/06-22/06/2011. The evaluation team was composed of Philip Bottern (team leader), Tino Smail (evaluation consultant) and Ricardo Vergara (national consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Peru has specifically looked into the following aspects:

- The implementation and results of a regional decentralisation programme ("*Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion den las Regiones de Ayacucho y Huancaveloca*", AGORAH) implemented in two regions in Peru (Huancavelica and Ayacucho);
- The approaches followed in EC/EU sector programmes in the framework of a decentralised public sector in development.

Based on the above, two working hypotheses have been made for the field visit to Peru.

The Delegation of the European Union (EUD) has implemented the AGORAH programme from 2004 to 2008 in two regions of Peru with the objectives to "*contributing to the improvement of the living conditions in the regions of Ayacucho and Huancavelica through the application of a model of socio-economic development with a regional scope*"². The intention for the EC/EU with bottom-up programmes is however also to draw lessons that can be used in national programmes. This had led to the first hypothesis for the field phase:

- **Hypothesis 1:** The bottom-up entry point gives the EC/EU valuable experiences on decentralisation processes, which can be used later in formulation and implementation of national decentralisation programmes.

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

² Some smaller projects are also financed by the EC/EU to support development at the local level (regions, local government), which also have a bottom-up entry point.

The second hypothesis is based on the information from the EC/EU during the desk phase that there has been a continuous support to decentralisation for the last 10 years starting with the "*Programa de Apoyo a la Seguridad Alimentaria*", PASA (1997-2007):

- **Hypothesis 2:** The continuous support of the EC/EU to decentralisation has enabled it to have an influential role on the decentralisation policy agenda and has allowed the EU to intervene in support to decentralisation through a multi-level approach.

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in Peru.

During the field phase, the team, in addition to continued document review, also interviewed key persons in ministries, development partners, non government organisations (NGOs) and research institutions with relevant and extensive knowledge of the decentralisation process in Peru.

A few interviews were carried out as focus group meeting, but the preferred technique was individual in-depth interviews focused on the relevant EQs and the working hypotheses. The de-briefing, the final day of the mission, was arranged with participation of a large group of the key staff in the EU delegation³. A list of people met can be found in Annex 2. The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency.

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. The team relied extensively on the related reports attempting to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue also centred around distilling broader lessons and themes rather than focussing on the minute details of the selected projects.

To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation portfolio of the EC/EU. Rather it is an attempt to learn from the Peru experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

³ In the meeting the team's findings and different aspects of decentralisation including EU's evolving policy approach during the last 10 years were discussed and the implications of the different interventions from the EC/EU in Peru related to decentralisation.

2 Short description of the country context

2.1 Short description decentralisation process in the country

The country has faced the dilemma of being a decentralized state virtually since the beginning of the Republic (1821). The efforts initiated by the various governments for decentralisation were eventually dropped or failed to lead to concrete decisions until recently. In 2002, a constitutional reform was initiated and completely changed the chapter of the constitution on decentralisation from 1993. This new situation established a path for implementing the decentralisation process and an independent body, the National Council for Decentralization (CND), was established at central level to lead the process.

At that time, the most important transformation was the creation of an intermediate level of government by the establishment of “regions” through voluntary aggregation of departments. For this purpose, it was decided, as a first step, to create elected regional governments and as a second step, it was proposed to hold referendums to approve the aggregation of departments in regions. The first step was implemented without problems. But, in the referendums held in 2005, the population rejected the formation of regions and, as a result, the intermediate level of government consists of “*regional governments*” installed in “*departments*”. The formation of regions remains an open issue.

The structures of the various levels of government (incl. their powers and functions) were gradually defined through the enactment of a number of laws between 2002 and 2007. The table below gives an overview of the evolution of the legislative framework related to decentralisation in Peru over the past decade.

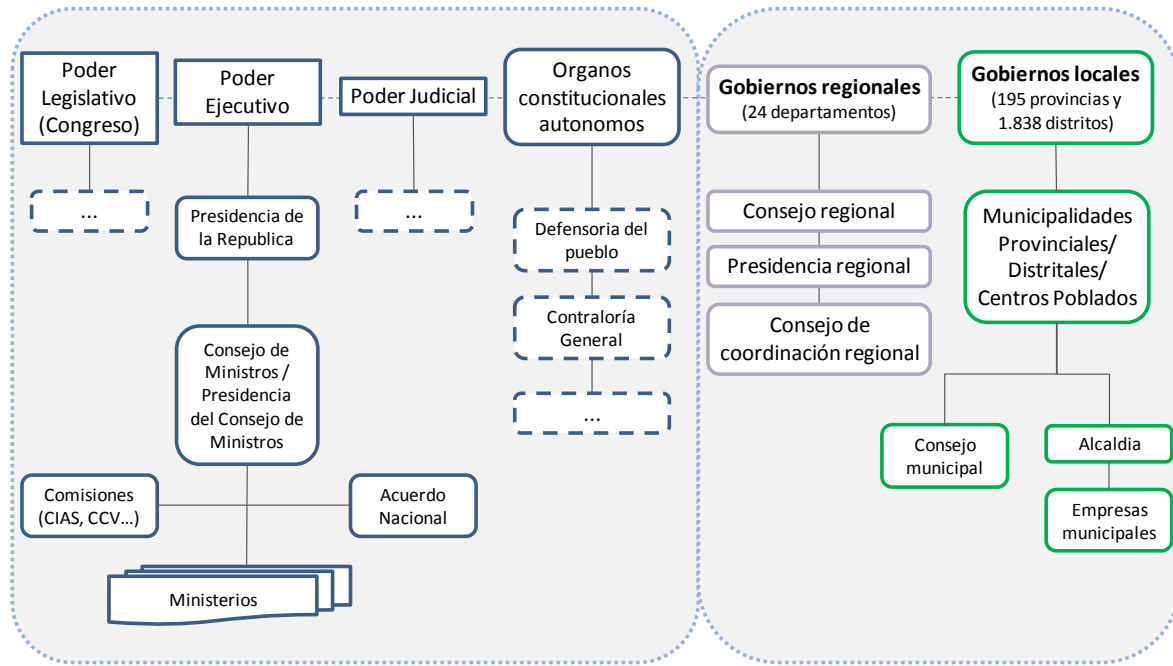
Table 1. Evolution of the legislative framework related to decentralisation

Year	Law (and short description)
2002	Ley de Bases de la Descentralización – LBD
2002	Ley Orgánica de Gobiernos Regionales
2002	Ley de Elecciones Regionales
2002	Ley Marco de Promoción de la Inversión Descentralizada
2003	Ley Orgánica de Municipalidades
2003	Ley Marco de Presupuesto Participativo
2004	Ley de Descentralización Fiscal
2004	Ley de Incentivos para la Integración y Conformación de Regiones
2007	Ley Orgánica del poder Ejecutivo (precisa la organización del Gobierno Nacional y se enumeran las competencias de este nivel de gobierno)

Departments (and their named regional governments) form the intermediate level of government. Municipalities form a third level of government at “local level”. However, Municipalities actually belong to three different levels: the *provincial municipalities*, the *district municipalities* and the *town (“centros poblados”) municipalities*. This situation, coupled with the vast heterogeneity that exists in the size of the provinces and districts, makes it difficult to get a coherent policy for the local level of government.

After the referendums to form regions failed, the new national government elected in 2006, deactivated the CND and replaced it by the National “*Decentralisation Secretariat*” under the direct supervision of the Presidency of the Council of Ministers. It is expected that this institution that will lead the future progress of decentralisation.

Figure 1 Organisation of the state in Peru



Source: Particip analysis (based on information available at www.peru.gob.pe).

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC/EU-funded interventions directly aiming at supporting the decentralisation process in Peru.

Table 2: List of the major EC/EU-funded interventions

Intervention title	Budget (mEUR)	CRIS Decision Nr.	Comment
Programa de Apoyo al Desarrollo Socio-Económico y a la Descentralización en las Regiones de Ayacucho y Huancavelica - AGORAH	13,0	ALA/2003/005-758	Grant to Government of Peru (GoP), with a component of targeted Budget Support to the two beneficiary Regions
Fortalecimiento de capacidades nacionales y regionales para la implementación, seguimiento y evaluación de políticas públicas multisectoriales	0,92	DCI-ALA/2007/019-475	Grant to GoP, support to the national "Decentralisation Secretariat" (under the Presidency of the Council of Ministers)
Fortalecimiento de Capacidades en la Oferta y la Demanda de la gestion por resultados en 4 Regiones	0,350	DCI-ASAPVD/2008/157376	Consortium de Investigacion Economica y Social - CIES
Fortalecimiento de Capacidades de Autoridades y Funcionarios Locales de la Region Puno	0,15	DCI-NSAPVD/2011/236-682	Gobierno Regional Puno
Fortalecimiento de Gobernabilidad: Gobiernos Regionales con Mayor Capacidad de Gestion Transparente	0,139	DCI-NSAPVD/2009/205-138	Transparencia
Fortalecimiento de Capacidades a Actores Estatales de Municipalidades Rurales y Urbano-Marginales en Primera Infancia	0,138	DCI-NSAPVD/2010/236-681	Kallpa
Fortalecimiento de Gobiernos Locales para la Gestion del	0,133	DCI-NSAPVD/2010/236-684	Centro de Investigacion y Capacitacion Campesina

Desarrollo en el Marco del Proceso de Descentralización en La Mancomunidad de Saywite Choquequirao Ampay de la Region Apurimac			
Desarrollo de capacidades de autoridades y funcionarios municipales y de la Sociedad Civil para el ejercicio de la gobernabilidad democrática en los municipios	0,13	DCI-NSAPVD/2008/020/083	Promocion y Capacitacion para el Desarrollo Asociacion
Fortalecimiento de Capacidad de Gestion para el Desarrollo de la Mancomunidad Azucarera de la Region Lambayeque-Marel	0,123	DCI-NSAPVD/2009/205-147	Mancomunidad Azucarera de la Region Lambayeque

The evaluation team has also considered a number of other interventions, in particular sector interventions with a dimension related to decentralisation, e.g.:

- the food security programme PASA,
- the support to the modernisation and decentralisation of the Health sector AMARES,
- the health Sector Budget Support EURO-PAN.

A detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1:

All national stakeholders met during the field mission (e.g. the Ministry of Economy and Finance - MEF, the Decentralisation Secretariat - SdD, the Ayacucho Regional Government) had no particular knowledge of a particular EC/EU approach to decentralisation.

Ind 1.3.2:

Other international donors (e.g., United States Agency for International Development (USAID), German Development Agency (GIZ), United Nations Development Programme (UNDP), CTB) met during the mission were not aware of any particular EC/EU approach/policy to decentralisation.

Ind 1.3.3:

The EC/EU strategic framework to support decentralisation (incl. guidelines and reference documents) is not well known by the EUD staff. Only few of the staff are aware of the existence of the 2007 reference document on EC/EU support to decentralisation and when the document is referred to, the few staff members who recall it, considered it as a general document with no specific use to the context of Peru.

Moreover, EUD staff members consider that the Country Strategy Papers (CSPs) are very open papers that permit all kind of actions.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1:

Some EUD staff members expressed that it was difficult for the EC/EU to sometimes take a more active role in the decentralisation sector as no specific budget is available for more punctual activities e.g. meetings, conferences, events or development of studies on decentralisation.

The usefulness of the CSP is challenged as it does not follow the changes in Government priorities and policies. There would be a need for a tool that follows the same time frame as the governments (e.g. 2006 to 2011 and 2011-2016).

According to the EUD, it seems like government institutions of Peru find the EC/EU guidelines and procedures during the evaluation period rather bureaucratic and if procedures are too complicated they might not use some opportunities of funding.

An example is the Programme for Modernisation of the State (PMdE), where the implementation has been very slow as the state institutions need to present their budgets and operational plans before funds can be released, so although approved in 2007 activities only started in 2010 in the Decentralisation Secretariat (Secretaria de Descentralización, SdD) linked to the Presidency of the Council of Ministers (Presidencia del Consejo de Ministros, PCM)⁴.

As actors change in the EUD programmes – "*Programa de Apoyo a la Seguridad Alimentaria*" (PASA), "*Apoyo a la Modernización del Sector Salud y su Aplicación en una Región del Perú*" (AMARES), "*Programa de Apoyo al Desarrollo Socioeconómico y a la Descentralización de las Regiones de Ayacucho y Huancaveloca*" (AGORAH), "*Programa Articulado Nutricional*" (Euro-PAN) – regional governments, local governments, ministries and implementation agencies, it seems difficult for the EUD to establish stable strategic partnerships for decentralisation. In recent years, the main national partner seems to have been the MEF.

Among the development partners no specific partnership exists.

Ind 2.1.2:

Communication between staff for decentralisation and staff with responsibilities for sectors take place at staff meetings and informal meetings. No formal mechanism is established to coordinate actions related to decentralisation. The coordination is however still well articulated according to the survey sent to the EUD.

Ind 2.1.3:

No specific team for decentralisation exist at the EUD. Decentralisation is dealt with by a staff member with the overall responsibility and some staff members with specific tasks (e.g. the NSA-LA programme, see also indicator 2.2.1)

Ind 2.1.4:

No negative or positive incentives were observed during the mission for EUD to develop specific approaches in decentralisation.

⁴ The PMdE was also delayed due to changes in staff in the PCM administration and some political obstacles from the government as the programme was agreed upon with the former government (2001 to 2006).

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1:

One person in the EUD is responsible for decentralisation – less than 25% of her time is spent on decentralisation. Before 2007, more time was spent i.e. up to 50% as the EUD at that time was dealing with a specific programme (AGORAH). Another two/three persons deal with the programme for non state actors and local authorities (NSA-LA); they mainly spend time on the evaluation of project applications and monitoring (about six projects with local or regional governments are implemented currently but these persons are in charge of many other projects involving Non State Actors in a variety of sectors).

Ind 2.2.2:

The staff member responsible for decentralisation has good knowledge of the issue by a long experience in decentralisation in Peru including in the EUD since 2006. She participates in the “*Mesa de Descentralización*” (the decentralisation group of the donors).

Ind 2.2.3:

The EUD staff has not participated in any particular training on decentralisation. They plan to participate in a regional EC/EU training on budget support etc., which might also relate to decentralisation.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1: No specific monitoring instrument exists in the EU delegation. Almost all projects and programmes are monitored by the results oriented monitoring (ROM) system.

Ind 2.3.2: No specific working group exists. Some exchanges of experiences take place occasionally at meetings.

Ind 2.3.3: No driver of change exists in the EUD for decentralisation.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance*

Main findings from the field mission:

Apart from the "Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralización de las Regiones de Ayacucho y Huancaveloca" (AGORAH), the other relevant programmes ("Programa de Apoyo a la Seguridad Alimentaria - PASA", "Apoyo a la Modernización del Sector Salud y su Aplicación en una Región del Perú - AMARES" and EURO-PAN) are actually not designed to directly support decentralisation. However, the institutional entities involved in the implementation of the programme are (apart from central government bodies) regional and local governments and in this way programmes the programmes have an indirect element of support to decentralisation.

Ind 3.1.1:

The EUD is not carrying out specific analyses on decentralisation in Peru. Analyses of programme implementation are more related to sector issues for the programmes (PASA: food security and local socio-economic development; AMARES and EURO-PAN: health) and these are clearly structured according to where the decentralised governments (regional and local) have a role. However, for AGORAH, the local governments were not included as implementers of infrastructure investments in the programme although it is their mandate to identify relevant investments in the planning process.

Ind 3.1.2:

Funds of EUD sector programmes which deal with supporting LGs and/or regional governments (PASA, AMARES, AGORAH and EURO-PAN) are all using the national transfer system, from the MEF down to ministries, regional governments and local governments.

Ind 3.1.3

The communication with the government in the framework of sector budget support (SBS) (e.g. during the formulation of the EURO-PAN "Programa Articulado Nutricional") is of high quality. It is mainly carried out with other development partners and the MEF in the "Mesa de Finanzas Públicas" (working group on public finances) established in 2009 (see also JC4.1). The group is chaired by the MEF and the EUD is presently heading the "secretariat" for the meetings of the working groups. According to EUD staff, the dialogue has improved with the establishment of the "mesa".

The EUD has also established better dialogue on specific projects with NSA and Local Authorities by establishing information meetings about the funding opportunities and lessons learnt from past experience.

Ind 3.1.4

The CSP 2002-2006 contains presentation of GoP policies and strategies of decentralisation: "The EC's strategy will be established in areas where the Community has the widest experience and the greatest credibility: aid for the rule of law and strengthening of governability, and support for integrated social development in specific regions, by supporting the decentralisation process in Peru" (CSP 2002-2006, p. 27). But, in the description of the areas of cooperation, decentralisation does not feature anymore as a high priority.

In the CSP 2007-2013, decentralisation seems to have been given a higher attention and is seen as the wheel to support development in priority areas. The CSP 2007-2013 also mentions explicitly bottom up approaches to support decentralisation actors and programme for the modernisation of the state and decentralisation.

“In addition to social cohesion, the objective is to support, from the bottom up, Peru’s decentralisation process by empowering local players and strengthening their position vis-à-vis the State. The EC will promote participation by the regional and local authorities, decentralised sectoral bodies and civil society in the design, implementation and follow-up of the projects and actions defined.” (CSP 2007-2013, p.30)

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as “How should existing interventions best evolve?” are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Since 1997, the EC/EU together with the GoP have implemented four large programmes with some indirect support to decentralisation (PASA, AGORAH, AMARES and EURO-PAN). PASA started in 1997 with the support to education, health, agriculture and economic development, thereafter the focus for the EC/EU programmes has been eventually narrowed to health in AMARES and EURO-PAN, while AGORAH was a regional programme for support to regional governance & economic development. All programmes have taken into account parts of the decentralised structures in their implementation i.e. regions, provinces and districts.

Ind 3.2.1: The EUD’s approach to decentralisation in AGORAH and in six projects financed from the NSA-LA programme is bottom-up with regions and local governments as implementers of various sector activities.

There is no top down approach to support decentralisation and there is actually no direct support given to the development of the decentralised structures.

The approach of the EC/EU sector interventions follows the national context well. And the PASA with its early start in 1997 may have played a role in the evolving structures for decentralisation.

Ind 3.2.2: There are no specific considerations raised on how to support decentralisation in the sector support programmes (PASA, AMARES, EURO-PAN), more accurately questions are raised on how programmes can best be implemented in the existing decentralised structures.

The AGORAH was developed to give support to the regional level for capacity development and infrastructure development.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as “When and how to use sector budget support?” or “what are the risks related to the”) are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1: Apart from AGORAH and specific small projects funded by the NSA-LA programme, the EUD is not supporting decentralisation directly. So there is no evolving approach to support decentralisation.

Ind 3.3.2: The AGORAH programme was not adjusted after the CND (“Consejo Nacional de la Descentralización”) closed in 2006, which resulted in a de-linking of the AGORAH programme to the central government. Thereafter the AGORAH implementation was very slow for two years and the infrastructure projects were implemented mainly in the final year by the AGORAH unit with limited participation of the regional governments. This affected the results of the capacity building of the regional administrations.

The modernisation of the state programme (MdE) was signed with the GoP in 2007 (before the GoP 2002-2007 resigned) and implemented from 2007-2011 with a new GoP. Implementing has however been slow as the new GoP does not have the same obligation and priorities as the former one.

Ind 3.3.3: Programme documents present SBS as the appropriate modality for EC/EU programmes as the GoP has the capacity to work with this modality. But no direct support to decentralisation has been delivered so far in the form of SBS.

Ind 3.3.4: The EC/EU assesses different modalities with the conclusion that modalities must be simple and manoeuvrable for the GoP, otherwise implementation will be too slow.

“Peru no necesita fondos de la Unión Europea para hacer su trabajo” (EUD staff member). This underlines that if procedures are too complicated the GoP will not use EU funding.

An example is the Modernisation of State Programme, which among other supports the Decentralisation Secretariat (“Secretaría de Descentralización”) in the PCM. The modality (presupuesto por programa) implies that the participants shall present their budgets and operational plans before funds can be released and as of 2010 only 2 m Euro (EUR) of 17 mEUR allocated in 2007 has been released and the programme will end in 2011.

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

Indicators:

- Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes
- Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives

Main findings from the field mission:

Ind 3.4.1

The CSP 2003-2007 and the CSP 2008 to 2013 include analyses of the decentralisation process and the stakeholders in the process. The CSPs and programme documents do not include an in-depth analysis of decentralisation actors (e.g. national institutions like PCM, the Asamblea de Presidentes de Gobiernos Regionales - Association of Regional Presidents, the former CND etc.)

Ind 3.4.2

The EC/EU works with different actors in the decentralised government structures (ministries, regions and municipalities) mainly in the framework of sector programmes. The EUD does not have a specific objective related to decentralisation, rather it applies the decentralised structures for implementation of sector programmes.

3.4 EQ4 - 3Cs

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

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

Indicators:

- Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries
- Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones
- Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries
- Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation

Main findings from the field mission:

Ind 4.1.1

In addition to the traditional international organisations active in the region such as the World Bank (WB) and the Inter-American Development Bank (IADB), a number of other international organisations have played a significant role in the development landscape of Peru during the period 2000-2010. These include: United Nations (UN) agencies such as UNDP, United Nations Children's Fund (UNICEF) and

Food and Agriculture Organization (FAO), the EC/EU, the Andean Development Corporation (CAF)⁵ and various cooperation agencies from “bilateral” donors such as USAID, Economic Cooperation and Development Division at the Swiss State Secretariat for Economic Affairs (SECO)⁶, Japan International Cooperation Agency (JICA), GIZ & German Bank for Reconstruction (KfW), CTB⁷.

Peru has been characterised by an increasingly well coordinated donor community illustrated by the recent initiative of various UN agencies to start a “Joint Programme”⁸ under the leadership of the PCM⁹. Various donor coordination mechanisms have been established over the years. Two mechanisms are of particular relevance for this evaluation:

- *Mesa de Finanzas Públicas*: this working group focusing on Public Finance Management (PFM) was created shortly after the 2008 Public Expenditure and Financial Accountability (PEFA) exercise. It is lead by the MEF with active participation of a number of donors such as: WB, International Monetary Fund (IMF), CAF, KfW/GiZ, SECO, USAID, CTB, JICA and the EC/EU.
- *Mesa de Descentralización*: this working group was established shortly after the creation of the “donor group on governance” and the related “sub group on modernisation of the state” in 2002.

It is noteworthy that the two donor groups work at different levels. In the group on PFM the GoP (via the MEF) take an active (leading) role and the group has created a space of policy dialogue between donors and the GoP, while the group on decentralisation has a more technical focus. This explains that, in the donor group on decentralisation, the dialogue with the GoP is reduced to introductory meetings organised when a new Secretary is appointed at the National Secretary of Decentralisation. That said, it appears that the group on decentralisation has initiated some direct dialogue with the Assembly of president of regional governments to discuss the main challenges of the decentralisation process in Peru.

Ind 4.1.2

The minor role (see indicator 4.1.3 below) played by the EC/EU in decentralization in Peru probably also explains why the evaluation team has not identified any record of EC/EU resolving inconsistencies between its co-operation programmes and member states ones or other donors ones

Ind 4.1.3

The EC/EU has not had a lead role among donors during the evaluation period. For instance, the group on decentralisation has been lead by GiZ (Germany) for more than two years and opinions on the EC/EU participation in this group range from “quite active” to “not very active”. Moreover, on matters related to PFM, it seems that the EC/EU has followed the WB although it seems much more active in this area than in the area of decentralisation. The EC/EU has a more limited role in the platform of exchange on decentralisation compared to other EU member states such as Spain and Germany. The latter consider that “*EU bilateral donors have played a much more important role than the EC in the area of decentralisation in Peru*” and they point out at the same time that “*support from bilateral donor is not sufficient to address the needs of Peru in terms of decentralisation. For instance, the EU could play a complementary role to bilateral donors in crucial areas such as the development of the civil service framework*”.

The limited role plaid by the EC/EU in decentralisation has been confirmed by the various actors interviewed (Government, other non-EU donors, EUD itself). One interviewee (a non-EU bilateral donor) pointed out the fact that because of its internal rules and despite regular participation in the regular meetings: “*the EU cannot compromise itself when a decision is taken by the group*”. Moreover, the EUD does not have the possibility to quickly mobilised funds to participate in initiatives launched by the working groups.

Two cases illustrate this situation:

- In 2005, a group of experts was mandated to analyse the situation of the country in terms of Human Rights, Justice and Decentralisation and to organise a forum to discuss the results. The EC/EU could not contribute directly to the organisation of the event.

⁵ Corporación Andina de Fomento.

⁶ Economic Cooperation and Development Division at the Swiss State Secretariat for Economic Affairs.

⁷ Coopération Technique Belge.

⁸ Programa conjunto de las naciones unidas “mejorando la nutrición y la seguridad alimentaria de la niñez del Perú: un enfoque de desarrollo de capacidades”

⁹ Secretaría Técnica de la Comisión Interministerial de Asuntos Sociales (ST-CIAS) de la Presidencia del Consejo de Ministros.

- In 2010, a group of experts was mandated by the working group on PFM to provide new ideas and high level analysis to improve PFM in the country. The EC/EU was not able to contribute to the joint efforts of MEF, GIZ, CTB and SECO.

Ind 4.1.4

The evaluation team has not find any evidence of important cooperation project or activity where the EC/EU has joined efforts with other donors to support decentralisation in the country. This is likely also because of the limited role plaid by the EC/EU in the coordination of activities within decentralisation.

Overall, it seems that the EC/EU has taken part to various **coordination mechanisms** but has not contributed to actively develop these coordination mechanisms with EU Member States and major donors on decentralisation.

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process
- Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country
- Ind 4.2.3. EC jointly finance decentralisation programmes with Members States and major donors
- Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)

Main findings from the field mission:

Ind 4.2.1

It appears from interviews with EUD and other donors that the EUD regularly exchanges with other donors and key stakeholders during all stages of the programming and implementing process. As mentioned above, the main platform for dialogue between donors on programming are the donor working group on decentralisation (*Mesa de Descentralización*) and the Group on Public Finance (*Mesa de Finanzas Públicas*) chaired by the MEF.

Ind 4.2.2

One interview with a key actor in the region of Ayacucho showed there was during 2006-2009 an informal division of role in terms of activities related to the development of capacities at local level: USAID was focusing on civil society participation and local governance; the EC/EU focusing on technical aspects of decentralisation (such as planning) at the level of the regional government; UNICEF and CTB were directly looking at sectoral aspect related to poverty reduction. Yet, this division seems rather fortuitous rather than planned. Interviews showed that, in general the knowledge of the various stakeholders on the EC/EU cooperation activities was actually rather limited.

Ind 4.2.3

A donor matrix exists and seems to help avoiding overlaps between donors. In general, the various actors interviewed underline a good coordination and complementarity in the area of the support to decentralisation. Yet, a clear and formal division of tasks and role among donors in this area does not seem to exist.

Ind 4.2.4

As described above in JC4.1, the EC/EU does not jointly finance decentralisation programmes with Members States and major donors.

Ind 4.2.4

The evaluation team did not find evidence of the EC/EU policy officials and EUD personnel participate in joint programmes and policy forums (both internationally and nationally), except training programmes organised by the EC/EU Head Quarters.

Overall, there is **complementarity** between the EU action and other donors support in the area of decentralisation but this is more due to the limited direct support to decentralisation provided by the EU rather than a clear strategy to divide tasks and responsibilities among donors in the area of decentralisation.

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in general budget support (GBS) performance assessments*

Main findings from the field mission:

Ind 4.3.1

As detailed in Annex 3 and Annex 4, a number of sector interventions integrate components on decentralisation. Therefore it can be stated that the EC/EU support to decentralisation in Peru is fully coherent with cooperation strategies in other sectors (such as Health, Education, Rural development, etc.).

Ind 4.3.2

Issues such as gender and environment do not appear prominently in the project documentation. The projects financed by the NSA-LA thematic budget line (such as "*Proyecto Fortalecimiento de las capacidades de Gestión por Resultados en 4 regiones*" - DCI-NSAPVD/2007/019-404 // 157-376) that were reviewed during the field phase do not mention these cross-cutting issues neither in the Logframe / Project proposal nor in the progress reports.

Ind 4.3.3

The EU is not providing GBS to Peru. It is interesting to note that, although the Euro-PAN programme seems to consolidate in a certain manner the decentralisation process in Peru due to its original implementation modality, there are no indicators on decentralisation in this SBS and decentralisation does not feature in its specific objectives / expected results (see also Annex 4).

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1: Surprisingly, no policy document exists that define the Peruvian decentralisation policy.

The GoP's approach to decentralisation has been an evolving process starting a long time back (see details in Annex 5). For the present context, the process took off in 2002-2003 with an amendment to the Constitution in 2002 and the elaboration of a number of key laws to define the decentralised system (regional, municipal functions, elections etc) and again in 2007, when the new government reformed the process by demanding all key ministries to devolve their functions to the regional governments by a presidential decree. The efforts of the government in 2005 to reduce the number of regions, which was rejected in a referendum in 17 departments, should also be mention and the de-facto establishment of the departments as regions.

Ind 5.1.2: No strong actors exist to coordinate the decentralisation process, this is mainly done by the MEF and the PCM and the president.

From 2002 to 2006, the CND coordinated the process and it had its own minister, who participated in the cabinets' meeting and it had an important role on the management of the regional affairs including funding and the legal framework.

With the new government from mid 2006, the CND was changed to the SdD ("downgraded" from a ministry level to a secretariat level) and placed under the PCM i.e. a lower status without its proper minister and direct access to the Cabinet. When the president in 2007 announced the full devolvement of all functions to regions as stipulated in the laws, an inter-ministerial commission (IMC) was established to coordinate the process with IMCs in each ministry together with some guidelines from SdD. This did however not function well and the regions formed an Assembly of Regional Governments to enter into the coordination.

The MEF is in charge of the fiscal part of the decentralisation process. EUD has supported the CND only slightly in the AGORAH and the SdD in the present Modernisation of the State programme.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1: A legal framework exists and was mainly developed in 2002 to 2003. The table below shows the main laws related to the decentralisation process.

Table 3 Evolution of the legislative framework related to decentralisation

Year	Law (and short description)
2002	LBD (establece el derrotero general del proceso)
2002	Ley Orgánica de Gobiernos Regionales (detalla las funciones y otros aspectos de la gestión)
2002	Ley de Elecciones Regionales
2002	Ley Marco de Promoción de la Inversión Descentralizada

2003	Ley Orgánica de Municipalidades
2003	Ley Marco de Presupuesto Participativo
2004	Ley de Descentralización Fiscal
2004	Ley de Incentivos para la Integración y Conformación de Regiones
2007	Ley Orgánica del poder Ejecutivo (precisa la organización del Gobierno Nacional y se enumeran las competencias de este nivel de gobierno)

The legal framework has the limitation that it was designed to a situation with approximately 8 regions instead of the 26 present regions. A similar problem is the fact that the law on municipalities only deals with one type of municipality i.e. with urban characteristics and in reality four different types of municipalities exist including a large number of rural municipalities and there are also many municipalities with very few inhabitants (as low as 161 inhabitants).

The EC/EU has not supported the development of a good legal base for decentralisation.

Ind 5.2.2: There is no major problem with contradictions between sectors laws and the decentralisation laws. EC/EU has not supported the legal framework for decentralisation.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)
- Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. local governments (LGs) share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)

Main findings from the field mission:

Ind 5.3.1:

Below is presented the development in the expenditures of regional and local governments for personal and their relative share of the total public sector.

Table 4 Sub-national governments' exp. for salaries

	2001	2004	2007	2010
Local Governments	n/a	n/a	1.147	2.055
Regional Governments	n/a	5.850	7.045	7.068

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see Annex 8)
Note : 2010 constant price; in million Soles

Local governments' expenditures on staff have almost doubled from 2007 to 2010 in constant prices, while regional governments' expenditures increased with 21% from 2004 to 2010. The figures show a large increase in the number of staff in regional and local governments, which was also confirmed in interviews with various stakeholders.

Table 5 Sub-national governments' share of public exp. for salaries

	2001	2004	2007	2010
Central Government	100%	56%	51%	56%
Local Governments		0%	7%	10%
Regional Governments		44%	42%	34%

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see Annex 8)

This has however not resulted in a relative higher importance of the regional governments as their share of all expenditures for salaries has decreased.

The EC/EU has not supported more staff in the regions and local governments directly through support to decentralisation but the programmes (PASA, AMARES and EURO-PAN) have some minor effect in Ayacucho, Huancavelica and Apurimac for staff in the health sector and maybe some planners in the LGs.

Ind 5.3.2

The local and regional governments have more resources than before, which follows from the table below, which show the real development in transfers and local revenues from 2001 to 2010.

Table 6 Transfers to sub-national governments

	2001	2004	2007	2010
Local governments	2.232	4.257	10.079	11.965
Regional governments	n/a	615	2.407	3.181
TOTAL	2.232	4.871	12.486	15.146

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see Annex 8)
Note : 2010 constant price; in million Soles .

For the collection of local revenues, LGs have increased their collected from 2004 to 2010 with almost 70%, but the collection is still very limited with only approximately 93 soles per inhabitant. In 2010 roughly half (1.235 million Soles) was collected in the Lima region (of which 470 million Soles alone in Lima municipality).

Table 7 Sub national governments' own revenues

	2001	2004	2007	2010
Local Governments	n/a	n/a	1.383	2.317
Regional Governments	n/a	327	416	478
Total		327	1.800	2.795

Source: www.ofi.mef.gob.pe and consultants own calculations (for details see Annex 8)
Note : 2010 constant price; in million Soles.

All expenditures of each level of governments are presented below. The figures show that LGs' expenditures have more than doubled in constant prices from 2007 to 2010 and those of regional governments, increased with 75% from 2004 to 2010.

Table 8 Total expenditures of the Public Sector

	2001	2004	2007	2010
Central Government	42.643	49.337	43.731	54.148
Local Governments	n/a	n/a	6.898	17.707
Regional Governments	n/a	9.158	12.776	16.177
Total	42.643	58.495	63.405	88.032

Source: www.ofi.mef.gob.pe and consultant's own calculations (for details see Annex 8)
Note : 2010 constant price; in million Soles.

So in essence, the resources of regional and local governments have increased substantially during the evaluation period.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)
- Ind 5.4.2. Evolution of autonomy in human resource management (HRM): the extent to which LGs can hire and fire or otherwise manage personnel.

- *Ind 5.4.3. The role of various layers of government is clearly defined and the local governments degree of autonomy is well described in legislation.*

Main findings from the field mission:

Ind 5.4.1:

The regional and local governments have been given autonomy for budgeting and the municipal organic law defines also the local governments' autonomy for collection of revenues (property taxes, service fees, licenses etc). The regional government has very few sources i.e. licenses and fees for services provided.

The EC/EU has not supported regions and LGs finance directly. An indirect and smaller support is the EURO-PAN's support to the establishment of own budgets for execution agents in three regions (Ayacucho, Huancavelica and Apurimac) in the health sector.

Ind 5.4.2:

Regional and local governments have autonomy in their staff management. EC/EU has not supported the development of decentralised human resource management and development (HRM/D).

Ind 5.4.3:

The functions of each level of governments are described well in the legal framework. EC/EU has not supported the definition of functions of each tier of government.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of monitoring and evaluation (M&E) system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

The key state actor for coordination and development of decentralisation was the CND up to 2006, and from 2007 SdD in the PCM.

Overall, the EC/EU has not significantly contributed to the building up of central government's capacity for implementation of decentralisation or decentralisation reforms during the evaluation period as the **EC/EU has only supported this aspect in a limited extent.**

Ind 6.1.1

All stakeholders interviewed agree that the SdD in PCM is not an effective institution to carry out the coordination for decentralisation. The former CND was better and also better positioned in the decentralisation system with its own minister. The EC/EU supported the CND as implementer of the AGORAH programme ("Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion den las Regiones de Ayacucho y Huancaveloca) up to 2006 and later the SdD in the PCM. The PCM is from 2008 supported by the Modernisation of the State (PCM) Programme, 2007 to 2010 (Activity 3.1: Strengthening the decentralisation process by supporting the functions of the Decentralisation Secretariat for the intergovernmental coordination).

Ind 6.1.2

The interviewed persons at the regional level (Ayacucho) did not present any major problem in the central levels' capacity to coordinate the decentralisation process. But, as mentioned above, the EC/EU has contributed only in a rather limited extent to the improvement of capacities at central level.

Ind 6.2.3

A systematic M&E system for decentralisation does not exist. The only national monitoring is the financial information managed by MEF (<http://ofi.mef.gob.pe/transparencia>).

The EC/EU provides no support for the development of an M&E system for decentralisation.

Ind 6.1.4

As explained in JC5.1, an IMC has been established in 2007 to coordinate – inter alia – decentralisation and IMCs have also been established in 7 line ministries. But the EC/EU has not supported the inter-ministerial coordination.

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local governments*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

Apart from activities in AGORAH, the **EC/EU has not supported financial management, planning, HRD/M or M&E in regional or local governments** during the evaluation period. According to meetings with the present regional administration in Ayacucho and former AGORAH staff the **AGORAH did not lead to any significant results regarding the capacities of the regional governments in terms of PFM, HRD and M&E** as the programme mostly dealt with implementation of infrastructure investments with little involvement of the regional administration and LGs.

Ind 6.2.1

In general, there is no strong evidence of improved financial management in regional or local administrations over the evaluation period. A key to improvements is that the national audit institution (*Auditoria de la Republica*) will be able to carry out better audits. Yet, the EUD has not supported audits or financial management in regions or LGs.

Ind 6.2.2.

It seems that the planning mechanism and its implementation have improved. The PASA has supported the participative planning mechanism at the local level in three regions (Ayacucho, Huancavelica and Apurimac) and may have contributed to improving capacities in this regards. But overall impact during the evaluation period seems rather limited.

Ind 6.2.3

Almost all senior staff members were changed in regional and local governments after the elections in 2002 (only LGs), 2006 and 2010, so capacity was lost after each election. Interviews with regional administrations and ministries confirm that staff is often rotated in the public sector e.g. between regional governments, local government and ministries. So capacities are not lost completely but transferred to other government entities.

Ind 6.2.4

No official M&E system exists at the regional and local level. Regional and local government use their own system, Interviews with staff in the regional government in Ayacucho indicates that information is not well organised e.g. it was not possible to provide information on AGORAH.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)**Indicators:**

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:Ind 6.3.1

At national level, four associations of municipalities exist:

Table 9 National Associations of Local Governments

<i>Name of Association</i>	<i>Abreviation</i>	<i>Homepage</i>
Asociacion de Municipalidades de Peru	AMPE	www.ampeperu.gob.pe
Red de Municipalidades Urbanas y Rurales de Peru	REMURPE	www.remurpe.org.pe
Federacion de Municipios Libres de Peru	FEMULP	www.femulp.org
Red de Municipalidades de Peru	MUNIRED	www.munired.org

The most acknowledged are the AMPE and REMURPE, while FEMULP and MUNIRED have fewer members, less support and contacts. All associations have their functioning homepage.

The existence of four associations has created an unstable situation where municipal associations discuss internally instead of directing their activities to the central government and their members.

At regional level many associations exist as well and some of these are linked up to the national system. In Ayacucho exists e.g. the Rural Association of Municipalities (la Red de Municipalidades Rurales de Ayacucho).

The EC/EU has not supported the establishment or functioning of national Local Government Associations (LGAs).

Ind 6.3.2

A number of NGOs exist to support LGs and also in support to service delivery. It cannot be said if the number has increased as no data exists on this. The EC/EU has not supported NGOs directly as service providers, but a number of projects with NGOs are financed from the NSA-LA programme.

Ind 6.3.3

Many organisations deal with research in local government issues and two examples are "*Servicios Educativos Rurales*" and "*Consortium de Investigation Economico y Social*", which were both visited by the mission. Only the second is supported by the EC/EU in the framework of a NSA-LA project.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1

Elections for local government has been carried out every third year since 1980 and from 2002 (with the new Organic Municipal Act every fourth year.) The regional governments had their first election in 2006 and again in 2010. In 2010 the system was different as the president of the regions was elected separately from the regional councillors giving him a status similar to the president at the national level.

The EC/EU has not supported the development of local elections.

Ind 7.1.2

The regional and local planning process includes that the governments shall invite all citizens for meetings to discuss the municipal development plan, the budget and the budgets execution in a participatory manner. A study¹⁰ shows that about 36% of all investments in rural municipalities ("*distritos*") are identified in the participatory planning process.

The EC/EU has given some limited support to the participatory planning process in three regions (Ayacucho, Huancavelica and Apurimac) in the PASA programme, where investments for economic development were identified by the Participatory Planning (PP) mechanism in local governments.

Information received during the mission gives different impressions on how the PP is functioning and the level of participation. According to a study presented below financed by USAID, participation has declined from 1998 to 2010 as only 11,6% in 2010 responded that they have participated in a council or public meeting while 20,6% responded positively to this in 1998.

Table 10: Citizens' Participation in Local Governments Activities, pct.

	1998	2006	2010
Participation in a municipal council meeting or public meeting (session municipal o cabildo abierto)	20,6	14,7	11,6
Willingness to pay more taxes	19,7	14	18,5
Participation in the preparation of the municipal budget		4,3	5,0

Source: Source: USAID (2010), *Cultura Política en la Democracia de Peru* (<http://www.vanderbilt.edu/atoz/tagged.php?id=research>)

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards etc)*

Main findings from the field mission:

Ind 7.2.1

Accountability mechanism is also established in the planning cycle as described in indicator 7.1.2 above, with arrangement of regional and local councils' meetings with the citizens to discuss the budget's implementation and the development plan. Important is also the watch committees (Comite de Vigilancia), which are elected from the citizens at meetings to monitor the work of the councils.

¹⁰ Banco Mundial (WB, 2011), Evaluacion del Presupuesto Participativo y su relacion con el presupuesto por resultados.

To give the citizens access to all information about all public finances, the information for all local and regional governments can be found on the MEF homepage: <http://ofi.mef.gob.pe/transparencia> - called "*consulta amigable*" - user friendly consultation¹¹. This is a very comprehensive and rather user friendly page and all financial data in the present report has been retrieved from the MEF page.

The EC/EU has not supported the development of more transparency at local level except from in a few projects with local NGOs.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- Ind 7.3.1. *Evolution of budget allocation procedures: use of formula based grants, etc.*
- Ind 7.3.2. *Financial information (esp. on transfers from government and their allocation) provided to the citizens*

The EU has not support the transfer system or information system to citizens on transfers.

Main findings from the field mission:

Ind 7.3.1

The MEF provides funds for regional government and local governments. At least five different kind of grants from the central government to regions and local governments exist:

- i) Transfer from the general fund (2% of the value added tax (IGV))
- ii) Transfers from the taxes on mining and natural resources
- iii) Ordinary transfers from specific programmes and investments
- iv) Transfers to support specific institutional development plans
- v) Transfers for other programmes

The MEF has developed formulae for transfers to local governments through a detailed system with at least five different kind of transfers to local governments. The formulae are mainly based on population and criteria like e.g. age distribution or poverty level are not used. For the regions the distribution is more based on historic needs (according to some: ad hoc) – but according to MEF regions without mineral resources are favoured. A proposal has been developed¹² supported by some development partners (but not the EUD) for new and better formulae.

The EC/EU has not supported the development of the transfer system to regional and local governments, however some indirect support is given by the application of the official system for transfers, through MEF to three regions (Ayacucho, Huancavelica and Apurimac) in different programmes (PASA, AMARES y EURO-PAN).

Ind 7.3.2

Information on all transfers can be found in the friendly consultation ("*consulta amigable*") at the homepage at <http://ofi.mef.gob.pe/transparencia>. On this page all kind of information on public finance can be found. The EC/EU has not supported mechanism to provide information to citizens on public finance.

¹² GIZ, AECID, PCM (2010); *Propuesta Tecnica de Descentralizacion Fiscal*.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

Ind 8.1.1

During the evaluation period the expenditures of the regional and the local governments' have increased substantially as shown below:

Table 11 Total expenditures of the Public Sector

	2001	2004	2007	2010
Central Government	42.643	49.337	43.731	54.148
Local Governments			6.898	17.707
Regional Governments		9.158	12.776	16.177
Total	42.643	58.495	63.405	88.032

Source: *www.ofi.mef.gob.pe* and consultant's own calculations (for details see Annex 8)

Note : 2010 constant price; in million Soles .

The EC/EU has not supported decentralisation programmes with funds for regional or local governments' expenditures. EC/EU Sector programmes (PASA, EURO-PAN and AMARES) and Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion den las Regiones de Ayacucho y Huancaveloca, AGORAH in the three priority regions (Ayacucho, Huancavelica y Apurimac) have however supported this indirectly by providing support to LGs, regional governments and ministries at regional level.

Ind 8.1.2

According to table 12 below, regional and local governments receive more funds from the centre for service provisions.

The EC/EU has not directly supported the development of general transfer system from the centre to the regional or local governments.

Table 12 Transfers from the Central Government to Regional and Local Government

	2001	2004	2007	2010
	2001	2004	2007	2010
Local governments	2.232	4.257	10.079	11.965
Regional Governments		615	2.407	3.181

Source: *www.ofi.mef.gob.pe* and consultant's own calculations (see Annex 8)

Note: 2010 constant price; in million Soles .

Ind 8.1.3

The EC/EU has not supported the establishment of public private partnership.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc)*

Main findings from the field mission:

Ind 8.2.1

No data exist on LGs' or regions' allocations for operation and maintenance in MEF's homepage. The EC/EU has not supported funds for better maintenance and operation of services provided from regional or local governments directly.

Ind 8.2.2

Stakeholders met informed that regions and local governments provide more funds for maintenance and operation of local investments. The EC/EU has not supported funds for better maintenance and operation of services provided from regional or local governments directly.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *8.3.2 Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.2

Table 13 below indicates that citizens' are more satisfied with local services in 2010 compared with 1998 and 2006.

Table 13 Citizens' attitude to local services in 1998, 2008 and 2010. Pct.

Year	Very Good or good	Regular	Bad or very bad
1998	12.8	64.2	23.0
2006	14.1	60.3	25.6
2010	18.4	58.6	23.0

Source: Source: USAID (2010), *Cultura Política en la Democracia de Peru* (<http://www.vanderbilt.edu/atoz/tagged.php?id=research>)

The EC/EU has not supported this directly – only indirectly through sector programmes (PASA, AMARES and EURO-PAN).

4 Conclusions and main challenges to be discussed in the synthesis phase

The first hypothesis developed during the desk phase is:

Hypothesis 1: *The bottom-up entry point gives the EUD valuable experiences on decentralisation processes, which can be used later in formulation and implementation of national decentralisation programmes.*

For Peru the hypothesis can be rejected as the experience from the AGORAH programme in Ayacucho and Huancavelica did not give the EC/EU much experience to be used for supporting decentralisation in Peru. The idea was that the CND should function as interlocutor between the regions and the central level – but it did not work after the institutional set-up was changed by the GoP in 2006. Further the programme was not followed up with a new initiative to support decentralisation by the EC/EU.

The second hypothesis formulated is:

Hypothesis 2: *The continuous support of the EC/EU to decentralisation has enabled it to have an influential role on the decentralisation policy agenda and has allowed the EC/EU to intervene in support to decentralisation through a multi-level approach.*

The hypothesis can also be rejected as the EC/EU does not have an influential role on decentralisation among development partners in PERU and EC/EU does not support decentralisation directly.

However, the close analyses carried out during the mission of various EC/EU programmes in Peru has revealed that EC/EU direct support to decentralisation is very limited (only AGORAH and some project from the NSA-LA programme), while other programmes (PASA, AMARES and EURO-PAN) provide an indirect support to decentralisation by applying and strengthening the decentralised structures during programme implementation.

Below follows **overall findings** from the mission following the eight evaluation questions.

EQ 1. Clarity of EC/EU policy/strategies on decentralisation.

The staff at the EUD have little knowledge about the specific EU policies on decentralisation developed during the last 10 years. Officials from the government and other development partners are not well aware of any specific policy to decentralisation either.

EQ2. The institutional capacity for decentralisation in the EC/EU

In the EUD some 4-5 staff members apply a limited time on decentralisation – (max 25% at the most for the person who is coordinating with other development partners). This has created some (informal) institutional capacity with enough capacity to incorporate aspect of decentralisation into sector support programmes.

EQ3. EC/EU support to decentralisation processes' responsiveness to national contexts and aligned with national regulations and policies

The EC/EU has only given limited direct support to decentralisation. The indirect support through large sector programmes (particular in health) has been designed in alignment with the decentralised structures in Peru.

EQ 4. Coordination, Complementarity and Coherence

EC/EU does not play any particular role in the support to decentralisation among development partners. Its indirect support activities to decentralisation are well coordinated with other donors.

EQ5 Programme results on transfer of functions to local councils

The EC/EU has not supported the establishment of legislation for decentralisation or the transfer of functions to LGs or regional governments.

EQ6 Programme results for capacity of stakeholders

The EC/EU has supported the development of regional and local governments capacities indirectly by supporting participative planning in the PASA programme and decentralised entities of ministries (in particular health) at regional level via sector programmes.

Direct support to decentralised capacities has been implemented to national institutions for decentralisation (National Decentralised Council) and the Decentralisation Secretariat (at the Presidency of the Council for Ministries).

EQ7 Programme results on local governance

The EC/EU support to good governance has been limited to some support to local participation in three regions by the PASA. The last ten years in Peru has in general seen a restoration of local governance with elections held in 2002, 2006 and 2010 for local governments and 2006 and 2010 for regional governments.

EQ8 Programme result on service delivery

The expenditures for regional and local governments have increased during the last year in constant prices, which indicates that local services are better than before.

The EC/EU has only supported this indirectly through sector programmes.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Last name</i>	<i>First name</i>	<i>Organisation</i>	<i>Date of the interview</i>
Amanda Valdez	Luz	USAID: Prodescentralización (Ayacucho)	Th. 16/06
Anicama	Juan	Dirección Regional de Salud	Fr. 17/06
Baertl Helguero	Andrea	CIES, Consortium de Investigation Economico y Socia	Ma. 20/06
Bermúdez	Violeta	USAID: Prodescentralización (Directora adjunta)	Tu. 14/06
Castillo	Severino	(Gerente Regional de Desarrollo Económico) Gobierno Regional de Ayacucho	Th. 16/06
Condori	Carlos	Mesa de Concertación y Lucha contra la pobreza Ayacucho (Coordinador de la MCLCP)	Fr. 17/06
Gallard	Patrick	EUD / Programme Advisor	Tu. 14/06
Gandolfo	Marco	AGORAH - Jefe de equipo de asistencia técnica	We. 15/06
Garcia	Tatiana	EUD / Programas temáticos	We. 14/06
Gonzales Paucar	Julio	Municipalidad de Ayacucho (Gerente Desarrollo Económico Local)	Th. 16/06
Gonzales Vigil	José	UNDP (Director de Programa)	Mo. 20/06
Ljunggren-Bacherer	Malin	EUD/ Programas temáticos	We. 14/06
Maravi	Guillermo	CTB-financiado: Programa de Centros de Servicios empresariales no financieros en el corredor Ayacucho-Apurimac- Huancavelica (gerente general a la Ayacucho)	Fr. 17/06
Miraval Huamán	Alicia	Dirección Regional de Salud de las Personas	Fr. 17/06
Molina Chavez	Ernesto	Presidente anterior del Gobierno Regional de Ayacucho	Sa. 17/06
Noriega Lopez	María del Pilar	Secretaría Nacional de Descentralización (Jefe de Oficina - Desarrollo de Capacidades y Articulación Intergubernamental)	Tu. 14/06
Ore	Walter	Gobierno Regional de Ayacucho (Sub-Gerente Regional de Desarrollo social)	Th. 16/06
Paulsen	Harmut	GIZ	Tu. 21/06
Pezantes	Micaela	CIES, Consortium de Investigation Economico y Social – Program advisor	Mo. 20/06
Salazar	Jaime	PASA - Ingeniero/ Promotor de inversiones económicas locales PASA Ayacucho	Th. 16/06
Sanchez	Carlos	CTB-financiado: Programa de Centros de Servicios empresariales no	Fr. 17/06

		financieros en el corredor Ayacucho-Apurimac- Huancavelica (coordinador en Huancavelica)	
Suarez-Ognio	Leonor	EUD	We. 14/06
Torres	Samuel	Ministerio de Economía y Finanzas (Dirección de Presupuesto territorial)	We. 15/06
Torres	Javier	NGO: Servicios Educativos Rurales (Director)	Mo. 20/06

Participants in the de-briefing 22 July 2011

Malin	Ljunggren	EUD
Tatiana	García	EUD
José-Luis	Arteaga	EUD
Patrick	Gallard	EUD
Leonor	Suarez	EUD
Jean Charles	Fiehrer	EUD
Oscar	Boije	EUD

5.2 Annex 2: The list of documents consulted

EU (2002); Country Strategy Paper 2002-2006

EU (2002); Country Strategy Paper 2007-2013

Commission Europea y el Consejo Nacional de Descentralizacion (2004), Programa de Apoyo al Desarrollo Socioeconomico y a la Descentralizacion en las Regiones de Ayacucho y Huancavelica Plan Operative Global 2004-2007

EU (2006); Programa de Apoyo al Desarrollo Socio-Económico y a la Descentralización en las Regiones de Ayacucho y Huancavelica – AGORAH - Misión de evaluación de medio término

GIZ, AECID, PCM (2010); Propuesta Técnica de Descentralización Fiscal

EU (2003); Detailed Decision Form (AGORAH)

EU y La Republica de Peru (2003); Convenio de Financiación Especifico AGORAH

EU (2007, 2010); Monitoring Report (ROM AGORAH)

EU (2006); Project Summary AGORAH

Ernst&Young (2007); Informal Final de Auditoria AGORAH

Presidencia del Consejo de Ministros (2010); Evaluación del Proceso de Transferencia de Competencias Sectoriales para el Desarrollo de la Gestión Descentralizada de los Servicios Públicos

Presidencia del Consejo de Ministros (2010); Plan Nacional de Desarrollo de Capacidades 2010-2012

Italtrend (2007); Evaluación del Programa de Apoyo a la Seguridad Alimentaria, PASA

LEY N° 27680 (2002); Ley de Reforma Constitucional del Capítulo XIV, del TÍTULO IV, sobre Descentralización

EU y la Republica de Peru (2009); Convenio de Financiación Programa del Apoyo Presupuestario al Programa Articulado Nutricional

EU (2010); Cooperación Temática de la Unión Europea en el Perú

USAID (2010); Cultura Política de la Democracia en Perú

E. Bustad and L. Glimeus, Lund Universitet (2011); Evaluating Fiscal Decentralisation in Peru

Yehude Simon Munaro (2009) La Descentralización en Perú (pover point)

Claudio Schuftan y Angel Delgado (2005); Proyecto de Apoyo a La Modernización del Sector Salud y su Aplicación en Una Región – Informe de Evaluación del Medio Término

EU y La Republica de Peru (2007); Modernización del Estado - Convenio de Financiación

J. Vega (2007); Análisis del Proceso de Descentralización en el Perú

WEB:

Associations of Municipalities: www.femulp.org, www.ampeperu.gob.pe, www.munired.org and www.remurpe.org.pe

MEF: www.mef.gob.pe

5.3 Annex 3: Detailed list of EC/EU-funded interventions related to decentralisation in Peru

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Programa de Apoyo al Desarrollo Socio-Económico y a la Descentralización en las Regiones de Ayacucho y Huancavelica – AGORAH	2003 – 2006	13	13	ALA/2003/005-758	Bottom-up	L	Grant to GoP, with a component of targeted Budget Support to the two beneficiary Regions	Government, Republica del Peru
Fortalecimiento de capacidades nacionales y regionales para la implementación, seguimiento y evaluación de políticas públicas multisectoriales	2008-2011	0,92	0,74	DCI-ALA/2007/019-475	Top-down	N	Project/Grant	Government, Republica del Peru
<i>Indirect interventions</i>								
Programa de Apoyo a la Seguridad Alimentaria – PASA	1997-2007	123	74	Multiple financing decisions	Bottom-up/ Sectoral	L	Project/ Targeted “budget support”	Government, Republica del Peru
Proyecto de apoyo a la modernización del sector salud y su aplicación en una región del Peru (AMARES)	2002 - 2007	9,8	9,8	ALA/1997/001-026	Sectoral	S	Grant to GoP	Government, Republica del Peru
Programa de apoyo presupuestario al Programa Articulado Nutricional – EuroPAN	2010-2013	60	25	DCI-ALA/2009/021-564	Sectoral	S	Budget Support	Government, Republica del Peru

The evaluation team has also considered a number of projects financed under the NSA-LA budget line, which are presented in table 2 in the document.

5.4 Annex 4: Description of major interventions

List of interventions detailed in the sub-sections below:

- Intervention 1: Programa de Apoyo al Desarrollo Socio-Económico y a la Descentralización en las Regiones de Ayacucho y Huancavelica - AGORAH.
- Intervention 2: Programa de Apoyo a la Seguridad Alimentaria - PASA.
- Intervention 3: Fortalecimiento de capacidades nacionales y regionales para la implementación, seguimiento y evaluación de políticas públicas multisectoriales - “Modernización del Estado PCM” (2007 AAP).
- Intervention 4: Desarrollo de capacidades de autoridades y funcionarios municipales y de la Sociedad Civil para el ejercicio de la gobernabilidad democrática en los municipios.
- Intervention 5: Fortaleciendo la gobernabilidad: gobiernos regionales con mayor capacidad de gestión transparente.
- Intervention 6: Proyecto de apoyo a la modernización del sector salud y su aplicación en una región del Perú (AMARES).
- Intervention 7: Programa de apoyo presupuestario al Programa Articulado Nutricional – EuroPAN.

5.4.1 Intervention 1

Title: Programa de Apoyo al Desarrollo Socio-Económico y a la Descentralización en las Regiones de Ayacucho y Huancavelica - AGORAH

Budget: 12.974.938 EUR

Start date: 2003

Objectives and expected results:

Overall objective: Contributing to the improvement of the living conditions in the regions of Ayacucho and Huancavelica through the application of a model of socio-economic development with a regional scope.

Specific objective: Contributing to socio-economic development of the regions of Ayacucho and Huancavelica through capacity building of regional and local governments and the development of economic and social infrastructure (of regional character).

Expected results:

- Regional and provincial governments are better trained and equipped to promote regional economic development and tackle the tasks assigned to them by the Decentralisation Act. This means increasing the capacity of LG to identify and prioritize participatory socio-economic projects and to formulate & execute them.
- The coverage of regional interest services is improved and the supply of temporary employment has increased in the poorest districts in these two regions through the construction of economic and social infrastructures (with a regional scope).

Activities:

- Strengthening capacities for planning of regional and provincial governments.
 - Improve diagnostic processes;
 - Support the process of identifying priority projects;
 - Support participatory planning and land management (especially in urban areas);
 - Training of public employees and the supervisory bodies of civil society.
- Increase the capacity to prepare and supervise projects.
 - Pre-feasibility and feasibility study;
 - Training courses;
 - Provision of equipment and materials necessary to ensure complementary and proper functioning of the regional and local governments’ technical units;

- Training regarding the main tasks for the implementation of the infrastructure projects (preparation of calls for tenders, supervision of the execution of works, accountability);
- Promoting inter-departmental and interprovincial partnerships.
- Improve financial management.
 - Support the reinforcement of regional and provincial tax systems;
 - Support the implementation of a financial information system (cost, organizational and operational manuals, internal controls and accountability, etc.);
 - Implementation and improvement of urban cadastre.
- Financing socio-economic infrastructure.

5.4.2 Intervention 2

Title: Programa de Apoyo a la Seguridad Alimentaria (PASA)¹³

Budget: more than 120 mEUR committed (see table below).

Starting date: 1997

Introduction:

In 1995, the GoP focused its social policies on health, education and justice. In addition, in order to mitigate the quite explosive social situation in the country, the GoP decided to implement a series of social programmes, among which two initiatives are the pillars of each PASA components:

- *Improvement Plan for Basic Social Spending* (PMGSB), which constituted the "backbone" of the strategy to combat poverty in the government. Two component programmes: Basic Education for All and Health for All, in addition to the Complementary Food programs for Major Risk and Justice Basic Program.
- The Ministry of the Presidency (PRES), which created the *Task Force for Social Investment* (ETIS), which objective was the development of a "Focused Strategy to Combat Poverty" (EFLCPE). The novelty of the strategy are the introduction of *Local Development Plans* (LAPs) and / or *District Development Plans* (PADs), which prioritized development actions according to the *Poverty Map* and involve an increased participation in the management of local development.

Summary of the programme:

In June 1997, the Government of Peru and the European Commission signed the Financing Agreement for the implementation of "Programa de Apoyo a la Seguridad Alimentaria - Perú - Comisión Europea" ("Support to Food Security, European Commission Peru" - PASA PERU-CE) which established the following components:

1. **Investment in human capital:** component used to support activities in the sectors of health and education and to increase the capacity of the poor through increase access to basic education and health.
2. **Social and productive investment:** component which aimed at supporting the implementation of social and productive infrastructure in districts of extreme poverty in a perspective of strengthening local capacity, thereby increasing household incomes and local employment.
3. **Institutional support:** This component aims to strengthen the capacities of public institutions responsible for the implementation of the programme, in addition to strengthening local capacity for management and execution of investments.

The programme adopted the social policies and programmes defined by the government, identifying the actions that it considered would best respond to social demands and focusing on those geographical areas that, according to the Poverty Map, had the highest concentration of

¹³ This programme corresponds to multiple financing decisions between the EU and the GoP.

poverty¹⁴. The programme actually corresponds to 21 financing agreements between the EC/EU and Government institutions¹⁵ signed and executed between 1997 and 2007.

Financial modality:

Financial support was provided through “*targeted budget support*”. The funds granted by the EC/EU were transferred to the relevant line ministries. Specific agreements were actually signed between the EC/EU and each ministry, defining the actions that the EC/EU co-financed and the amounts to be transferred (according to a financial plan). The ministry that had signed a financing agreement with the EC/EU received the financial support only after *official approval of the public expenditures* by the Directorate General of Budget. The transfer of funds of EC/EU consisted in an extension of the line ministry’s official budget and actually corresponded to a *reimbursement* of the relevant expenditures identified in the financial agreement.

The table below gives an overview of the yearly commitments & disbursements related to the “PASA PERU-CE” programme.

Table 1 PASA - Overview of yearly Commitments & Disbursements

<i>Year</i>	<i>Total commitment</i>	<i>Total disbursement</i>
1998	26.560.385	4.672.678
1999	28.172.476	11.033.773
2000	-	12.161.179
2001	20.843.137	10.396.746
2002	12.447.815	9.653.281
2003	8.197.604	2.432.759
2004	7.945.794	6.251.134
2005	11.992.970	6.615.467
2006	6.709.981	9.246.890
2007	-	1.521.072
TOTAL	122.870.162 EUR	73.984.980 EUR

5.4.3 Intervention 3

Title: Fortalecimiento de capacidades nacionales y regionales para la implementación, seguimiento y evaluación de políticas públicas multisectoriales - “Modernización del Estado PCM”- DCI-ALA/2007/19-475 (AAP 2007)

Budget: 920.974 EUR

Start date: 2008

Objectives and expected results:

Overall objective: Contribute to the modernization of the state as an instrument of social cohesion.

Specific objective: Government’s institutional capacities for the formulation, implementation and evaluation of multi-sectoral public policies in an environment of democratic governance have been strengthened.

¹⁴ Major interventions were expected to be carried out in the departments/ regions of Huancavelica, Apurimac, Ayacucho and Loreto which were considered as very poor; minor interventions were planned in Junin and Puno which were considered as quite poor.

¹⁵ Main ministries involved: MED: Ministerio de Educación - MINSA: Ministerio de Salud – MINAG: ministerio de Agricultura – MIMDES: Ministerio de la Mujer y del Desarrollo Económico y Social.

Expected results:

- The National Agreement (Acuerdo Nacional) has become an important forum for coordination between state and society, at national, regional and local levels.
- 4 pilot and prioritized multi-sector national policies have been formulated and implemented.
- Capacities for decentralized governance and implementation of policies through public investment programmes have been created, in an environment of prevention of corruption.

Activities:

- Activity 1.1: Consolidate processes based on a culture of dialogue and consensus building within the National Agreement.
- Activity 1.2: Promote the consensus reached by the National Agreement so as to influence government policies.
- Activity 1.3: Promote comparative views of regional development and integrate the results reached in the regional and local participatory planning processes.
- Activity 1.4: Linking the National Agreement to other sectors through new strategies.
- Activity 2.1: Develop and implement a pilot intervention of the multi-sector policy to combat drugs and promote alternative development.
- Activity 2.2: Develop and implement a pilot intervention of the multi-sector policy to combat chronic child malnutrition.
- Activity 2.3: Develop and implement a pilot intervention of the multi-sector policy on Development at Borders.
- Activity 2.4: Develop and implement a pilot intervention of the multi-sector policy on reparations to victims of political and social violence.
- Activity 3.1: Strengthening the decentralisation process by supporting the functions of the Decentralisation Secretariat for the intergovernmental coordination.
- Activity 3.2: Capacity building of regional and municipal governments and implementation of the National Capacity Development plan with special emphasis on institutional management and programming of investment projects.
- Activity 3.3: Improve the capacity and skills of local governments in terms of management and internal control through training programmes implemented by the National Audit Institution and support to the Regional Audit Office ("Órganos Regionales de Control") under the mandate of the Auditor General of the Republic ("Contraloría de la República" - CGR).

5.4.4 Intervention 4

Title: Desarrollo de capacidades de autoridades y funcionarios municipales y de la Sociedad Civil para el ejercicio de la gobernabilidad democrática en los municipios - DCI-NSAPVD/2008/020-081

Budget: 125.000 EUR

Starting date: 2009

Objectives and expected results:

Overall objective: The strengthening of transparent and participatory governance at the regional level.

Specific objective: Regional governments Junín, Huancavelica and Piura manage to establish new channels of communication with citizens, including vulnerable groups, based on transparent management and access to information.

Expected results:

- Increase in capacity of regional governments in matters of transparency of public management and in communication strategies with citizens.

- Accountability mechanisms strengthened for effective interaction between authorities and citizens.
- Principles of ethics and integrity govern the behaviour of the regional authorities during the 2010 election campaign.
- Most vulnerable populations in the regions, including indigenous peoples, women, children and adolescents, the elderly, victims of internal conflict and people with special needs are taken into account by the regional authorities when providing information on its management and way of functioning.

Activities:

- Advice on working with vulnerable populations
- Development and implementation of web workforce
- Training of regional authorities (and future) on transparency and access to information.
- Monitoring quarterly web portals of the authorities
- Organization of training workshops on communication strategies to authorities
- Organization of workshops for regional media
- Monitoring the management of regional governments on specific issues
- Organization of meetings for Good Government
- Training workshops for key officials for the regional government mechanisms for transparency and neutrality in election time.
- Organization of thematic exhibitions of citizens in each region
- Advice in publishing and ease of use of data on vulnerable populations.

5.4.5 Intervention 5

Title: Strengthening local governance and transparency (“Fortaleciendo la gobernabilidad: gobiernos regionales con mayor capacidad de gestión transparente”) - DCI-NSAPVD/2008/020-081

Budget: 241.830 EUR

Start date: 2010

Objectives and expected results:

Overall objective: Promote democratic governance in local governments in the north-eastern region of Peru for sustainable development and poverty reduction.

Specific objective: Municipal authorities and civil society are better managing their development by practicing democratic governance in 8 poor districts in the north-eastern part of the Department of Cajamarca.

Expected results:

- Strengthened capacities of municipal authorities and officials to ensure stability and continuity of municipal management.
- Municipal associations constituted and fortified with technical secretaries for the concerted management of development
- Civil society representatives able to lead inclusive local development processes which consolidate participatory municipal management.
- Municipal associations manage projects to achieve agreed objectives of development plans.

Activities:

- Training and technical assistance for the improvement of Municipal Governance.
- Social Marketing of Municipal Management.
- Awareness and information to civil society on local governance.
- Training programmes for local leaders.
- Construction of "proposals and agreements for Local Development".

- Information Programme “Municipal Elections 2010”.
- Technical Assistance for the Commonwealth Conformation in Cutervo.
- Organization and Implementation of Technical Secretariats for Municipal Associations.
- Technical assistance for the project management of 2 Municipal Associations.
- Technical Secretariat provides technical assistance to local governments in development projects.

5.4.6 Intervention 6

Title: Proyecto de apoyo a la modernización del sector salud y su aplicación en una región del Peru (AMARES)

Budget: 9,8 mEUR

Start date: 2002

Objectives and expected results:

Overall objective: Contribute (with the GoP) to the improvement of the health status of the beneficiary population in the area of intervention.

Specific objective: The Ministry of Health, regional and local governments, as well as institutions, organizations and communities involved in health activities in the areas of intervention of the project have been strengthened in order to contribute to the development of the reform process and the modernization of the health sector.

Expected results:

- The Ministry of Health, regional and local governments have implemented specific strategies in the intervention area of the project with respect to decentralisation and improved management in relation to health.
- The Ministry of Health, the DIRESAS, networks and micro-networks of health in the Project have and apply a more integrated system of health information that allows staff and technical equipment to use the information for decision-making.
- The Ministry of Health, the DIRESAS, networks and micro-networks of health in the Project have improved their management capacity in health human resources with a focus on continuous training on health.
- The Ministry of Health, the DIRESAS, networks and micro-health networks in the area of the project have developed and started implementing the new health care model focused on quality improvement that considers intercultural and increased capacity to meet the priority health needs of the population using new mechanisms of co-management of health services.
- Facilitate the exchanges and the convergence between regional governments, DIREASs and Regional Offices of Education, communities, networks, micro-networks and educational and health facilities to develop and promote a healthy environment at all these levels and incorporate these principles to the regional and local development.

Activities related to Expected result 1:

- 1.1 Technical support to strengthen technical planning at the Ministry of Health (MoH) and its units.
- 1.2 Support to the modernization of the management at DIREASs and Health Networks level, focusing on the use of management agreements.
- 1.3 Technical support to the decentralisation process of the health sector.
- 1.4 Strengthening national and regional capacities for negotiation and evaluation of International Cooperation.
- 1.5 Support to the formulation of mechanisms for budget allocation and investment in health.
- 1.6 Implement proposals for modernization of MINSA.
- 1.7 Support and encourage discussion, development and socialization of health sector reform proposals.

5.4.7 Intervention 7

Title: Programa de apoyo presupuestario al Programa Articulado Nutricional – Euro-PAN - ALA/DCI//2009/021/-564

Budget: 61 mEUR

Start date: 2009

Objectives and expected results:

Overall objective of the “Articulated Nutritional Programme” (“Programa articulado nutricional”): Improve the living conditions in rural areas.

Specific objective of the “Articulated Nutritional Programme”: Decrease chronic malnutrition of children under-five from 25% in 2005 to 16% in 2011.

Objective of Euro-PAN: contribute at both technical and financial level to the implementation of the national “Articulated Nutritional Programme” with the goal to accelerate the decrease of chronic infantile malnutrition and fight against poverty in Peru.

Activities:

- Financial transfer to the National Treasury
- Policy dialogue on the implementation of a macroeconomic policy that aims at supporting stability, better public financial management and the fight against poverty through the national Articulated Nutritional Programme.
- Technical assistance and complementary support.

Remarks:

Measurement of results

Indicators of results are supposed to be measured only for the bottom fifth of the population in terms of poverty: it corresponds actually to 54 districts in 3 of the poorest “departments” of the country.

Payment modality:

Budget support with fixed and variable tranche as well as technical assistance (TA) component.

Presupuesto Indicativo	2009-2010	2011	2012	2013	Total
Total	25,2	11,2	11,2	13,2	60,8
Tramos Fijos	25	5	2	2	34
Tramos Variables	-	6	9	11	26
Ayuda complementaria (Asistencia Técnica, Visibilidad, Auditoria Evaluación y Medidas de Apoyo Suplementarias)	0,2	0,2	0,2	0,2	0,8

5.5 Annex 5: Detailed country context

5.5.1 Overall introduction

Since the Republic of Peru was established, opinions were divided between those who favour a federalist option and those who support a centralized country. The discussions on federalisation already appeared in the Constitutional Congress of 1827. However, federalisation was finally deemed inappropriate and the process was consequently postponed.

At that time, the country's administrative division defined three sub-national levels: departments, provinces and districts. But the departments were not really corresponding to a "local government" since the authority at this level was embodied by the Prefect who was in charge of monitoring public order, was depending from the "Ministry of Policy and Governance" ("Ministerio de Gobierno y Policía" – now the Ministry of Interior) and was appointed by the President of the Republic. On the other hand, local governments existed (although this was actually only partially the case) in the form of "municipalities" at provincial and district levels.

Municipalities began to be democratically elected in 1963. And, in fact, only two elections took place in a row (1963 and 1966) before the 1968 military coup. A new reformist approach was then adopted and the situation lasted until 1980. Municipal authorities started again to be democratically elected only after the restoration of democracy in the country in 1980. During the 1970s, the socialist-oriented military government thoroughly reformed "ownership" in key sectors of the country: agriculture (development of cooperatives), fishing and mining (state ownership) and industry (obligation of co-ownership with workers).

Table 2 List of presidents of Peru over the past 30 years

Period in office	President
1980-1985	Fernando Belaúnde Terry
1985-1990	Alan García Pérez
1990-2000	Alberto Fujimori
2000-2001	<i>Transitional government</i>
2001-2006	Alejandro Toledo
2006-2011	Alan García Pérez
2011-...	Ollanta Humala Tasso

In 1979, as part of the process of preparing the return to democracy, a Constituent Assembly was established. The process included a new reform that was supposed to be implemented by future democratic governments: the regionalisation.

In 1984, a **National Regionalization Plan** was approved and formed the basis for the establishment and development of regions. This was accompanied by the enactment of a Law on Regional Elections and Designation of Representatives.

The regions and related departments defined in the plan are detailed in the table below.

Table 3 *Peru's regions and departments*

<i>Region</i>	<i>Departamentos</i>
Andrés Avelino Cáceres	Pasco , Junín, Huánuco
Arequipa	Arequipa,
Chavín	Ancash
Grau	Tumbes, Piura
Inca	Cuzco, Madre de Dios, Apurímac
José Carlos Mariátegui	Puno, Moquegua y Tacna
La Libertad	La Libertad
Loreto	Loreto
Los Libertadores Wari	Ica, Ayacucho, Huancavelica
Nor Oriental del Marañón	Lambayeque, Cajamarca y Amazonas
San Martín	San Martín
Ucayali	Ucayali

Notes: 1/ In several cases, the department annexation marked the division of the departments. For example Apurímac, whose provinces of Andahuaylas and Chincheros became part of the Region Los Libertadores Wari. 2/ The conditions for Lima and Callao has never been clearly defined.

In order to maintain the power at central level, a series of measures was actually adopted which weakened the regionalisation process:

- a) The indirect election of the "Regional President" who was elected by the Regional Assembly.
- b) The universal and direct election of only 40% of the members of the Regional Assembly.
- c) The participation of provincial mayors.
- d) The participation of the elected representatives of social, cultural and productive organizations.
- e) The Regional Assembly could pass laws but could only do so through "express delegation" by the national legislature; moreover, the National Executive had to actually enact them and kept the right to veto.

Regionalisation was short-lived as, just two years after its creation, a coup organised by the President of the Republic himself **suspended the process of creation of regional governments** (April 1992). The decision came in the middle of a national crisis characterized by the burst into a civil war coupled with a deep economic downturn. In this context, it was finally decided to establish in each department a Transitory Council of Regional Administration (CTAR) chaired by an official appointed by the central government.

In 1993, a new Constituent Congress was organised. It decided to establish at regional level democratically elected presidents supported by Coordination Councils composed of "provincial mayors" ("alcaldes provinciales"). Elections were planned to be organised no later than 1995. But this plan was never carried out and the regime in place collapsed shortly after. In the meanwhile, the CTAR lost functions, powers and resources becoming an irrelevant political body.

A new evolution occurred during the mandate of President Toledo. In March 2002, an amendment to the Constitution completely modified the chapter on decentralisation. The new proposal planned a gradual process so as to ensure proper transfer of responsibilities and resources to "**regional and local governments**".

The process began with the election and installation of "regional governments" in each of the departments (as well as in the "constitutional province" of Callao¹⁶). "Regions" had to be created by the union of two or more contiguous departments. And, to this end, the constitutional reform

¹⁶ The portuary area of Lima.

had planned that a referendum would be organised to present suggestions of departmental aggregation.

The first attempt to form regions occurred in **2005** when five proposals involving sixteen departments were submitted to a **referendum**. However, none of the proposals were eventually accepted by the citizens. In 2009, the scheduled dates for the subsequent referendum for other departments were cancelled.

5.5.2 Structure of sub-national governments

It is commonly agreed that three levels of government exist: *National, regional and local*. This is also the classification used by the Ministry of Economy and Finance. However, in the constitutional reality this division is actually more complex. Article 189 of the constitution states that "*The territory of the Republic is composed of regions, departments, provinces and districts, along which the government is organized at national, regional and local levels, in the terms established by the Constitution and the law, preserving the unity and integrity of the state and the nation. The scope of the regional government level is the regions and the departments. The scope of the local government level is the provinces, the districts and the urban centres*¹⁷."

Since there are not yet established regions, the country is actually divided into three levels: **24 departments, 195 provinces and 1.838 districts**. In each of these jurisdictions, three levels of government exist:

- "regional governments" at *department level*,
- "provincial municipalities" at *provincial level*,
- "district municipalities" at *district level*.

Thus, any district corresponds to four hierarchical levels of elected officials. The name of "**local governments**" ("*Gobiernos locales*") is usually adopted to designate the provincial and district municipalities.

With the cancellation of the deadlines for the formation of regions, departments have already begun to be called regions. On the other hand, at local level, maintaining the coexistence of three hierarchical levels established a continuum from rural to the metropolitan governments. The lack of this distinction in the country creates serious problems when defining roles and responsibilities as the enormous heterogeneity prevents to apply consistent rules at municipal level. Under the last census, the largest district municipality¹⁸ had 898.443 inhabitants while the smallest¹⁹ had only 161 inhabitants.

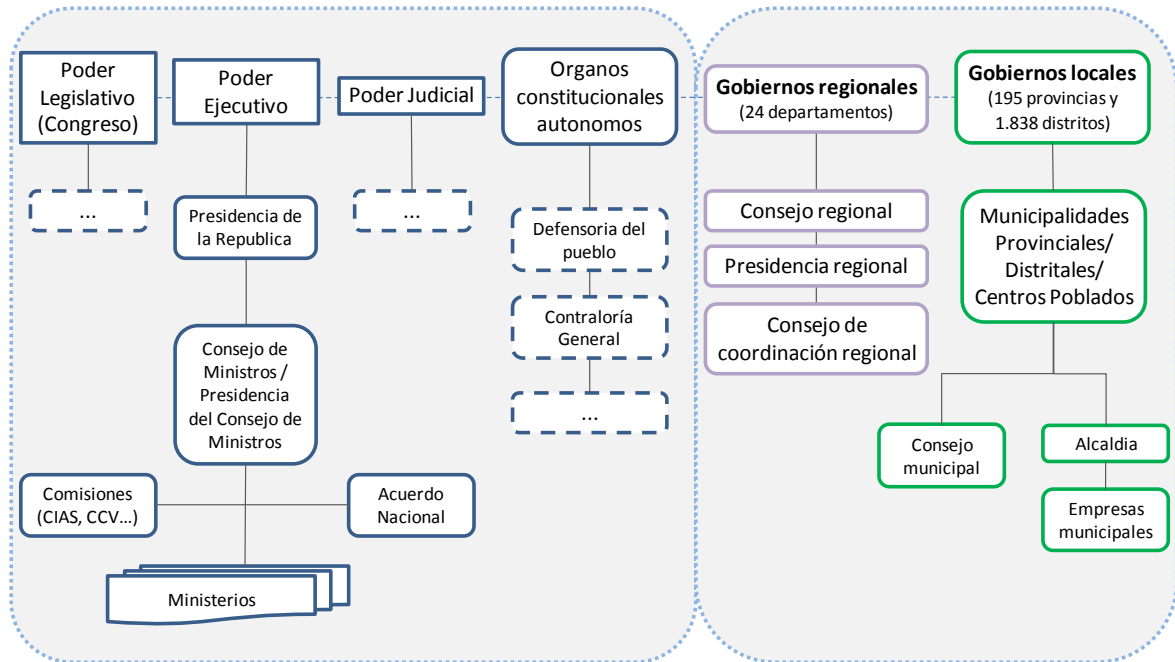
The figure below summarises the current structure of the Peruvian state.

¹⁷ Los centros poblados no constituyen una subdivisión jurisdiccional de carácter universal; ellas son creadas mediante una ordenanza de la municipalidad provincial, que determina además: su delimitación territorial, su régimen de organización interior, las funciones que se le delegan, los recursos que se le asignan y sus atribuciones administrativas y económico-tributarias. Art. 128 de la Ley de Municipalidades.

¹⁸ San Juan de Lurigancho.

¹⁹ Santa María del Mar.

Figure 2 Organisation of the state in Peru



Source: Particip analysis (based on information available at www.peru.gob.pe).

The structures of the various levels of government were gradually defined through the enactment of a number of laws between 2002 and 2007. The table below gives an overview of the evolution of the legislative framework related to decentralisation over the past decade.

Table 4 Evolution of the legislative framework related to decentralisation

Year	Law (and short description)
2002	Ley de Bases de la Descentralización – LBD
2002	Ley Orgánica de Gobiernos Regionales
2002	Ley de Elecciones Regionales
2002	Ley Marco de Promoción de la Inversión Descentralizada
2003	Ley Orgánica de Municipalidades
2003	Ley Marco de Presupuesto Participativo
2004	Ley de Descentralización Fiscal
2004	Ley de Incentivos para la Integración y Conformación de Regiones
2007	Ley Orgánica del poder Ejecutivo

5.5.3 The actors of decentralisation

During the first government involved in decentralizing reform (government of Alejandro Toledo), the decentralisation process was entrusted to the CND which was created in 2002 by the Law on Decentralisation “Ley de Bases de Descentralización”. This council was created to work as an independent body under the PCM. Its role was to implement, monitor and evaluate the transfer of powers and functions of central government to regional and local governments. Later, in early 2007 (under the government of Alan García Pérez), the CND was absorbed by the Presidency of the Council of Ministers which created the “**Decentralisation Secretariat**”. This Secretariat received much less power and fewer resources than the former CND and was organised as an administrative in the Presidency of the Council of Ministers, PCM.

In response to the decision of the executive to deactivate the CND, a group of Presidents of Region met on 2 February 2007 to create the “National Assembly of Regional Governments” (“Asamblea Nacional de Gobiernos Regionales”) that is an association of Presidents of Region and is devoted to coordinate the action of regional governments in the political arena.

The **Intergovernmental Coordination Council (CCI)** was subsequently created to develop an institutionalised space to allow exchanges between the three levels of government and the development of a consensus on the national policies on decentralisation. The CCI is chaired by the President of the Council of Ministers and include all other ministers, the presidents of the 25 regional governments, the mayors of the Municipality of Lima and of the Provincial Municipality of Callao, and a representation of local governments directly elected by district and provincial mayors. The first election of representatives of local governments took place only in April 2011. However, it should be mentioned that, between 2009 and 2011, seven ministries have already set up Intergovernmental Committees for the decentralised management linked to the sector they cover.

Finally, the “Juntas de Coordinación Interregionales (JCI)” (interregional coordination bodies) and the “Mancomunidades Regionales” should be mentioned:

The “**Juntas de Coordinación Interregionales**” is defined in Article 91 of the Organic Law of Regions as spaces for coordination of projects, plans and actions, whose orientation is the consolidation of economic corridors and the development of axes to create “macro-regional spaces”. The “Law on Incentives for Integration and Creation of Regions” state that the JCI have the objective to form strategic management agreements and materialize regions through specific cooperation agreements on production and service delivery projects. Four JCI have been created and cover 21 regional governments: “Internorte” formed by the governments of Ancash, Cajamarca, La Libertad, Lambayeque, Piura and Tumbes; “Junta Amazónica”, formed by the governments of Amazonas, Loreto, Madre de Dios, San Martín and Ucayali; “Junta del Centro”, formed by the governments of Ayacucho, Huanuco, Huancavelica, Ica, Junín and Pasco; “Junta del Sur”, formed by the governments of Arequipa, Cusco, Moquegua and Tacna.

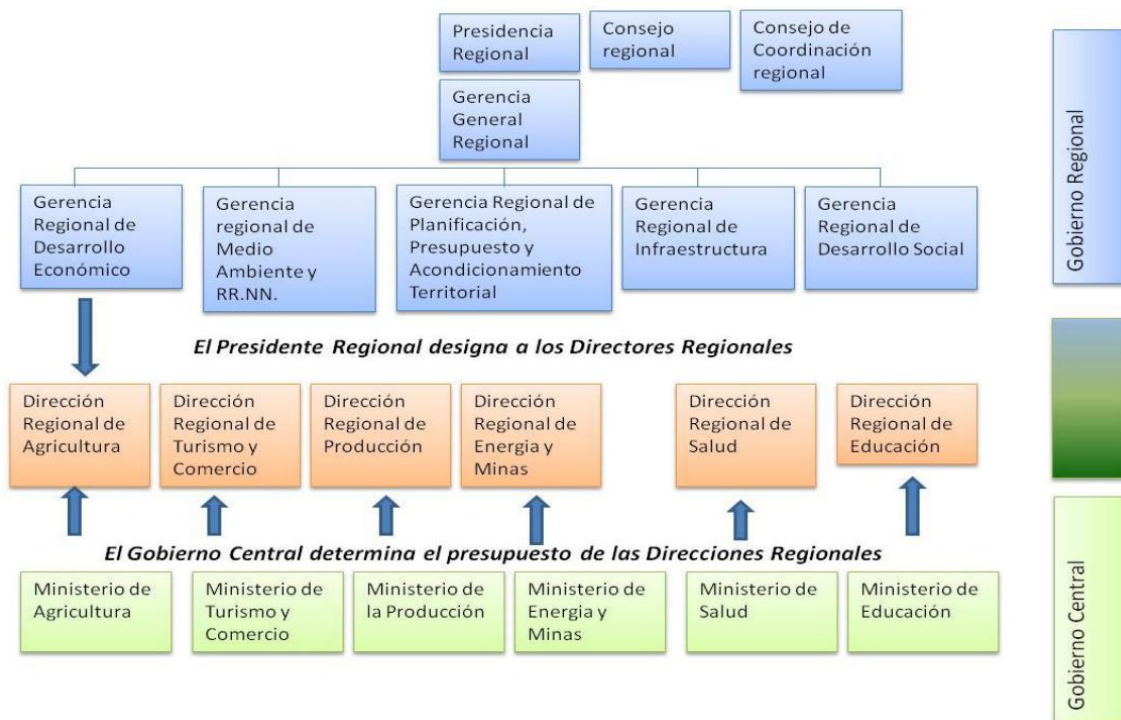
The “**Mancomunidades Regionales**” are instances of voluntary integration involving several neighbouring regions/ departments. They aim is to promote sustainable development based on the complementarity of regional potential. This functional articulation is intended to implement projects and roles that are of common interest.

5.5.4 The powers and functions of regional governments

According to the Organic Law of Regional Governments No. 27867 and the amendment No. 27902 (Article 9), regional governments have the following constitutional powers:

- a) Approve their internal organization and budget.
- b) Develop and approve the regional development plan agreed with the municipalities and civil society.
- c) Manage regional assets and income.
- d) Regulate and grant permits, licenses and fees on services of their responsibility.
- e) Promote and implement regional economic development plans and programmes.
- f) Establish the rules inherent in regional management.
- g) Promote and regulate activities and / or services in agriculture, fisheries, industry, agribusiness, trade, tourism, energy, mining, transportation, communications, education, health and environment, according to the law.
- h) Promote competition, investment and financing for projects and infrastructure works of regional scope and impact.
- i) Present legislative initiatives on issues and matters within its competence.
- j) Exercise other powers according to law.

Figure 3 Functions and role of regional governments



In addition, under Article 10 of the same document, they have exclusive and shared competence as defined in the “Article 35 of the Organic Law of the basis of Decentralisation”.

The *exclusive competences* include:

- a) To plan the development of their region and implement appropriate social and economic programs in line with the National Development Plan.
- b) To develop and approve the Regional Development Plan (agreed with municipalities and civil society in their region).
- c) To adopt its internal organization and institutional budget under the Budget Management Act and the laws of the State Annual Budget.
- d) Promote and implement a regional public investment plan in road infrastructure projects, energy, communications and basic services at the regional level, with strategies of sustainability, competitiveness, private investment opportunities and to stimulate markets and profitable activities.
- e) Design and implement regional watersheds, economic corridors and intermediate cities.
- f) To promote business formation and regional economic units to arrange production and service systems.
- g) To facilitate processes aimed at international markets for agriculture, agribusiness, handicrafts, forestry and other productive sectors, according to their potential.
- h) Development of tourist circuits that can become areas of development.
- i) Reach agreements with other regions to promote economic development, social and environmental.
- j) Managing and allocating urban land and state-owned vacant lots in their jurisdiction, except for municipally owned land.
- k) Plan and approve the technical files on territorial demarcation activities in their jurisdiction, according to the law of matter.
- l) Promote the modernization of small and medium regional companies, linked to the tasks of education, employment and technological upgrading and innovation.
- m) To issue rules on cases and matters within its responsibility, and propose appropriate legislative initiatives.
- n) Promote the sustainable use of forest resources and biodiversity.

o) Other competences determined by specific laws.

The *shared competencies* include:

- a) Education. Management-level education services, primary, secondary and higher non-university, with criteria designed to promote intercultural education development.
- b) Public health.
- c) The promotion, management and regulation of economic and productive activities in their area and level for the agriculture, fishery, industry, commerce, tourism, energy, hydrocarbons, mining, transport, communications and environment.
- d) Sustainable management of natural resources and improving environmental quality.
- e) Preservation and management of protected natural reserves and regional areas.
- f) Dissemination of culture and empowerment of all regional arts and cultural institutions.
- g) Regional competitiveness and the promotion of productive employment at all levels, arranging public and private resources.
- h) Public participation, encouraging dialogue between the public and private interests at all levels.
- i) Others as delegated or assigned under law.

It should be noted that according to the plan initially envisaged the powers and functions would be transferred after the formation of regions. However, given the negative results obtained in the referendum, the government decided in 2006 to implement a "decentralisation shock" with the transfer of 180 out of the 185 functions (specified in the Organic Law of Regional Governments) by 31 December 2007. The goal has not been met so far.

Similar situation occurred with respect to transfers scheduled in the Medium Term Plan 2006 - 2010 which should be completed by no later than December 2010.

It should be recognized that significant progress was made in the transfer, so that by mid-2010, the administrative transfer of 95,6% of sector functions to regional governments had been implemented.

5.5.5 The powers and functions of local governments

In accordance with Article 73 of the Municipalities Act, Local governments assume (exclusive or shared) powers in the following areas:

1. Organization of physical space

- 1.1. Zoning.
- 1.2. Urban and rural cadastre.
- 1.3. Urban empowerment.
- 1.4. Physical healing legal settlements.
- 1.5. Territorial organization.
- 1.6. Urban renewal.
- 1.7. Basic urban infrastructure and rural.
- 1.8. Road.
- 1.9. Historical, cultural and scenic.

2. Local public service delivery

- 2.1. Environmental sanitation, hygiene and health.
- 2.2. Transit, traffic and public transport.
- 2.3. Education, culture, sport and recreation.
- 2.4. Social programs, defence and promotion of rights.
- 2.5. Safety.
- 2.6. Supply and marketing of products and services.

- 2.7. Civil Registry, in recognition of an agreement with the National Registry of Identification and Civil Status, according to the law.
- 2.8. Promoting local economic development to generate employment.
- 2.9. Establishment, maintenance and administration of zonal wind, zoos, botanical gardens, natural forests, either directly or through concessions.
- 2.10. Other public services not reserved for public regional or national character.

3. Environmental protection and conservation

- 3.1. Formulate, adopt, implement and monitor plans and local environmental policies, in accordance with the policies, standards and regional plans, sector and national levels.
- 3.2. Propose the creation of conservation areas.
- 3.3. Promote environmental education and research in the area and encourage citizen participation at all levels.
- 3.4. Participate and support regional environmental commission in carrying out their duties.
- 3.5. Coordinate with various levels of national government, sectoral and regional levels, the correct application of the instruments of local planning and environmental management in the context of national and regional environmental management.

4. In terms of local economic development

- 4.1. Planning and provision of infrastructure for local development.
- 4.2. Encouraging private investment in projects of local interest.
- 4.3. Promoting job creation and development of micro and small enterprises urban or rural.
- 4.4. Promotion of handicrafts.
- 4.5. Promoting sustainable local tourism.
- 4.6. Promoting rural development programs.

5. In terms of local participation

- 5.1. Promote, support and regulate resident participation in local development.
- 5.2. Establish monitoring tools and procedures.
- 5.3. Organize the records of social and neighbourhood organizations within their jurisdiction.

6. In terms of local social service delivery

- 6.1. Manage, organize and implement local programs to combat poverty and social development.
- 6.2. Manage, organize and implement local assistance programs, protection and support to the population at risk and others who contribute to the development and welfare of the population.
- 6.3. Establishing channels of dialogue between the neighbours and social programs.
- 6.4. Disseminate and promote the rights of children, adolescents, women and the elderly, offering opportunities for participation at the level of municipal bodies.

7. Prevention, rehabilitation and anti-drug

- 7.1. Promote prevention and rehabilitation in cases of drug abuse and alcoholism and create eradication programs in coordination with the regional government.
- 7.2. Promote international cooperation agreements to implement programs to eradicate illegal drug use.

5.5.6 The development of human resources at sub-national levels

Given the fact that there was no significant increase in wages, spending in personal at regional and local level can be considered as a proxy of the increase in regional and municipal employees which is: 25,3% and 107,5% respectively.

There has been no national assessment on the quality of staff at both levels of sub-national governments. But it is assumed since the beginning of the decentralisation process that it is necessary to heavily train staff as part of the transfer of functions.

The CND prepared and approved on 13 October 2003, the National Plan for Capacity building and Technical assistance in Public Administration to strengthen regional and local governments. This document set a time horizon of three years and aimed to establish the general framework and basis for developing guidelines for training activities and technical assistance necessary to improve the management capacities of regional and local governments in the process of decentralisation. Unfortunately, the progress in the implementation of the plan has been quite low.

In 2008 (Decree No. 1025), Standards for Training and Performance in the Public Sector were approved. They aimed is to establishing a voluntary accreditation system of programmes in public administration, public policy, development and project management. However, the regulation that should allow the effective implementation of these standards has never been approved.²⁰

On 12 January 2010, a plan for "National Capacity Development for Public Administration and Governance of Regional and Local Governments" (PNDC) was approved with the objective of "Improving Public Management with a focus on results, efficiency, effectiveness and transparency in the context of decentralisation and modernisation of the state." This plan also has four specific objectives:

- Develop management skills desirable for public officials at the regional and local level (in the context of decentralisation and state modernization).
- Strengthen the link between supply and demand of training in Public Management according to the skills necessary for the process of decentralisation.
- Promote the management and production of knowledge and information in Public Management with the aim to improve decision making.
- Promote the strengthening of inter-institutions networks so to enhance the sustainability in the implementation of the PNDC.

Finally, there is the initiative "SERVIR" created to "improve the civil service in a comprehensive and continuous services to the citizens", which has given rise to the Body of Public Managers (CGP) that seeks to ensure a high quality management in strategic positions of the State and is now operating in central government and regional governments. The PCM performs selection process to fill places of managerial positions through merit-based and transparent public tenders, and its members have a system and a special remuneration scale, financed both by SERVIR, for the target entity. The most striking feature of the body is a requirement for public managers assigned to meet specific goals and indicators as a requirement to remain in the position assigned.

5.5.7 Finance at sub-national level

The changing structure of national spending allows highlighting the percentage increase of the total share related to sub-national governments.

²⁰ Proceso de descentralización 2009 - Balance y Agenda Crítica – PRODES (p.90).

Table 5 Level of expenditures of sub-national governments

NIVELES	2004	2007	2009
National	34.420,8	39.650,2	49.171,1
Regional	7.848,9	11.570,9	14.992,1
Local	5.737,2	9.007,8	16.042,6
TOTAL	48.006,9	60.228,9	80.205,8
% of PIB	20,2	17,9	21,1%
National	71,7%	65,8%	61,3%
Regional	16,3%	19,2%	18,7%
Local	12,0%	15,0%	20,0%
TOTAL	100,0%	100,0%	100,0%

Note: En millones de nuevos soles.

The increase was mainly due to the effect of the “canon” (redistribution of revenue from the mine industry). This hides huge differences within each sub-national government. Seven departments account for almost 70% of transfers from the “canon”, and only 15 of the 194 provinces account for more than 50% of the total transfer to local governments. The level of inequality is also very high among local governments: 15 municipalities concentrate 25% of the total transfer to the local governments between 2006 and 2010.²¹

Table 6 Structure of Regional government expenditures

Grupo de gasto	2004	2007	2009
Recurrent	7 006,1	8 916,8	10 310,9
Capital	850,5	2 681,3	4 681,2
Debt amortization	0	3,4	n.d.
TOTAL	7 856,6	11 601,5	14 992,1
Recurrent	89,2%	76,9%	68,8%
Capital	10,8%	23,1%	31,2%
Debt amortization	0,0%	3,4%	0,0%
TOTAL	100,0%	100,0%	100,0%

Note: En millones de nuevos soles.

²¹ “Propuesta Técnica de descentralización Fiscal”. Secretaría de Descentralización. Pág. 63

Table 7 Structure of "Local government" expenditures

<i>Grupo de gasto</i>	<i>2004</i>	<i>2007</i>	<i>2009</i>
Recurrent	3.402,9	4.564,8	6.618,3
Capital	2.064,2	4.277,9	9.424,4
Debt amortization	270,1	165,0	n.d.
TOTAL	5.737,1	9.007,8	16.042,6
<i>Recurrent</i>	<i>59,3%</i>	<i>50,7%</i>	<i>41,3%</i>
<i>Capital</i>	<i>36,0%</i>	<i>47,5%</i>	<i>58,7%</i>
<i>Debt amortization</i>	<i>4,7%</i>	<i>1,8%</i>	<i>n,d</i>
<i>TOTAL</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>

Note: En millones de nuevos soles.

5.6 Annex 7: Political structure of decentralised government in Latin America

PAÍS	SISTEMA DE GOBIERNO	NIVEL DE GOBIERNO	FORMA DE ELECCIÓN DE LOS NIVELLES DE GOBIERNO
ARGENTINA	Estado representativo, republicano y federal	Gobierno Nacional, Gobiernos Provinciales, municipales y comunas	El presidente es elegido por sufragio universal por 4 años con posibilidad de reelección. La provincia cuenta con su propia constitución política y su autoridad máxima es el Gobernador elegido por 4 años. Los municipios y las comunas son regidos por los intendentes y los concejales respectivamente elegidos por sufragio directo con un período de 4 años con posibilidad de reelección
BOLIVIA	Gobierno Unitario	Nación, departamentos, provincias y secciones	Elección del presidente por sufragio universal por 4 años. Designación presidencial al Prefecto (departamento), subprefecto (provincia), corregidores (cantón). Elección directa de alcaldes por 5 años
BRASIL	República Federativa, Estado de Derecho	Nación, Estados y municipios	El presidente de la república es elegido democráticamente por sufragio universal para un período de 5 años. Los gobernadores son los representantes de los estados federados elegidos por un período de 4 años. Los municipios (prefeitos) son elegidos por sufragio universal por 4 años y están considerados dentro de los Estados Federados
CHILE	Estado Unitario	Nación, Gobierno Regional, Municipalidad	Votación Universal al presidente por 6 años. El Gobierno Regional (Intendente) y Municipal (Gobernador) son elegidos por el presidente de la República bajo el título de cargo de confianza. El Concejo Regional es elegido por los Concejales Municipales y el alcalde (repr. del concejo municipal) es elegido directamente por 4 años
COLOMBIA	País descentralizado unitario. Estado de derecho democrático	Nación, departamento y municipio	Elección directa del presidente por 4 años. Los Gobernadores, Asambleas Departamentales, Alcaldes, Concejos Municipales y Juntas Locales (3 años)
PERÚ	Estado unitario, representativo y descentralizado	Nación, Gobierno Regional, Gobierno Local	El presidente es elegido directamente por un período de 5 años con posibilidad de reelección. El Gobierno Regional y Municipal son elegidos por sufragio universal por un período de 5 años

Source: Cortés, Patricia: *Descentralización y Desarrollo Local: Una Mirada desde América Latina*.

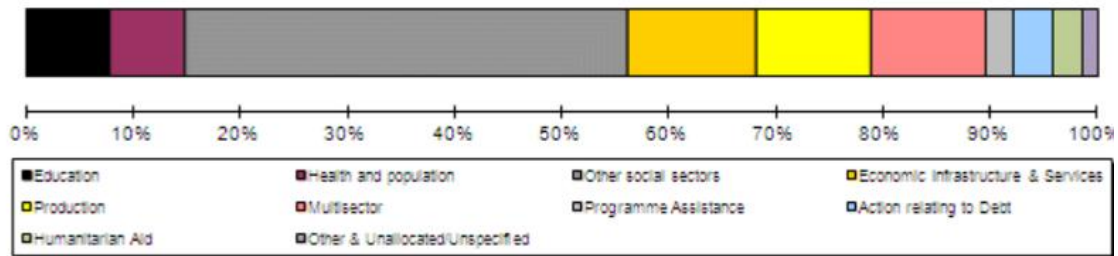
5.7 Annex 8: Aid at a glance - Peru

Receipts	2007	2008	2009
Net ODA (USD million)	309	463	444
Bilateral share (gross ODA)	89%	88%	83%
Net ODA / GNI	0.3%	0.4%	0.4%
Net Private flows (USD million)	3 408	2 135	2 092

For reference	2007	2008	2009
Population (million)	28.5	28.8	29.2
GNI per capita (Atlas USD)	3 340	3 990	4 150

Top Ten Donors of gross ODA (2008-09 average) (USD m)	
1 Japan	129
2 Germany	121
3 Spain	120
4 United States	117
5 EU institutions	63
6 Belgium	27
7 Switzerland	20
8 Global Fund	20
9 France	19
10 Canada	17

Bilateral ODA by Sector (2008-09)



Sources: OECD, World Bank.

5.8 Annex 9: Detailed Financial Information

Total expenditures of the Public Sector, mSoles

	2001	2004	2007	2010
Central Government	34.373	42.224	39.487	54.148
Local Governments			6.229	17.707
Regional Governments		7.838	11.536	16.177
Total	34.373	50.062	57.252	88.032

Total expenditures for salaries, mSoles

	2001	2004	2007	2010
Central Government	9.259	6.399	7.609	11.447
Local Governments			1.036	2.055
Regional Governments		5.007	6.361	7.068
Total	9.259	11.406	15.006	20.570

Transfers from the Central Government, mSoles

	2001	2004	2007	2010
Local governments	1.799	3.643	9.101	11.965
Regional Governments		526	2.060	3.181

Total	1.799	4.169	11.161	15.146
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Own Revenues of Regional and Local Governments, mSoles

	2001	2004	2007	2010
Local governments			1.249	2.317
Regional Governments		280	376	478
Total	1.799	280	1.625	2.795

Total expenditures of the Public Sector, mSoles 2010 prices

	2001	2004	2007	2010
Central Government	42.643	49.337	43.731	54.148
Local Governments			6.898	17.707
Regional Governments		9.158	12.776	16.177
Total	42.643	58.495	63.405	88.032

Total expenditures for salaries, mSoles 2010 prices

	2001	2004	2007	2010
Central Government	11.487	7.477	8.427	11.447
Local Governments			1.147	2.055
Regional Governments		5.850	7.045	7.068
Total	11.487	13.327	16.619	20.570

Transfers from the Central Government, mSoles 2010 prices

	2001	2004	2007	2010
Local governments	2.232	4.257	10.079	11.965
Regional Governments		615	2.407	3.181
Total	2.232	4.871	12.486	15.146

Own Revenues of Regional and Local Governments, mSoles 2010 prices

	2001	2004	2007	2010
Local governments			1.383	2.317
Regional Governments		327	416	478
Total	1.799	327	1.800	2.795

Inflation Index	2001	2004	2007	2010
www.econstats.com	100,25	106,44	112,3	124,37



European Group for
Evaluation EEIG
Germany



Aide à la Décision Economique
Belgium



Particip GmbH
Germany



Development
Researchers'
Network
Italy



Deutsches Institut für
Entwicklungspolitik
Germany



European Centre for
Development Policy
Management
The Netherlands



Overseas Development Institute
United Kingdom

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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
The Philippines**

Prepared by: Per Tidemand

July 2011

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

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List of Abbreviations

ACP	Africa, Caribbean and Pacific countries
ADB	Asian Development Bank
AO	Administrative Order
AOP	Annual Operation Plan
ARMM	Autonomous Region of Muslim Mindanao
ASoG	Ateneo School of Government
ATI – DA	Agricultural Training Institute – Department of Agriculture
AUSAID	Australian Government Overseas Aid Program
BCDI	Bicol Consortium For Development Initiatives
BIHC – DOH	Bureau of International Health Cooperation – Department of Health
BLGD	Bureau of Local Government Development
BLGF	Bureau of Local Government Finance
BOT	Build-Operate-Transfer
CAA	Conflict-Affected Areas
CAR	Cordillera Administrative Region
CCD	Coordinating Committee on Decentralization
CHD	Center for Health Development
CHITS	Community Health Information Tracking System
CIDA	Canadian International Development Agency
CLRG	Center for Local and Regional Governance
CO	Capital Outlays
CRIS	Common Relex Information System
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSR	Corporate Social Responsibility
DBM	Department of Budget and Management
DEGOSEA	Democratic Partnership for Local Governance in South East Asia
DENR	Department of Environment and Natural Resources
DHS	Demographic and Health Survey
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOH	Department of Health
DP	Development Partner
DSWD	Department of Social Welfare and Development
EC	European Commission (Commission of the European Union) – <i>see also note below</i>
EO	Executive Order
EQ	Evaluation Question
EU	European Union
EUD	Delegation of the European Union
F1	FOURmula ONE
FGD	Focus Group Discussion
FOS-DA	Field Operations Services – Department of Agriculture
GBS	General Budget Support
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GIZ	German International Cooperation
GNP	Gross National Product
GOCC	Government Owned and Controlled Corporations
GoP	Government of the Philippines
GTZ	German Technical Cooperation
G-Watch	Government Watch
HC	Health Centres
HMO	Health Maintenance Organization

HOMIS	Hospital Management Information System
HQ	Head Quarter
HRM	Human Resource Management
HSPSP	Health Sector Policy Support Programme
IAS	Internal Audit Service
ICC	Investment Coordination Committee
ICS	Internal Control Systems
IGFT	Intergovernmental Fiscal Transfers
ILHZ	Inter-Local Health Zones
IRA	Internal Revenue Allotment
ISKOLAR	Organization Leadership and Reorientation
JC	Judgement Criterion
JICA	Japan International Cooperation Agency
JMC	Joint Memorandum Circular
KAS	Konrad-Adenauer Stiftung
LA	Local Authorities
LCE	Local Chief Executives
LCP	League of Cities of the Philippines
LDC	Local Development Council
LFC	Local Finance Committee
LG	Local Government
LGA	Local Government Academy
LGC	Local Government Code
LGPMS	Local Governance Performance Management System
LGU	Local Government Units
LMIC	Low and Middle Income Countries
LnB	Liga ng mga Barangay
LOGODEF	Local Government Development Foundation
LPP	League of Provinces of the Philippines
M&E	Monitoring and Evaluation
MC	Memorandum Circular
MDFO	Municipal Development Fund Office
MDG	Millennium Development Goal
MHSPSP	Mindanao Health Sector Policy Support Programme
MIC	Middle Income Country
MinDA	Mindanao Development Authority
MMR	Maternal Mortality Rate
MNCHN	Maternal, Neonatal and Child Health And Nutrition
MoA	Memorandum of Agreement
MOOE	Maintenance and Other Operating Expenses
MRP	Maximum Retail Prices
MS	Member States
MTPDP	Medium – Term Philippines Development Plans
MTPIP	Medium – Term Public Investment Program
MTR	Mid Term Review
NCD	Non-Communicable Diseases
NCR	National Capital Region
NDHS	National Demographic and Health Survey
NEDA	National Economic and Development Authority
NEO	Newly-Elected Officials
NGO	Non Government Organisation
ODA	Official Development Assistance
OOP	Out-of-Pocket costs
PBF	Performance Based Financing
PBGS	Performance Based Grant System
PBIP	Performance Based Incentive Policy

PDF	Philippines Development Forum
PEF	Performance Enhancement Fund
PEFA	Public Expenditure and Financial Accountability Assessment
PEMO	Provincial Environment and Management Office
PFM	Public Financial Management
PHIC	Philippine Health Insurance Corporation
PHP	Philippine Peso
PHW	Public Health Workers
PIPH	Province-wide Investment Plans for Health
PLGU	Provincial Local Government Unit
PO	People's Organisation
PRRM	Philippine Rural Reconstruction Movement
PS	Personal Services
RA	Republic Act
RHU	Rural Health Unit
RO	Regional Offices
ROM	Results Oriented Monitoring
SBN	Senate Bill No
SBS	Sector Budget Support
SDAH	Sector Development Approach to Health
SK	Sangguniang Kabataan
SLA	Service Level Agreement
SP	Sangunian Palawan (legislative local body)
SP	Sponsored Program
SPF	Strategic Project Facility (also referred to as Small Projects Facility)
SS	SentrongSigla
TA	Technical Assistance
TB DOT	Tuberculosis Directly Observed Therapy, Short Course
UHI	Universal Health Insurance
ULAP	Union of Local Authorities of the Philippines
US	United States
USAID	United States Agency for International Development
USD	US Dollars
WB	World Bank

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

The purpose of the thematic global evaluation is to gain key relevant lessons and to provide recommendations to help EC/EU generally to improve its support to decentralisation processes; it shall cover aid delivery over the period 2000-2009 taking into account the different entry points used by the EC/EU to delivery its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to the Philippines had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The primary reasons for selecting *the Philippines* as one of the field studies were:

- As illustration of Asia region, (only one country for Asia is included in the overall evaluation because direct EC support to decentralisation generally is minimal in Asia compared to Africa and Latin America),
- As illustration of EC work with the entry point (health) sector intervention in a highly decentralised context as dominant mode of operations.

In addition, *the Philippines* case:

- Illustrates transitions in aid modalities from project interventions towards SBS,
- Provides experiences with use of other entry points and aid modalities such as call for proposals for smaller projects in support of local governance as well as project support for PFM,
- Finally, *the Philippines* case also provides some experiences with work in conflict situations (Mindanao).

The field visit was undertaken between 06/06 and 14/06/2011. The evaluation team was composed of Per Tidemand (Team Leader) and Edmund S. Tayao (National Consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to *Philippines* has specifically looked into the following aspects:

Table 1 *Research foci*

Research focus	Mainly related to EQ
Institutional capacity of EC for support to decentralisation – has the general EC/EU framework for support to decentralisation facilitate relevance of (sector) interventions in a decentralised context?	2
Documentation of results of health sector programme (and Strategic Project Facilities) on the decentralisation process and the relative importance of EC/EU support.	5-8

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

1.2.2 Data collection methods used

The case study is based on 11 days of work (7 days of field work, 4 days of travel, documentary review and report writing), which obviously limits the extent to which detailed assessments can be provided. However, the data collection was eased by the significant existing relevant literature including previous documentation of health sector interventions (recent evaluations of recent overall policy review etc), the recent overall evaluation of the EC/EU Country Cooperation Strategy as well as the rich documentation of *the Philippines* decentralisation reforms generally (see Annex 2 for details).

In addition to studying the documentation, the team also interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country.

Fieldwork in the Philippines included several focus group discussions including one held with several representatives of central government ministries, another with the key donors active in the decentralisation sector working group as well as one held with a group of research, NGO and local government associations (Union of Local Authorities of the Philippines (ULAP) and Citynet; League of Cities of the Philippines). Individual meetings were held with Department of Health, Local Government Academy, several NGO representatives and donors. Field work was undertaken in Province of Negros Occidental, where meetings were held with the Governor, the Provincial Health Officer, Provincial Environment and Management Office, Planning and Finance staff as well as with members of Barangay Minuyan, Murcia, Negros Occidental and one NGO (Quidan – Kaisahan). A list of people met is included as Annex 1.

The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency.

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with in-formants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall local governance or health portfolio of the EU Delegation. Rather it is an attempt to learn from *the Philippines* experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes

2 Short description of the country context and EC support to decentralisation

2.1 Short description of the decentralisation process in the country²

The Philippines is classified as a lower middle-income country with a GDP per capita of about US\$1,847 in 2008. The country has not seen the same level of economic growth as many of its neighbours, averaging only about 1,5 % per year in per capita terms over the period 1960-2008. As a consequence, the Philippines has been overtaken by several of its peers including China and Thailand both of which had lower GDP per capita rates than the Philippines in the 1960s and 1970s. However, overall economic growth has still made the Philippine classified as lower middle-income country, which likely will effect on future levels of EC/EU support.

With an estimated population of about 94 million people, the Philippines is the world's 12th most populous country³. An additional 11 million Filipinos live overseas. Multiple ethnicities and cultures are found throughout the islands. The Philippines is divided into three island groups: Luzon, Visayas, and Mindanao. These are divided into 17 regions, 80 provinces, 138 cities, 1,496 municipalities, and 42,025 Barangays.

Local government in the Philippines is divided into four levels:

- Autonomous regions;
- Provinces and cities independent from a province;
- Component cities and municipalities;
- Barangays.

All divisions below the regional level are called "local government units (LGUs). The history of elected local governments in the Philippines is very long by regional and even international standards as the first elections for provincial and municipal councils were introduced as far back as in 1898 under the Malolos Constitution.

The principles of decentralisation are also written into the current Constitution (of 1987) that stipulates that the LGUs "shall enjoy local autonomy", and in which the president exercises "general supervision". However, the most significant step in recent history towards decentralisation was in 1991 when the Congress enacted the Local Government Code of 1991 "which shall provide for a more responsive and accountable local government structure instituted through a system of decentralization with effective mechanisms of recall, initiative, and referendum, allocate among the different local government units their powers, responsibilities, and resources, and provide for the qualifications, election, appointment and removal, term, salaries, powers and functions and duties of local officials, and all other matters relating to the organization and operation of local units.". The Act assigned a number of local functions to the LGUs just as the health sector was devolved (but not education sector).

Section 284 of the LGC indicates that 40% of the central government's gross internal revenue (IRA) in the third preceding fiscal year be transferred to the LGUs as IRA. Provinces and cities receive 23% each from the total transfer, municipalities 34%, and Barangays 20%. The share of each province, city, and municipality is computed using the horizontal distribution formula composed of three determinants namely, population: 50%, land area: 25%, and equal sharing: 25%.

IRA has increased in both absolute and relative importance as source of financing LGUs and currently constitutes around 60% of LGUs total revenue (for details see annex 5).

Box 1 Functions assigned to LGUs by 1991 LG Code

Province

- Agricultural research extensions and onsite research services
- Enforcement of forestry laws
- Hospitals and tertiary health services
- Social welfare services
- Infrastructure funded from provincial funds

² For details see annex 5.

³ Wikipedia

- Low-cost housing
 - Telecommunication services for provinces and cities
 - Low-cost housing projects for province and cities
 - Investment support services, industrial research and development services for provinces
 - Tourism promotion
- Municipality**
- Agricultural extension and onsite research services
 - Community-based forestry projects and management of communal forests
 - Primary health care services and access to secondary and tertiary health services
 - Public works and infrastructure projects funded out of local funds
 - School buildings projects
 - Social welfare services
 - Information services
 - Solid waste disposal system and environmental management system
 - Municipal buildings, cultural centers, public parks and sports facilities
 - Tourism facilities and promotion
- City**
- All the services and facilities of the municipality and province above
- Barangay**
- Agricultural support services including collection of produce and buying stations
 - Health centre and day care centre
 - Solid waste collection
 - Villages justice system
 - Roads and infrastructure funded by the Barangay
 - Information and reading center

Source: Milwida M. Guevara, "The Fiscal Decentralization Process in the Philippines: Lessons from Experience", 2004

2.2 List of the major EC/EU -funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of large interventions supporting health sector development in "a decentralised context" and smaller local governance projects.

The table below summarises the major EC/EU-funded interventions considered in the analysis.

Table 2 List of the major EC/EU-funded interventions

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Health sector			
Philippine Health Sector Policy Support Programme	24,28	ASIE/2005/017-638	Sector budget support
Mindanao Health Sector Policy Support Programme (MHSPSP)	3,66	ASIE/2006/018-016	Sector budget support with a focus on one region.
Local governance			
Dialogue on Governance: Strategic Projects Facility	6,5	DCI-ASIE/2007/018-937	Project facility to enhance local governance and strengthen the benefits of the decentralisation process (still ongoing).

EU-Philippines Economic Co-operation Small Projects Facility	2,4	ASIE/2002/002-472	
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A detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1.and 1.3.2

The EC/EU is only marginally working in direct support to decentralisation reforms. It primarily works with “decentralisation issues” within the health sector programme interventions that are implemented in a “decentralised context”. In addition, the EC/EU is supporting a range of smaller projects in support of local governance through the SPF2 and is about to initiate new PFM support.

National stakeholders (both government and NGOs) as well as development partners all recognise that the EC/EU support only to a limited extent explicitly target “decentralisation reform” as a priority but that decentralisation and local governance issues are themes dealt with in e.g. the health sector and SPF2 – just as development partners and government expect the forthcoming PFM support to provide relevant support in this area. None of the national stakeholders were aware of the global EC/EU policy documents (the various communications or e.g. the 2007 Reference document on decentralisation).

Ind 1.3.3.

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

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind2.1.1

The EC/EU operational procedures are generally considered adequate by EUD staff for programming relevant interventions in support of “sector support in decentralised context”. However, staff felt that internal EC/EU resources and knowledge on decentralisation issues are very weak:

“We wouldn't know who to ask in HQ on decentralisation – now the health specialist for Asia has also left... Asian Development Bank (ADB) and World Bank (WB) are much better equipped with knowledge and can more easily engage various studies – they have therefore accumulated significant insight into decentralisation reforms over they years – we draw on their knowledge in the sector working group”.

Ind2.1.2.

Decentralisation and Local Government issues are recognised by the EUD as of obvious importance in the Philippines. Staff working on various aspects of the health sector programme as well as staff working on PFM and the local governance programme interact significantly and e.g. share participation in the sector working group on decentralisation and local governance.

Ind2.1.3. NA

Ind 2.1.4

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

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind2.2.1. Within the EUD in the Philippines there is not one person 100% designated as working on “decentralisation”, but several staff members working with the health sector programme three (3) are significantly involved in work on institutional and finance issues of the health sector programme just as one staff member working on governance spent significant time in projects working in support of local governance/ decentralisation (the SPF).

Ind2.2.2. Staff within the EUD had sought specific information on the Philippines local government system and related local governance, institutional and finance issues as they were widely recognised of key importance to e.g. the health sector reform programme. However, staff had not explicitly been

recruited on the basis of knowledge or expertise in local government reforms or decentralisation issues. In contrast, staff has recently been recruited with PFM expertise.

Ind2.2.3. One staff member had participated in training (January 2011) on decentralisation issues and found it “interesting” but also “a bit too general”. In contrast, staff found it more useful to gain insight into various models for performance based grant systems – it was felt that in particular Australian Aid and WB have been useful to disseminate relevant experiences.

“The support from Brussels on decentralisation issues has in general not been so useful – this can be contrasted with Brussels support to Budget Support modalities where lots of useful inputs have been received. It was noted that within budget support seminars brief mentioning on local government/ decentralisation issues were made – but not in manner that was of direct operational relevance in the Philippines”.

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

Indicators:

- Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes
- Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)
- Ind 2.3.3. Existence of “drivers of change” within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes

Main findings from the field mission:

Programmes are generally monitored through ROM system. In the Philippines, various recent evaluations and mid-term reviews have also been undertaken very recently, including a general Country Strategy Evaluation (2011) as well as a Mid Term Policy Review of the health Sector.

The sector-working group on decentralisation and local government has a general working plan and undertakes some general M&E of activities within the field.

“Decentralisation issues” have in various ways and to a varying extent been analysed as part of these systems. In general it can be observed that:

- ROM reports focus on the degree of achievement of specific project objectives and is generally considered by EUD staff as “not bringing significant new insights”, but “useful in dialogue with HQ in particular when discussion of programme adjustments”; the level of details in ROM reports is very limited,
- The most detailed assessment of “decentralisation issues” that brings significant new insights are found in the general health sector policy review and more specific decentralisation studies (primarily funded through ADB TA).

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints
- Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA
- Ind 3.1.3. Quality of dialogue with partner country and beneficiaries
- Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance

Main findings from the field mission:

Ind3.1.1

EUD includes significant background analyses on decentralisation reforms on all its health sector interventions as well as in the SPF support. The level of details in the analysis tends to be more

sophisticated over time and there is a clear “learning from experiences” in working within a highly decentralised context well exemplified by the recent formulation of the “Support to Local Government Units for more effective and accountable Public Finance Management” (CRIS reference: DCI-ASIE/2011/022-691) where e.g. past relative narrow institutional focus is rectified. The quality of analysis appears partly due to the TA provided within the health sector programme and partially the use of decentralisation sector analyses by other DPs such as ADB and WB rather than significant separate decentralisation analyses by EC/EU.

Ind3.1.2

Within the health sector, the EC/EU modalities for funds transfers have developed from a project approach to SBS with transfers through treasury. The project approach included transfers to selected provinces.

Ind3.1.3

Dialogue between the EC/EU and national stakeholders generally appears well developed – an example is the significant engagement of the Philippines' stakeholders in the dialogue on the CSP⁴ and is generally well documented (see the recent country evaluation).

Partner dialogue within the health sector has primarily been with DoH, but appears to have increasingly been broadened over time as reflected in the above mentioned new support for PFM.

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

Indicators:

- Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts
- Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases

Main findings from the field mission:

The EC/EU interventions of relevance to this assignment have over the evaluation period encompassed health sector interventions and the “micro project” type of interventions lately supported under SPF.

The type of entry points have included special initiatives to support the conflict areas of Mindanao as well as modalities of wider health sector support that gradually is developing into general SBS. In realisation of the problems of addressing wider PFM issues within the health sector programme the EC/EU has recently decided to support a specific PFM intervention.

Direct support to decentralisation remains limited with the various small projects under the Strategic Project Facility (SPF). The SPF was designed as follow up to the Small Projects Facility (2004-2007) where the mid term evaluation endorsed the continuation of “a more focused governance programme and specific instrument in the CSP 2007 – 2013”. However, the question remains as to exactly how “focused” or strategic the instrument is. Annex 4 presents a description of 14 ongoing projects under the SPF – each with their own merits: piloting multiple initiatives for improved local governance in various areas (with relative emphasis on environmental management but also wider LG policy issues). The Strategic Projects Facility (SPF) is a demand-driven governance instrument where local stakeholders formulate applications for typically two or three year interventions.

The approach of the EC/EU to decentralisation support is pragmatic and in line with national context – Government appetite for additional major “decentralisation” reforms is limited. The World Bank informed that they have undertaken a “political economy analysis of decentralisation reforms” (kept confidential within WB) that had convinced them that scope for major reforms was limited and that WB instead should work on a more piecemeal approach to reforms within specific sectors. The EC/EU approach is sound within this context although not based on significant independent assessments.

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

Indicators:

- Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities
- Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances

⁴ Mid-Term Review Consultation of the Philippines Country Strategy Paper 2007-2013 with civil society and local development partners on 23/02/2009 (Cebu), 27/02/2009 (Davao) and 9/03/2009.

- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as "When and how to use sector budget support?" or "what are the risks related to the") are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Within the health sector support, the aid delivery methods have gradually developed towards SBS in line with national as well as global EC/EU priorities. However, for direct local governance support, the SPF instrument has remained a "demand driven" project facility. Alternative instruments have not been significantly explored (or at least not explicitly discussed in e.g. SPF Action Fiche etc).

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

The analysis of decentralisation and local governance issues at CSP level is fairly general with no in-depth stakeholder analysis (see annex 5.9). The EC/EU generally relies on other DPs analyses rather than initiate independent assessments.

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

Box 2 Lessons learnt - extract from Action Fiche for PFM Support

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

- Need to involve the other oversight agencies as PFM responsibilities are not exclusively within DBM mandate.
- Need for involvement of Local Chief Executive and awareness creation at that level. Weak political awareness concerning the need for a more solid, coordinated and aligned PFM-LGU system. PFM reform is a political process and involvement of the Sangunian Palawan⁵ (SP) should be pursued.
- Need for PFM leadership within LGUs. It is difficult to pin down leadership accountability as PFM is lodged with the Local Finance Committee (LFC) or PFM Committee, which are collegial bodies.
- Ineffective/out-dated administrative set-up at LGUs. The current set-up should be re-structured to promote better work efficiency, avoid proliferation of unnecessary positions and enhance a more professional, career-oriented, responsive and stable corps of LGU employees.
- Lack of effective internal control and monitoring & evaluation. Reluctance to establish these new functions because of personnel services limitation, non-appreciation of the value of an internal audit service (IAS), or differences in appreciation / understanding of internal audit.

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

⁵ Legislative local body

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Donor coordination is generally assessed as good in the Philippines (see box below).

Box 3 CSP Self Assessment of Donor Coordination

EU coordination meetings between MS and the EC take place on a monthly basis at Heads of Mission, Development and Commercial Counsellors meetings. There are various thematic coordination mechanisms that have gained momentum in the preparation of the Philippine Development Forum (PDF)²⁶. The Strategic review felt that “(EC) dialogue with GoP is good and healthy” and that “the Delegation has reinforced the dialogue with MS on development cooperation” while “bilateral dialogue with multilateral institutions is on an operational level.”

A Working Group on Decentralisation and Local Government has been established – Department of the Interior and Local Government (DILG) and WB are conveners of the working group. It meets regularly with active participation of all member DPs (including EUD).

“The group is among the most active and the overall plan captures to a large extent all DP funded activities in the sector – we are generally aware of what we do and know each other – better than other groups” (Interview with WB)

It has developed an overall work plan that captures different donor funded interventions in support of decentralisation and local governance. All activities of e.g. EUD support through SPF are captured here. Membership, agendas, key documents, etc are shared on the website:

http://pdf.ph/decentralization_1.htm

Information is shared through the working group – the ADB and the WB have probably been the most proactive players, actively engaged in various core decentralisation studies, whereas EUD has been more of a “silent partner”. The EC/EU is seen primarily active through its health programmes (and health sector issues are not discussed in the group), the SPF and (in particular, in future) PFM support at LGU levels.

Through the working groups, the Government and DPs have shared information for coordination but not developed substantive co-financed programmes. A Dialogue fund has been established as WB trust fund. It is funded by AUSAID and CIDA and managed by the WB with involvement of all DPs and the league (agreement assigned last week of 2009). Because of different financing agreements and rules of donors it is difficult to co-fund activities – at present the trust fund is with 1,5 million USD and just started to fund one activity.

Donors generally agree that there are many systemic reform problems (expenditure assignments and related levels of financing, need for improved tax collections, need for LGU amalgamation, etc) *“However plan and DP activities need to be realistic – the reform process in the Philippines is old and many issues have been discussed for long”.*

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

The EC/EU is focusing on health sector largely because it is seen as an appropriate “niche” generally (in view of the size of EC/EU support and other donors' engagement).

Ind 4.2.2

EC/EU support to decentralisation is captured in overall sector plan and agreed with other partners

Ind 4.2.3

Through the working groups, the Government and DPs have shared information for coordination but not developed substantive co-financed programmes. A Dialogue fund has been established as WB trust fund. It is funded by AUSAID and CIDA and managed by WB with involvement of all DPs and the league (agreement assigned last week of 2009). Because of different financing agreements and rules of donors it is difficult to co-fund activities – at present the trust fund is with 1,5 million USD and just started to fund one activity.

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1

The support to SPF and health sector is not very complementary. The SPF currently supports some 14 initiatives – mainly related to piloting of innovative general governance issues (general LGU planning and capacity building) or support to local governance issues where environment is a special focus. There is no initiative supporting local governance in relation to health, which is probably a missed opportunity.

Ind 4.3.2

Various crosscutting issues are included in the SPF – in particular environment and support to indigenous groups. Gender issues are less profiled but included in e.g. the projects piloting more participatory planning processes at LGU levels.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1.

Decentralisation reforms in the Philippines were to some extent a “big bang” major event marked by the enactment of the Local Government Code in 1991 that transferred significant functions, powers and responsibilities from the national to the local governments. The enactment increased the financial resources available to local government units by significantly increasing their internal revenue shares. It also transferred close to 70,000 national government agency personnel to local governments.

The devolution ushered in by the enactment of the Local Government Code of 1991 was a defining moment that ushered in fundamental and radical changes in the history of national-local relations and local autonomy in the Philippines⁶.

Several of the basic structures of local governments had developed gradually long time prior to 1991, e.g. with introduction of elected officials at municipal and provincial level as far back as 1898⁷.

The Government has since 1991 not pursued an additional explicit “decentralisation policy” beyond the broad intentions of the Act which by many stakeholders also have been interpreted as “if it is not prohibited then it must be allowed”⁸ which in this manner has encouraged multiple local interpretations of how the law and its policy intentions should be interpreted.

Support from the EC/EU has not directly aimed at supporting an overall decentralisation process but mainly focused on implementation of health sector programme in a “decentralised context”.

Ind 5.1.2.

The national (central) government structures for coordination and oversight of decentralisation reforms in the Philippines are generally considered weak. Within the health sector it is for instance recognised that the DOH still performs mainly functions directly and only to a limited extent has sought to reorganise itself into an institution that primarily would provide policy guidance and monitor performance of the LGUs.

3.5.1 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

There have been no major legal reforms since 1991. EC/EU support to the health sector has not addressed LGU related legislation.

3.5.2 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*

⁶ Alex Brillantes, Jr., Gilbert Llanto, James Alm, and Gaudioso Sosmena 2009: Decentralisation and devolution in the Philippines; Status, Triumphs, Tests and Directions- an in depth study sponsored by ADB.

⁷ See annex 5 for details.

⁸ Brillantes et al op cit, p. 15.

- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

In general, EC/EU has not sought significantly to influence overall resource allocations to LGUs. For general patterns of LGU staff and finance – see annex 5.

EC/EU support to health sector has included some additional levels of funding for provinces.

3.5.3 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.*

Main findings from the field mission:

In general, LGU are relative autonomous with significant degree of fiscal autonomy – most of the transfers (the IRA) is e.g. discretionary rather than in the form of conditional grants. EC/EU has not significantly sought to influence or increase LGU autonomy. To some extent one could argue that the earmarked support under health sector projects has sought to centralise some decisions making (see sections on planning below). EC/EU concerns have been more focused on e.g. PFM issues at LGU levels than their overall levels of autonomy.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

In general, the arrangements for central government oversight and decentralisation policymaking are widely recognised by stakeholders as weak (NGO FGD) (Ind 6.1.2).

It has until recently not been an area that EC/EU has targeted, but with the new PFM project⁹ much more emphasis is on LG oversight and reform bodies (see below). (Ind 6.1.1 and 6.1.4)

The role of the **oversight bodies** with regard to local PFM is further described in the **Joint Memorandum Circular 2007-1** (JMC 2007-1), issued by DILG, National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) and DOF. The JMC 2007-1 clarified the roles of the four oversight bodies in local planning, investment programming, budgeting, expenditure management and revenue administration, while trying to link these activities into an integrated cycle. Furthermore, it also serves as a springboard for reconciling existing and subsequent policies as well as guides the oversight agencies in providing continuous and coordinated capacity building programs for LGUs.

At the end of 2009, the **Coordinating Committee on Decentralization** (CCD) was created to replace the abandoned JMC 1 committee. The CCD has become the body for policy and program coordination as well as harmonization of capacity building among the oversight agencies and the LGU Leagues. The CCD is best described as a collegial body of oversight agencies, consisting of DILG (chair), NEDA, DBM, DOF, the League of Provinces, the League of Cities, the League of Municipalities, the League of Barangays¹⁰, and the Union of Local Authorities¹¹. The CCD is meant to enforce the JMC 2007-1 and direct and oversee its implementation to ensure that its intent and purpose are carried on. Currently there is no equivalent coordination forum at regional level which could provide a crucial role in reinforcing coordination and communication between central and local levels.

To interface with the LGUs the oversight bodies rely on their **Regional Offices**¹² (ROs). The mandate of the ROs includes: (i) The provision of policy advisory and support services to the Central Office of their respective Department, Regional Development Councils and other regional policy-making bodies to promote sound PFM; (ii) Monitoring the fiscal, financial and budget performance of LGUs to ensure compliance with the LGC; (iii) Provision of advisory and technical assistance and support services to LGUs. To date regional offices have focused mainly on their monitoring function to ensure compliance with the LGC.

⁹ Support to Local Government Units for more effective and accountable Public Finance Management- CRIS reference: DCI-ASIE/2011/022-691

¹⁰ Barangays are the smallest administrative entity with a population of minimum 2000 persons.

¹¹ LGU are three-tiers structure: 1) Provinces (81), Independent Component Cities (5) and Highly Urbanized Cities (33), 2) Municipalities (1 511) and Component cities (87) and 3) Barangays (42 008)

¹² The ROs cover the 16 administrative regions with an average of 6 provinces per RO

Recent efforts/developments in the areas of revenue forecasting, performance based budgeting, Internal Control Systems (ICS) / Internal Audit Services (IAS) and monitoring and evaluation (M&E) are new territory for ROs. If strengthened, ROs could potentially play a crucial role with regard to the roll-out of capacity building programmes, provision of policy advice and back-stopping support to LGUs.

Source: PFM Action Fiche

Ind6.1.3.

There have been multiple systems for M&E in existence for many years in Philippines (see box below). The system has not been well maintained and it for instance not possible to generate aggregate data trends for the long period it has been working. However, with the introduction of the PBGS it is likely that more attention will be paid to the use of this data, as it will influence fiscal allocations to LGUs.

Box 4 Performance measurement

The Local Governance Performance Management System (LGPMS) is a self-diagnostic tool allowing LGUs to track their performance in various areas of governance and compare this with other LGUs. In 2009, DILG and BLGF agreed to incorporate 11 out of the 19 Local Government Financial Performance Monitoring System (LGFPM) financial indicators in the LGPMS. Besides the financial indicators, there are currently no other indicators to gauge LGU performance in PFM or to evaluate the linkages between and effectiveness of plans and budgets. The LGPMS has now become one of the bases for decision making on loans granted by the Municipal Development Fund Office (MDFO) and the Performance-Based Grant System. The government also launched the Performance Challenge Fund for LGUs in 2010. This fund aims to recognize good governance performance particularly in the adoption of "good housekeeping" in the areas of planning, budgeting, revenue mobilization, financial management and budget execution, procurement and resource mobilization. A new tool the "Seal of Good Housekeeping" was also launched in 2010.

Source: Action Fiche Support to Local Government Units for more effective and accountable Public Finance Management 2011

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local councils*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

In general, it can be observed that LGUs in the Philippines have been granted significant autonomy in management of their affairs and that they are established with significant different structures and resource endowments. LGU capacity variations therefore are of great magnitude. In addition, it can be observed that Central Government supervision and monitoring of LGUs is restricted to the Provinces (80) which in turn are supposed to undertake some monitoring of municipalities (1496) which in turn have some oversight of the Barangays (around 42,000). Central Government institutions for LGU oversight are furthermore rather weak and consolidated statistical indicators on LGU performance are therefore very scanty. Most of the academic literature on LGUs is therefore also based on case studies rather than aggregate data.

In the following sections we explore key areas of LGU capacities with particular emphasis on areas where EC/EU through the health sector interventions (incl PFM) and SPF have sought to address capacity issues.

Ind 6.2.1.

As mentioned earlier, there are no comprehensive benchmarking or e.g. Public Expenditure and Financial Accountability Assessment (PEFA) scores of LGUs over time that would allow a systematic assessment of financial management practices across the many LGUs in Philippines.

EC/EU support has primarily focussed on PFM within the health sector at provincial levels and the impact of the support on overall PFM in LGUs appear to date to have been limited. (See extracts from the 2009 MTR of Health Sector Policy Support Programme (HSPSP) below):

HSPSP extends support to DOH, DBM and Provincial Local Government Units (PLGUs) for the improvement of overall public finance management (PFM) with health sector development as the initial focus or entry point. Sector budget support at the local level is a new development financing approach introduced by the EC aimed at boosting the sector wide development for health in accordance with the national F1 agenda....

At the local level, PFM activities were determined in consideration of the PLGUs' different levels of development, resource availability, absorptive capacity and competence. Specific interventions are defined in line with the devolution concept and the sector development approach to health (SDAH) and spelled out in a Memorandum of Agreement (MOA) and Service Level Agreement (SLA) between the Department of Health and the concerned PLGU.

There was an observed general increase (from a low of 3% to a high of about 7%) in participating PLGUs' annual budgets for health from 2007 to 2008. These increases were on top of the HSPSP budget support to the provinces. Local Chief Executives (LCEs) appeared encouraged to step up local investments on health as a result of the programme. However, the LGU's need for focused assistance in developing their capabilities for revenues generation to support increased investments was likewise apparent.

Tremendous delays in initial fund releases were experienced due to the following: a) circuitous and lengthy processes involved in complying with the requirements for programme fund disbursements; and b) an observed lack of levelling of understanding of the programme implementation operational procedures. In addition, insufficient attention was given to tap and develop the potentials of the CHDs and DOH Reps in programme coordination and monitoring. As a result, the desired PFM and PFM-related intermediate results were not realised within the time frame specified in the Financing Agreement. The dampened enthusiasm and support of LCEs and other programme stakeholders was likewise observed. (from MTR 2009, executive summary)

It appears as if the Health Sector Support to PFM was constrained by wider PFM issues within the LG sector that could not easily be dealt with in a health sector programme – like the overall budget constraints of the LGUs (the MTR notes “the LGU's need for focused assistance in developing their capabilities for revenues generation to support increased investments was likewise apparent”) and wider institutional and fiscal constraints for e.g. creating an LGU internal audit unit, which the MTR notes is “neither financially nor operationally feasible, given resource and institutional constraints, which restrict most LGUs from legally setting-up a new office with the desired personnel complement and attendant operational budget support, when they have already reached or exceeded the mandated ratio of personal services budget to total budget”.

The MTR recommended further use of performance-based mode of funds disbursement to the as key instrument for inducing e.g. better LGU PFM

Ind 6.2.2.

EC/EU support to improved LG planning has within the health sector foremost been support for Province-wide Investment Plans for Health (PIPH). The EC/EU support has been instrumental in developing this approach but the effective implementation of plans is still to be seen (see below section from recent health sector policy review) just as the degree of effective local participation also has been limited (see section below from MTR)

Implementation of Province-Wide Investment Plans: Until recently, there was little planning capacity for health in LGUs. This problem is being addressed with the roll-out of the Province-wide Investment Plans for Health (PIPH). The PIPH has become the principal instrument to coordinate and consolidate the fragmented strands of resource mobilization by the province as it lays out the multi-year investment plan based on needs identified and the various financing sources (IRA, commodity self-reliance plans relying mostly on locally-generated revenues, reimbursements from PhilHealth, additional central government grants, LGU's own loans, commodity and in-kind support, and external assistance, if any). Lower-level localities are also undertaking their own city and municipal investment plans for health. It remains to be seen how far these local health investment-planning initiatives can generate additional resources for health, allocate them properly, and result in a rationalized efficient service delivery system. WB 2010: page 32:

With programme support, all the 16 F1 LGUs were able to prepare their PIPH and Annual Operation Plans (AOPs). One of the important contributions of the programme to this process is the technical assistance provided to the provinces in the preparation of rationalisation plans for the provincial network of health facilities. The programme also supported the conduct of courses designed to improve the skills of LGU health care providers for selected health programmes. Many local health officials felt that the planning framework used by the DOH in the preparation of the PIPH and AOP

was too narrow and highly focused on national health priorities. Officials of two of the provinces requested more support by the programme to address LGU-specific health problems. (Mid-Term Review of the Health Sector Policy Support Programme, page 6)

Ind 6.2.3. Evidence of improved HRM in local governments

HRM is almost fully devolved in the Philippines: LGUs have full responsibility for hiring and firing etc, although Central Government maintains a significant role in e.g. setting overall service conditions. LGUs face several key challenges regarding their HRM, this includes evidence of relative overstaffing (compared to fiscal resources available), problems related to payment of the stipulated health staff incentives (The Magna Carta for health workers) and special challenges for poorer and more marginalised LGUs in attracting and retaining sufficient skilled health staff. The EC/EU has through its support supported HRM through training and capacity building but not addressed the above broader and more fundamental challenges as that is beyond what can be done within a health sector specific intervention.

Box 6 General HRM issues in LGUs

The World Bank notes that, as a rule of thumb, when the expenses for personal services (PS) of the public sector rises over 25% of total spending, governments risk reducing their effectiveness by cutting down expenditure for nonwage costs such as those for goods and services, maintenance, and capital expenditure. In the Philippines, PS accounted for an average of 45% of total LGU spending in 2000-2007 while Maintenance and Other Operating Expenses (MOOE) and (Capital Outlays) CO accounted for 37% and 18%, respectively. The budget share of PS was highest for municipalities (53%), followed by provinces (46%) and cities (41%). Lower income class municipalities tend to have higher PS spending. The situation is worse in LGUs which use job order hirees (who are charged against MOOE) to work on tasks that would normally be assigned to regular employees in order to avoid exceeding the PS cap. Section 325 of the Local Government Code (LGC) provides that 1st to 3rd income class LGUs should not budget more than 45% of its total annual income from regular sources in the preceding fiscal year on PS. For 4th to 6th class LGUs, the limit is 55%. Many LGUs fail to comply with the PS cap. Fifty-eight percent of provinces, 40% of cities and 75% of municipalities exceeded the PS cap prior to the application of the waivers in 2007 on certain PS expenditure items from the computations to measure compliance with the PS cap. Regardless of level of local government, the percentage of LGUs that are not able to meet the PS cap requirement tends to be higher for LGUs belonging to the lower income categories than for those belonging to the higher income categories (ADB TA Report 2010, Paper on "Efficient and Effective Mobilization and Management of Resources by LGUs" page 8)

Box 7 Specific health sector HRM issues

There are shortages in the availability of physicians and nurses despite the fact that the Philippines is one of the largest exporters of health personnel in the world. The Magna Carta for health workers, which was created to provide incentives for health workers has reduced financing flexibility for LGUs, and created inequities vis-à-vis both national and LGU levels and distorted incentives for health and other local workers. Dual practice of public physicians and balanced billing impacts on public sector access, efficiency and overall health system and OOP costs. (WB 2010, page 83)

ADB 2010 TA Report¹³:

Under the Magna Carta of Public Health Workers (Republic Act 7305), PHWs are granted subsistence allowance, laundry allowance, night-shift differential, hazard pay, and longevity pay. These benefits being substantial, many LGUs have not been giving them all and/or in full. Less than 50% of provinces, cities and municipalities gave the subsistence and the laundry allowance at the prescribed rates in 2007. The number of LGUs giving the hazard pay at the correct rates is even smaller.

The Magna Carta of PHW is a especially sensitive matter at the local level as it creates conflict between the LCE and other officials, on one hand, and the PHWs, on the other, when the Magna Carta allowances are not granted in full or not granted at all. There are many reports of cases filed in the courts or Ombudsman against LCEs and other officials by PHWs due to non-implementation of the Magna Carta benefits.

Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level

¹³ paper on "Efficient and Effective Mobilization and Management of Resources by LGUs" 2010, page 11.

While information and data management systems are in place at the LGU, hospital and Rural Health Unit (RHU) levels (Hospital Management Information System (HOMIS), Community Health Information Tracking System (CHITS)). There is a very serious deficit in the available information for monitoring the performance of the service delivery system, which impacts the capacity of DOH in policy formulation in this important area. The information which is collected is not shared, analyzed and used effectively. (WB 2010, page 83)

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

The Philippines has a complex organisation of inter-local government associations in the form of the local government leagues – the League of Provinces of the Philippines (LPP), the League of Cities of the Philippines (LCP), the League of Municipalities of the Philippines (LMP), the Liga ng mga Barangay (LnB), and Union of Local Authorities of the Philippines.

EC/EU is supporting various inter-LGU collaborations in the health sector and various NGOs are working with local governance under the SPF, but EC/EU does not provide direct support to the LG associations (Ind6.3.1).

The EC/EU support through the SPF works primarily with NGOs working with local governments for service delivery and improved local governance (6.3.2). Many separate interesting initiatives are being supported. However, it is difficult to see the “strategic outlook” – there is no substantive local oversight (e.g. in the form of an NGO umbrella organisation) - the activities supported are relative disconnected.

Several government and NGO organizations conduct research into local government issues. The SPF supports e.g. the Local Government Academy and the University of the Philippines – however, the support is in the form of short and limited interventions that don't form part of a clear long term strategy. (Ind6.3.3)

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind7.1.1

Local government elections are held every three-year in cycles that correspond to the six year national elections for President. Every 3 years, the LG elections also coincide with elections of half of the senators (12). The elections have been held regularly since the introduction of the LG Code and broadly follow the same patterns of participation. The EC/EU support has not attempted to support activities in relation to this (such as civic education for LG elections etc). The EC/EU has not supported LG elections directly.

Ind7.1.2

The SPF supports various initiatives for increased local participation – supporting selected smaller LGUs. However it is not clear how the rather small micro interventions can be up-scaled.

EC/EU support to health sector planning has not stressed local participation (see Ind6.2.2.).

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc) has not been systematically promoted by the health sector programme but piloted in various ways by the SPF.

There have been many official initiatives over they years to strengthen the role of (the relative strong) NGO sector in local governance (see box below).

Box 8 Local Government Relations with NGOs and Civil Society

Our consultation have shown that local governance is constantly being redefined at the local level with the participation of civil society in the process of local governance as enabled by the Local Government Code. However, not all local governments have active civil society groups to enable them to fulfil the ¼ requirement in the local development council. It was frequently suggested that such a requirement must therefore be eased. Congruent issues on local governance across the consultative workshops include a weak local bureaucracy due to the presence of various overlapping developing councils, too many LGU institutions, ineffective composition of the LFC and other Special Bodies. Furthermore, it was conveyed that the lack of public awareness about decentralization, as well as the absence or lack of mechanisms for people participation, inhibits true participatory governance. Across the workshops, a desire for a more accountable and responsive local government administration was consistently expressed.

SBN 1252 filed on July 18, 2007 proposes the strengthening of the Local Development Council by compelling the local chief executives to convene their respective LDCs, as well as to mandate the leagues of LGU's, in order to ensure improved compliance via monitoring and submitting periodic reports to Congress through the Oversight Committee. Furthermore, SBN 1156 filed on July 4, 2007 by Aquilino Pimentel proposes the inclusion of Senior Citizens, Parents'-Teachers' Association, and War Veterans in the local health board and the local development councils in the different local government units, as well as the addition of public agricultural as members of the provincial and local development councils.

Source: Brillantes et al 2009: Decentralisation In Depth Study, page 49-50.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

The Philippines has for long had a formula based LG grant system in place in the form of the IRA (see below) – over the years since 1991, this has not been reformed significantly although it creates some imbalances by not considering fiscal equalisation and by creation of incentives for LGUs to strive to change LG status (see annex 5). ADB and JICA have supported various analytical work with the aim of reforming the IRA – EC/EU has not supported this area.

Box 9 Main features of the IRA

Section 284 of the LGC indicates that 40% of the central government's gross internal revenue in the third preceding fiscal year be transferred to the LGUs as IRA. Provinces and cities receive 23% each from the total transfer, municipalities 34%, and Barangays 20%. The share of each province, city, and municipality is computed using the horizontal distribution formula composed of three determinants namely, population: 50%, land area: 25%, and equal sharing: 25%. This IRA distribution formula is considered too simple to respond to the already existing imbalances in the fiscal capacity among the LGUs. Thus, there is a clamor to revise it to achieve a better fiscal balance at the local level. In other words, the current formula needs to be revised in order that the IRA distribution would be made based on an accurate estimate of the financial needs and revenue potential of local government as well as on the disparity in development situation.

Source: From JICA 2009

The law provides avenues for citizen access to financial information at LGU levels, but LGUs have not always been very forthcoming with information.

The government has recently introduced a new system that may strengthen better LGU adherence to good local governance. The Performance Based Incentive Policy (PBIP) is an incentive framework to rationalize National Government (NG) intergovernmental fiscal transfers to LGUs towards improving overall LGU performance in governance (including their disclosure of LG finance information). On 20 February 2009, the Development Budget Coordinating Committee approved the above-mentioned policy to be implemented to Investment Coordination Committee (ICC) approved projects with Performance Based Grant System (PBGS) component.

Donors have generally encouraged this initiative – and the WB financed analytical work in support of this PBGS back in 2005 – however, results have only recently been taken up by Government and are entirely funded by government.

Similar systems have been introduced in the health sector (with EC/EU support) – however, the PBGS in the health sector appears to approach the financing instrument in response to a perception of health largely being a delegated rather than devolved LGU responsibility (see below).

Implementation of Performance-Based Financing Approaches

In F1, performance based financing (PBF) means that budget allocations and releases will be conditioned on the achievement of performance targets. F1 aims to install a performance-based budgeting system for hospitals, public health facilities, and regulatory agencies which necessitates reforms in the respective agencies' management and procurement system and implementation of a performance audit and review system. DOH is now shifting to contractual mode of dealing with LGUs. It enters into service-level agreement with LGU when it provides resources to implement a component of the Province-wide Investment Plan for Health. The agreement specifies the rights and responsibilities of the DOH and LGU and the performance benchmarks to be used to measure compliance. This approach is in contrast to the previous unconditional provision of drugs and other inputs. DOH contracting of leptospirosis cases with a number of private hospitals also exemplifies the use of PBF in a public/private partnership arrangement. (WB 2010, p.35)

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments
- Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations
- Ind 8.1.3. Existence of public-private partnerships in the delivery of social service

Main findings from the field mission:

Ind 8.1.1. and 8.1.2.

From recent policy review (see extract below) it is concluded that public resources allocated for health only has increased marginally – and mainly driven by increased DOH resources rather than added resources by the LGUs. However, it should be noted that fiscal data on aggregate LGU spending is very poor. Some initiatives – such as the special congressional funds for health have leveraged additional LGU allocations (see box below). During the field visit to Negros Occidental, it was found that Provincial health allocations generally had increased and currently constituted 40-50% of total provincial expenditures (different figures were quoted during interviews).

EC/EU support for fiscal aspects of the health reforms have focused on the wider aspects of general sector financing including the

Box 10

Extracts from Health Sector Policy Review 2010 (on Health Financing)

Low levels, Fragmentation and Inequity in Health Financing

In 2005 at the beginning of F1, the Philippines spent only 3 percent of its GDP on the health sector while other Southeast Asian countries spent, on average, about 4-5 percent. This number has grown very slowly (there has been slight increase in national government financing for DOH) but the shares (percentages) between government, social insurance, private insurance and private OOP have hardly changed. In fact, as the Review points out, private OOP spending is growing in the Philippines.

Fiscal Space and Health Spending. The low levels of public spending on health are partly related to fiscal space issues in the Philippines. Fiscal space for health refers to the ability of a country to increase public spending for health without jeopardizing the government's long-term fiscal sustainability (Heller 2006). From a *macro-fiscal perspective*, the prospects of availability of additional public resources for health in the Philippines have been traditionally low. As Chapter 2 showed, the revenue to GDP ratio in the Philippines is below the average for other middle-income countries, including in East Asia, and the health sector has not been traditionally accorded a high priority – as indicated by the elasticity of public spending on health. Moreover, with almost 50 percent of the population of the country working in the informal sectors, it has been hard to mobilize resources from this group through the PHIC's Individual Program. In most LMICs such as the Philippines, achieving universal coverage has required long periods of time, and substantial dependence on general budget revenues to finance universal health insurance coverage (Langenbrunner and Somanathan, 2010, Gottret and Schieber 2006).

Overall trends in DOH, LGU and PHIC Financing: After declining in real terms for nearly a decade, the DOH budget has increased its spending on health as a percentage of government expenditures. As a result, government expenditures on health have increased from 6 percent in 2002 to 6.8 percent in 2007. In particular, spending for public health interventions such as vaccines, anti-tuberculosis drugs, and the upgrading of government health facilities to provide emergency obstetric care has increased in the past two years. However, the increase has largely been limited to central government expenditures, while LGU expenditures on health have declined in real terms. Also, PHIC's share of health expenditures has hardly grown since it was established in 1995 (this is discussed in greater details in the next section).

Inequity in LGU Financing and Absorption Capacities – LGUs are at different states of natural endowments, economic development, and institutional capacities. This impacts their revenue-raising capacities as well as the ability to absorb resources. Moreover, the inequity in the internal revenue allotment (IRA) among provinces, cities, and municipalities translates into highly variable health

services. Changes in the IRA are beyond the control of the DOH and require intervention at a higher level of government. Wide regional and provincial variation in LGU health spending occur mainly because of LGUs' heavy reliance on IRA, which does not take account of health needs. The inequities in LGU allocation are exacerbated by the fact that highly urban cities can generate additional resources from their large tax base (property and business taxes) while poor, rural municipalities and provinces cannot do the same. Because the IRA allocation favors cities, there has been a flurry of municipalities wanting to be cities. The proportion of the IRA going to health is not nearly enough to fund the cost of devolved health functions, a situation that has left many health facilities in a poor state of repair.

Fragmentation in Financing- Devolution has led to the fragmentation of service delivery as public health functions and primary care (the responsibility of municipalities) were de-linked from primary and secondary hospitals (the responsibility of provinces) which were in turn de-linked from tertiary and national referral hospitals (the responsibility of DOH). The lack of inter-jurisdictional payment system for referrals, the mobility of patients, and frequent bypassing of primary care and district hospitals to start with, has led to the fraying of the financing and delivery system, manifest in overcrowded provincial and DOH hospitals, and underutilized health centres and district hospitals. The "network model" that existed prior to devolution – based on the district catchment area and district health structure that responds to it – has all but disappeared.

Recent efforts under F1 – Fourmula 1 carried out several initiatives to correct some of the inherent weaknesses of devolution. To ease the problems of service fragmentation, lumpiness of investment, and externalities (spill-over effects), some municipalities have organized themselves into inter-local health zones (ILHZs) so that they can share resources and benefits together. As of end-2009, as many as 274 ILHZs have been organized in 72 provinces for various reasons, although little has been done to empirically evaluate their effectiveness, impact, and sustainability.

Until recently, there was little planning capacity for health in LGUs. This problem is being addressed with the roll-out of the Province-wide Investment Plans for Health (PIPH). The PIPH has become the principal instrument to coordinate and consolidate the fragmented strands of resource mobilization by the province as it lays out the multi-year investment plan based on needs identified and the various financing sources (IRA, commodity self-reliance plans relying mostly on locally-generated revenues, reimbursements from PhilHealth, additional central government grants, LGU's own loans, commodity and in-kind support, and external assistance, if any). Lower-level localities are also undertaking their own city and municipal investment plans for health. It remains to be seen how far these local health investment planning initiatives can generate additional resources for health, allocate them properly, and result in a rationalized efficient service delivery system. To measure provincial health expenditures, Local Health Accounts are also being piloted in 11 provinces.

Source: World Bank – Health Sector Policy Review 2010- pp 75

Special Congressional funds for health

Since 2007, the National Government through the DOH has leveraged LGUs to provide resources to specific public health programs through specially grant allocations. In 2007, Congress appropriated Php 150 million to be used by LGUs for family planning and reproductive health services. In the following year, Congress also appropriated Php 2 billion to be used by LGUs for Maternal, Neonatal and Child Health And Nutrition (MNCHN) services. In both cases, the governing rules require that the LGU should first show that it has spent some of its own resources to these programs before it can access the Congressional grants, to indicate that the LGU does consider these programs as a priority. As a result, the annual budgetary appropriations to the DOH have ballooned in recent years. This is an important development for it reinstates the DOH and the regional Centers for Health Development (CHDs) as key players in local health financing, an influence DOH lost with devolution.

Source: World Bank – Health Sector Policy Review 2010- pp 33

Ind8.1.3. Public Private partnerships

Box 11 Extracts from Health Sector Policy Review 2010 (on PPP)

Hospital bed capacity in the Philippines is below the average for East Asian countries and below the rates of other MICs such as China and Thailand. The capacity gaps are most prevalent in rural and hard to reach areas, which means that the gaps in service delivery most affect poor families that live in these areas. Few new hospitals and hospital beds are being added, and the hospital system is being over-run by population growth, the rise of non-communicable diseases, the frequency of accidents, other trauma and an aging population. Public-private partnerships are often limited to medical imaging. Inequity and variance is growing between the well-endowed private sector and autonomous

government hospitals that are able to pass the highest levels of global accreditation and ill-endowed public and private hospitals.

The majority of the public hospitals system (with the exception of a few DOH managed centers of excellence in Manila) have not undergone systematic investment and upgrading since before devolution, even though the population has grown and the role of hospitals has changed substantially in the past 25-30 years. Under “Formula 1”, provinces have received financing to upgrade parts of their hospitals. In most provinces, funds available for investment are limited, and upgrading has focused mainly on minimum standards for emergency obstetric services. Provinces have been asked to prepare rationalization plans for the hospitals in their area as a pre-requisite for investment, in an attempt to ensure new investment is consistent with efficient, sustainable operation of hospitals. But the available investment resources are too limited to finance major expansion and upgrading of hospital capacity in areas that need increased capacity. In spite of DOH efforts to insist on rational investment criteria, external intervention in hospital investment continues to undermine these efforts, leading to a non-sustainable investment that is not consistent with a high quality, modern hospital system. There is a need for nationwide analysis of the gaps in hospital capacity and planning for how to fill these – through a combination of public and private sector investment.

With regards to hospital autonomy, Some central hospitals have Maternal, Neonatal and Child Health And Nutrition (GOCC) status. DOH retained hospitals were given some fiscal autonomy since 2004. But an accountability framework for GOCC hospitals and fiscally autonomous DOH hospitals was not put in place before they were given autonomy. Many LGU hospitals do not have fiscal autonomy and are not able to retain PhilHealth revenues. The hospital autonomy framework is not comprehensive: there are gaps in relation to autonomy over personnel and capital investment, gaps in relation to information systems for performance monitoring, weak accountability framework and gaps in policies for financing social functions of the hospital more explicitly. The DOH has begun to develop some of the building blocks for increasing the accountability of hospitals through attempts to develop a hospital score card. However, because of the lack of robust hospital information systems in most hospitals, the basic foundations for a hospital score card are not yet in place.

Private hospital capacity is concentrated in Metro Manila and other major metropolitan areas. A substantial share of private hospital beds is found in very small hospitals. Many if not most of these are probably not functioning at the standards usually expected for secondary care hospitals. However, “inflation” of the categories of hospital license has occurred to such an extent that it is difficult to assess how much private hospital capacity exists at secondary and tertiary levels in the Philippines, in the sense in which secondary and tertiary levels are understood internationally. Inflation in the categorization of hospitals is motivated by in part by the payment system used by PhilHealth (and Health Maintenance Organization (HMOs)/private health insurers) which pays at higher rates for tertiary level hospitals, even for the same procedure. The fact that PHIC (and HMOs/private health insurers) only cover drugs and diagnostic tests for inpatients may be driving unnecessary hospital admissions in low-level hospital facilities for patients who could be diagnosed and treated in outpatient settings. The fact that PhilHealth sets reimbursement ceilings per hospitalization and permits hospitals to balance-bill means that patients are not protected from catastrophic costs. It also means that hospitals are not subject to pressures to minimize costs and increase efficiency. Patient choice is not an effective driver of hospital efficiency, because patients have limited scope to compare prices for hospital treatment. There is good evidence that PhilHealth reimbursement leads to inflation in private hospital costs.

As is the case in many countries, patients routinely bypass first –contact care to seek care in more expensive hospital settings. First-contact (primary care) in the Philippines is largely perceived to be providing public and preventive, rather than curative, services and therefore patients prefer to seek care at the next levels. (World Bank 2010 op cit page 82-83)

Source: World Bank – Health Sector Policy Review 2010- pp 33

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

Within the health sector, O&M is integral part of overall budget allocations and service provisions and therefore discussed under section 8.1 and 8.3.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *Ind 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *Ind 8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Given the EU emphasis on health sector (and since e.g. education is not defined as devolved service), we will in this case study focus on health sector services.

In general, it can be noted that overall health service access and quality has improved. There are significant problems regarding outreach to the poorer sections of society. The recent health sector policy also notes the following critical issues:

- There are capacity constraints as health sector inputs have not kept up with population growth. The bed-to-population ratio is roughly 1 per 1000 inhabitants, lower than in other East Asian countries such as China (2,6 beds per 1000 inhabitants), Vietnam (1,2 beds) and Thailand (2,2). Moreover, many of these hospital beds are clustered in large city centres and better-off LGUs. This is particularly true for private hospital beds, which account for approximately half of all hospital beds in the country. The availability of skilled health sector staff is also a problem, especially in the public sector. While the Philippines do not have a problem with the overall supply of doctors and nurses, there is large scale out-migration. The Philippines is one of the largest suppliers of trained nurses in the world. (World Bank 2010, op cit page 5)
- Poor households largely rely on public hospitals, whose quality of care is problematic and client responsiveness is low. Consumer surveys conducted in 2005 and 2006 indicated that people chose private hospitals over public ones since they perceived the latter as providing better quality care. Due to financing barriers, however, poor people do not have access to private hospitals, creating inequity in access to care. Public hospitals (DOH and LGU) suffer from many problems, including inadequate financing, poor allocation of resources, lack of quality benchmarks and standards, and limited accountability. Access to good quality first contact care is also uneven, and when available, people often bypass first (primary care) level to seek care in hospitals, as there is no effective referral system and penalties are not applied for bypassing the less costly first contact level. Global experience shows that high utilization of good quality first contact care is equity-enhancing and cost-effective for the health system. (World Bank 2010, op cit page 6)

Box 12

Summary of Health Service Trends in the Philippines

1/ At the aggregate level, the Philippines has made steady and significant progress in its population health outcomes over the past several decades. Life expectancy increased to almost 72 years in 2007, up from 53 in 1960. Childhood mortality also continues to decline in the Philippines. The infant and under-five mortality rate during the 2004-2008 period stood at 25 and 34 per 1,000 live births respectively. This is lower than the rates of 29 and 40 per 1000 live births in 2003 (DHS, 2008, DHS, 2003). The country is "on-track" to achieving Millennium Development Goal (MDG) 4, which calls for a two-thirds reduction in the under-five mortality rate over the period 1990-2015.

2/ On maternal and reproductive health, progress has been less than expected and regional and income related disparities across all health outcomes are persistent and potentially widening. Maternal Mortality Rate (MMR) has improved more slowly than expected (162 per 100,000 live births in 2006) and the country is not expected to reach the MDG 5 goal of three-quarters reduction in MMR between 1990 and 2015, as well as universal access to reproductive health services. According to the 2008 National Demographic and Health Survey (NDHS, 2008), child mortality indicators are four times higher among the lower income quintiles as compared with higher income quintiles. Life expectancy in 2006 in some provinces of the Philippines (La Union) was similar to high middle-income countries such as Chile and Slovenia. In comparison, provinces such as Sulu and Tawi-Tawi have life expectancy levels similar to low-income countries such as Ethiopia and Guinea.

3/ While there is an unfinished agenda with the MDGs, the burden of disease is rapidly changing in the Philippines and non-communicable diseases (MDG Plus Agenda) are emerging as a health sector challenge. Projections show that by 2030, Non-Communicable Diseases (NCDs) will account for 87 percent of the disease burden in the Philippines. Currently, deaths from cardiovascular conditions are one of the top 10 causes of reported deaths. Moreover, injuries are also a major contributor and the number of road traffic accidents in the Philippines is increasing. Poor households are as vulnerable to NCDs as non-poor households.

Financial protection from the costs of ill-health, a key outcome of the health sector, and measured in terms of out-of-pocket payments, is getting worse in the Philippines. This is despite the implementation of universal health insurance (UHI). In 2006 (the last year for which comprehensive household level OOP data are available), the share of health spending in per capita expenditures was at its highest levels in the past 18 years. Poor households in the Philippines are spending a higher share of their disposable income on health care as compared to the better-off. While expenditures on drugs and medicines account for the biggest share for both poor and rich households, there is an increasing shift towards OOP financing hospital charges. Out-of-pocket spending as a share of total health spending is very high and has increased.

There are large income-related disparities in the utilization of health services. For example, skilled birth attendance among the highest income quintile is 94 percent as compared with 25 percent in the lowest income quintile. Only 13 percent of all births in the lowest quintile occur at the facility level compared with 84 percent in the highest quintile. Similarly, immunization coverage is only 70 percent among the lowest quintile as compared with 84 percent in the highest quintile. Some prominent reasons affecting the decision to seek care (in public and private facilities) include: (i) economic barriers, (ii) geographic distance, (iii) quality of care concerns such as the unavailability of drugs;

Source: World Bank 2010: Transforming the Philippines Health Sector: Challenges and Future Directions (Philippines Health Sector Review), Report No. 54934 – PH, (Final), October 27th, 2010

4 Conclusions concerning the hypotheses to be tested and main challenges to be discussed in the synthesis phase

Besides collecting additional evidence related to answering the EQs, the field visit to *Philippines* has specifically looked into the following aspects:

Research focus	Mainly related to EQ
Institutional capacity of EC/EU for support to decentralisation – has the general EC framework for support to decentralisation facilitated relevance of (sector) interventions in a decentralised context?	2
Documentation of results of health sector programme and (SFP) on the decentralisation process and the relative importance of EC/EU support	5-8

4.1 Institutional capacity of EC/EU for support to decentralisation

EC/EU support in the Philippines has primarily been health sector support “in a decentralised context” although some support has also been provided (mainly to NGOs) for various smaller initiatives in support of local governance (the SPF).

The general EC/EU framework for support to decentralisation has only marginally facilitated the health sector interventions: the documentation is not all known to EUD staff and only provides very general guidance. Decentralisation training interventions have in a similar way not impacted significantly on how decentralisation issues have been addressed by the EUD. Staff have generally used their “common sense” and learned from documentation and experiences generated from within the Philippines and/or from other development partners such as the World Bank, ADB etc.

Existing EC/EU reference document, training opportunities and HQ support on decentralisation are not sufficient for relative advanced countries (as in the Philippines).

Staff in the EUD didn't request for specific additional HQ guidance, but saw quality of their work being impacted by lack of time and financial resources for more strategic thinking. One staff member commented:

“we always run being preoccupied with immediate operational issues including many bureaucratic reporting issues, etc – however we have no time to stop and think strategically – we also don't have means to generate independent analyses (as e.g. World Bank) - in house expertise on decentralisation issues are limited – we are poorly equipped for in-depth policy dialogue”.

The EC/EU has to a significant degree approached “health sector interventions in a decentralised context” through learning by doing rather than guided by specific EC/EU internal guidance.

4.2 Results from EC/EU support on overall decentralisation reforms

The Philippines is a middle-income country where donor dependence is relatively limited (compared to e.g. most Africa, Caribbean and Pacific countries (ACP) countries). Furthermore, it can be noted that decentralisation reforms in the Philippines are relatively natural (compared to the other nine country case studies for our evaluation) and that several aspects of possible future reform directions have been subject to various technical studies and intense political debate (already for years). Donor support is therefore relative less influential on decentralisation reforms than in e.g. highly aid dependent African counties where decentralisation reforms are in initial stages.

The discussion of results (EQ5-6-7-8) clearly indicates that wider impact on decentralisation reforms by EC/EU support have been limited. The objectives of EC/EU support have in fact also been modest and only to a very limited degree sought to influence wider reforms or changes in the relationship between central and local governments.

Of relevance to the wider global evaluation, it can be noted that:

- (Health) sector programmes in decentralised contexts can improve sector specific planning and capacities but only marginally contribute to wider decentralisation results (political, administrative, finance).
- Although it is difficult to assess, the EC/EU could maybe have been more proactive within its health sector programme in supporting elements of IGFT – e.g. by some conditional grant for marginal areas for their staffing or other aspects of public sector financing at LGU level.

- On the other hand, successful health sector developments impinge on overall decentralisation reform (e.g. overall PFM, LG finance arrangements (transfers and own source) HRM, etc – thus additional general (non-health specific) interventions are required in these areas, - in the Philippines the EC/EU therefore is embarking on wider PFM support.
- PBGS appears as very promising instruments for strengthening of decentralised service delivery and improved local governance.
- Smaller interventions like SPF can contribute to development of innovative practices, capacity building at community (Barangay, etc) levels, etc. But challenges of up scaling, replication and strategic linkages for wider reform remain – it is noticeable that the SPF doesn't have specific linkages to health sector interventions in the Philippines (maybe, something to consider in possible future support).

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Last name</i>	<i>First Name</i>	<i>Organisation</i>	<i>Date of interview</i>
Eric	Galvin	Delegation of the European Union	06/06/2011
Camilla	Hagström	Delegation of the European Union	06/06/2011
Anja	Bauer	Delegation of the European Union	06/06/2011
Ma Rita	Bustamante	Delegation of the European Union	06/06/2011
Manuel	Gotis	Bureau of Local Government Development – Department of the Interior and Local Government (BLGD - DILG)	07/06/2011
Angie	Martir	Field Operations Services – Department of Agriculture (FOS– DA)	07/06/2011
Beth	Estrada	Agricultural Training Institute – Department of Agriculture (ATI – DA)	07/06/2011
Lynette	Bautista	Policy Development and Planning Bureau – Department of Social Welfare and Development (DSWD)	07/06/2011
Emmanuel	Joseph Solis	Decentralization Program, German International Cooperation (GIZ - DP)	07/06/2011
May	Wong	Canadian International Development Agency (CIDA)	07/06/2011
Lawrence	Tang	World Bank (WB)	07/06/2011
Wilfredo	Nuqui	Mindanao State Development	07/06/2011
Maria Cynthia	Nona Razo	United States Agency for International Development (USAID)	07/06/2011
Maria	Rendon	United States Agency for International Development (USAID)	07/06/2011
Staff of the MinDA		Mindanao Development Authority (MinDA)	07/06/2011
Brenda	Candries	Delegation of the European Union	08/06/2011
Roland	Cabigas	La Liga Policy Institute	08/06/2011
Rachael	Morala	La Liga Policy Institute	08/06/2011
Lawrence	Tang	World Bank (WB)	08/06/2011
Daphne	Purnell	Local Government Academy (LGA)	08/06/2011
Silvestre, Jr.	Barrameda	Local Government Academy (LGA)	08/06/2011
Joel	Cruz	Local Government Academy (LGA)	08/06/2011
Alfredo	Marañon	Province of Negros Occidental	09/06/2011
Aleta	Nuñez	Provincial Environment and Management Office – Province of Negros Occidental (PEMO)	09/06/2011
Roy	Balicas	Consultant on Admin and Finance – Province of Negros Occidental	09/06/2011
Maria Lina	Sanogal	Provincial Planning and Development Officer – Province of Negros Occidental	09/06/2011

Ernell	Tumimbang	Provincial Health Officer – Province of Negros Occidental	09/06/2011
Imelda	Villacin	Quidan – Kaisahan Negros Occidental	09/06/2011
Members of the Barangay Development Council		Barangay Minuyan, Murcia, Negros Occidental	09/06/2011
Raymund	Fabre	Asian Development Bank (ADB)	10/06/2011
Marwynn	Bello	Bureau of International Health Cooperation – Department of Health (BIHC – DOH)	13/06/2011
Monina	Camacho	Union of Local Authorities of the Philippines (ULAP)	13/06/2011
Patricio	Quiros	Union of Local Authorities of the Philippines (ULAP)	13/06/2011
Catherine	Tiongson	Philippine Rural Reconstruction Movement (PRRM)	13/06/2011
Susanne	Stephan	Democratic Partnership for Local Governance in South East Asia (DEGOSEA)	13/06/2011
Sven	Herpig	Democratic Partnership for Local Governance in South East Asia (DEGOSEA)	13/06/2011
Joy	Aceron	Government Watch (G- WATCH) – Ateneo School of Government (ASoG)	13/06/2011
Mary Jane	Ortega	Citynet; League of Cities of the Philippines	13/06/2011

5.2 Annex 2: The list of documents consulted

- World Bank and Asian Development Bank. December 15, 2004. Decentralization in the Philippines: Strengthening Local Government Financing and Resource Management in the Short Term
- Alex Brillantes, Gilbert Llanto and Edmund Tayao. Unpublished (To be published soon, 2011). A Colloquium on the Impact of Decentralization.
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- EU- Philippines, March 2011. Evaluation of the European Commission's Cooperation with the Philippines, Draft Final Report-Final Version, Executive Summary.
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- Identification Fiche for Project Approach
- World Bank and the Asian Development Bank. March 31, 2005. Decentralization in the Philippines: Strengthening Local Government Financing and Resource Management in the Short Term.
- EU-Philippines, Multi-Annual Indicative Programme 2011-2013. Mid-term Review, The Philippines.
- Annex I: EU/EC Cooperation Objectives
- The EC-Philippines Country Strategy Paper, 2007-2013.
- National Indicative Programme (2007-2010) Philippines
- Hiroko Uchimura and Yurika Suzuki, July 2009. IDE Discussion Paper No. 209, Measuring Fiscal Decentralization in the Philippines., Institute of Developing Economies.
- Outline for an Initial Performance Assessment Manual for the Performance Based Grant System (PBGS) in the Philippines, Draft January 2008
- Classification of LGUs in the Philippines
- Classification Database
- Indicative Construction and Maintenance Cost for the PBGS Menu
- Capacity Building Supply and Demand Side and Costs Examples
- Republic of the Philippines- Department of Finance. Preliminary Analytic And Design Work for the Development of a Performance Grant System for LGUs. Final Report, Vol. III-Preliminary Design Report. January 31, 2008, Nordic Consulting Group, DK and IDP Consult.
- Preliminary Analytic and Design Work for the Development of a Performance Grant System for LGUs. Final Report, Vol. I- Analytical Findings. January 2008

5.3 Annex 3: Detailed list of EC-funded interventions

Table 3 Detailed list of EC-funded interventions related to decentralisation in the Country

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Philippine Health Sector Policy Support Programme	2006-2011	24,28	19,69	ASIE/2005/017-638	Sectoral approach	N	BS	REPUBLIKA NG PILIPINAS
Mindanao Health Sector Policy Support Programme (MHSPSP)	2006-2010	3,66	1,89	ASIE/2006/018-016	Sectoral approach	L	BS	GRM international BV
<i>Indirect interventions</i>	<i>Start date</i>	<i>Planned amount</i>		<i>CRIS Decision Nr.</i>				
Dialogue on Governance: Strategic Projects Facility	2007	3,2 ¹⁴		DCI- ASIE/2007/018-937				
LGUs capacity building	2003	0,18		ASIE/2003/005-030				
Integrated forest conservation with local governance in the Philippines	2000	1,27		ENV/2000/005-039				
Strengthening of democratic processes in local governance and the promotion of sustainable integrated area development for marginalized sectors in Negros Occidental, Biliran+Northern Mindanao	2003	0,71		CDC/2003/005-002				
Small Projects Facility	2002	0,46		ASIE/2002/002-472				

¹⁴ 1,5mEUR committed in 2009 (out of an overall envelope of 6,5 mEUR).

5.4 Annex 4: Description of major interventions

The section below presents some details on following EC/EU-funded interventions:

- Philippine Health Sector Policy Support Programme,
- Mindanao Health Sector Policy Support Programme (MHSPSP),
- Dialogue on Governance: Strategic Projects Facility.

5.4.1 Intervention 2

Title: Philippine Health Sector Policy Support Programme

Budget: 24,28 mEUR

Start date: 2006

Objectives and expected results:

Overall Objective:

To contribute to the improvement of the health status of the population especially the poor and to achieve health related MDGs

Programme Purpose:

Increased utilization of affordable and financially sustainable, quality essential health services and population programs by the poor through the progressive implementation of the government's Health Sector Reform Agenda.

Expected results:

- Improved financial sustainability of national health insurance and extended insurance cover of the poor;
- Improved governance, operational efficiency and service provision in public hospitals;
- Increased utilization of cost-effective public health programs and primary health care services;
- Improved quality, accessibility and safety of health care related products, facilities and services;
- Improved governance in the health sector through (i) more efficient local health systems based on Inter-Local Health Zones and partnerships with the private sector; (ii) increased public accountability; (iii) improved health sector planning, monitoring and evaluation and (iv) increased efficiency and effectiveness of public health spending, (v) improved public finance management.

Activities:

1. Budgetary support to Provinces demonstrating good compliance with Philippines Public Finance Management legislation
2. Budgetary Support to the DBM
3. Administrative Agreement with the WB for a multi-donor trust fund delivering support to the Department of Health and provinces not eligible to budgetary support
4. Technical Assistance service contract managed by the Delegation

5.4.2 Intervention 3

Title: Mindanao Health Sector Policy Support Programme (MHSPSP)

Budget: 3,66 mil EUR

Start date: 2006

Objectives and expected results:

Overall Objective:

To contribute to the overall improvement of the health status of the population especially the poor, the women and other vulnerable groups and to the achievement of health-related MDGs in the Mindanao's Conflict-Affected Areas (CAAs) and the ARMM

Project purpose:

Increased utilization of improved priority primary health facilities, through a pre-SDAH accession programme implementing selected, doable elements of government's health sector reform.

Expected results:

1. Governance

Overall capacity of regional, provincial and municipal governments and other relevant institutions with respect to health governance strengthened, including:

- Strengthened stakeholder involvement in and oversight of health services management,
 - Financial management and procurement functions in LGUs strengthened,
 - Sector-wide, participative planning established, including health facility rationalisation,
 - Improved information systems, monitoring and evaluation and coordination in accordance with SDAH,
 - Improved management of health human resources and health human resource development.
2. Financing
 - Increased enrolment of indigents into PhilHealth, based on formal poverty mapping,
 - Increased resources for RHUs from PhilHealth Capitation fund,
 - Increased allocation to health sector by LGUs.
 3. Regulation
 - Improved access to enhanced sustainable drugs supply.
 4. Health Service Delivery
 - Increased number of RHUs accredited for the Outpatient Benefit Package, Emergency Obstetric Care and Tuberculosis Directly Observed Therapy (TB DOTs),
 - Strategically located Barangay Health Stations developed,
 - Innovative approaches to primary health care delivery tested, documented and advocated.

5.4.3 Intervention 4

Title: Dialogue on Governance: Strategic Projects Facility

Overall description:

Overall Objective: Contribute to the improvement of good governance to reduce poverty in the Philippines

Project purpose: Enhance local democratic governance reforms.

Results: Democratic governance reforms are effectively enhanced in particular at the local level.

Activities: 1) Establish and support best practices in good governance, support their dissemination, and their institutionalization; 2) Support partnerships between State and Non-State Actors towards good local governance initiatives.

Out of a **financial envelope of 6,5mEUR**, the EC/EU has committed 5,7 mEUR over the period 2009-2010 (and disbursed 2,5mEUR).

The table below list the major Strategic Projects Facility (SPF) projects supported by the EC/EU to date:

Table 4 Description of major SPF interventions

Grantee	Project	Date of Implementation
Local Government Academy	Strengthening Local Governance Resource Centers as harmonizing mechanism for effective local governance in the Philippines	8/18//2009 to 8/18/2012
Agri-Aqua Development Coalition - Mindanao	Building resilient coastal communities in Zamboanga Peninsula, Mindanao through stakeholders partnerships and mobilization	1/1/2010 to 1/1/2012
Quidan/Kaisahan-Negros Occidental	Reaching the Unreached and Serving the Under-served in Negros Occidental	12/7/2009 to 12/7/2011
La Liga Policy Institute	Cementing Pathways to Financing the Millennium Development Goals	1/8/2010 to 1/8/12/2012
Foundation For A Sustainable Society	Integrating Forestry and Local Governance with Sustainable Enterprise in Isabela Province	3/1/2010 to 3/1/2012
Bicol Consortium For Development Initiatives (BCDI)	Partnership for Sustainable Management of Municipal Waters in Bicol Region for the Benefit of Disadvantaged Sectors	7/1/2010 to 7/1/2012
Provincial Government of Negros	Effective Natural Resources Governance through Inter-LGU Alliances in the Province of Negros	

Occidental	Occidental	7/1/2010 to 7/1/2012
South Palawan Planning Council	Building the Governance Structure and Strengthening Inter-LGU Collaborative Conservation and Resource Management Initiatives in Mt, Mantalingahan Protected Landscape	4/1/2010 to 4/1/2012
Ateneo De Manila University/ Ateneo School of Government	Monitoring and Improving Service / Program Delivery of LGUs using Government Watch (G-Watch) as a Social Accountability Tool	7/1/2010 to 7/1/2012
Lipasecu Baywide Management Council	Community-Based Integrated Coastal Resource Management and Poverty Reduction through Participatory Local Governance	7/24/2010 to 7/24/2012
University of The Philippines Public Administration Research and Extension Services Foundation Inc (Center for Local and Regional Governance CLRG)	Assistance for the implementation of the Newly-Elected Officials (NEO) Orientation Programme 2010, Component 3: Provincial Alliance Building	6/29/2010 to 3/29/2011
Philippine Business for Social Progress	Linking Initiatives for Collaborative Coastal Resource Management and Governance	2/1/2010 to 2/1/2012
ILOILO CAUCUS OF DEVELOPMENT NON-GOVERNMENT ORGANIZATIONS (ILOILO CODENGOS) INC CORPORATION	Institutionalizing Social Contracts for Transparent and Accountable Governance and Effective Population Health and Environment Service Delivery	1/4/2010 to 1/4/2012
NON-TIMBER FOREST PRODUCTS EXCHANGEPROGRAMME INCORPORATED ASSOCIATION	Improving Forest Governance and Sustainable Upland Development through Climate Change Mitigation Financing Strategies in Southern Palawan	9/1/2010 to 9/1/2012

5.5 Annex 5: Detailed country context

5.5.1 Decentralisation reforms in the Philippines

For the past three to four decades countries in the Asian Pacific Region have undergone “structural changes” and new institutional arrangements within and among levels of the governments. This can be attributed to a highly centralized characteristic of administrative structure which is common to most countries in the region due to the following reasons: 1) the experience of colonization and monarchical rule; 2) the task of nation/state building during the pos-colonial period, and 3) the centralist theory of development in the 1950s and 1960s (Siedentopf, 1987, p. 7, cited by De Guzman and Reforma, 1998 in Tapales, Cuaresma, & Cabo, 1998, p.25). It is in this regard that administrative reforms have become their major concern in terms of improving the effectiveness and efficiency in being able to meet the demands of the populace.

According to Reforma (2003, p.355), “administrative reform first emerged in the Philippines following the grant of formal independence due largely to the realization and discontinuities between a colonial administrative system and the needs and demands of sovereign governments.” The Philippines’ long standing history and struggle for administrative reforms led to systemic and institutional changes in the government by using decentralization as a strategy and framework to be able to improve the delivery of service from the national to the local governments.

When the Maura Law in 1883 was enacted by the Spanish government, it signified the start of decentralization in the Philippines with the establishment of *tribunales municipales* and *juntas provinciales* (Brillantes, 2003). Under the First Philippine Republic and the Malolos Constitution in 1898, “it addressed a more structural and systemic dimensions of local administration as legislative assemblies were organized at the municipal level to fulfil basic criterion of local autonomy and whose delegates were indirectly chosen by the people; the municipal captains, on the other hand, elected the officials to the provincial assembly” (De Guzman and Reforma, 1998, p. 36).

During the American occupation, a milestone in decentralization was achieved after years of being highly centralize when municipal and provincial councils were organized and chosen under the conduct of general suffrage. Other proclamations include the following: “the instruction of President McKinley to the Taft Commission; the incorporation of the City of Manila (Act 183 of the Philippine Commission in 1902); the establishment of the Moro Province (Act 787 in 1903); the organization of provincial governments (Act 1396 in 1905), and the extension of popular control, like the elimination of appointive members from the provincial board” (Brillantes, 2003, p. 4).

When political independence was granted by the Americans to the Philippines in 1946, The First Local Autonomy Act (Republic Act (RA) 2246) was enacted in 1959, entitled “An Act Amending the Laws Governing Local Governments by Increasing their Autonomy and Reorganizing Provincial Governments.” (Brillantes, 2003, De Guzman and Reforma, 1998). Brillantes (2003) points out that this enables the city and municipal governments more fiscal, planning, and regulatory powers which also broadens their taxing powers within the parameters of the taxing; laws at the national level. It was also the same year when the Barrio Charter Act (RA 2370) was promulgated giving some taxing powers to the barrios. Ten years after the RA 5150 or the Decentralization Act of 1967 was enacted that would increase the financial resources and broadened the decision making powers of the local governments (Brillantes, 2003).

During Martial Law in 1972, the long efforts of decentralization collapsed as the country went back to a highly centralized form of administration by the Marcos regime. However, De Guzman and Reforma (1998) argued that there were still some instances of decentralization during the period, these include: 1) the creation of regional governments; 2) creation of regional offices of national government departments; 3) the creation of regional development councils; 4) the adoption of integrated area development approaches.

In 1986, when Marcos was ousted from office and Corazon Aquino became the president, significant changes were made in the constitution primarily ensuring local autonomy with a specific portion in the Constitution devoted for the local government under Article X.

The passage of the Local Government Code in 1991 was monumental and one of the most radical approach undertaken by the country towards decentralization. Devolved powers were given to LGUs in three dimensions: 1) Administrative; 2) Fiscal; and 3) partnership and participation of NGOs and People’s Organisation (Pos). The following according to Brillantes (2003) are the major features of the LGC:

- It devolves to local government units responsibility for the delivery of various aspects of basic services that earlier were the responsibility of the national government. These basic services

include health (field health and hospital services and other tertiary services), social services (social welfare services), environment (community-based forestry projects), agriculture (agricultural extension and on-site research), public works (funded by the local funds), education (school building program), tourism, (facilities, promotion, and development), telecommunication and services and housing projects (for provinces and cities), and other services such as investment and support.

- It devolves to local governments the responsibility for the enforcement of certain regulatory powers, such as reclassification of agricultural lands, enforcement of environmental laws, inspection of food products and quarantine, enforcement of national building code, operation of tricycles, processing and approval of subdivision plans, and establishment of cockpits and holding cockpit fights
- The Code also provides the legal and institutional infrastructure for the expanded participation of civil society in local governance. More specifically, it allocates to NGOs and people's organization (Pos) specific seats in local special bodies. These special bodies include the local development council, the local health board, and the local school board. The Code also opens the door for NGO and PO participation in governance, particularly in the areas of promoting local accountability and answerability, through the recall and people's initiative provisions.
- The Code increases the financial resources available to local government units by (1) broadening their taxing powers; (2) providing them with a specific share from the national wealth exploited in their area, e.g., mining, fishery and forestry charges; and (3) increasing their share from the national taxes, i.e., IRA, from a previous low of 11% to as much as 40%. The Code also increases the elbow room of local governments to generate revenues from local fees and charges.
- Finally, the Code lays the foundation for the development and evolution of more entrepreneurial oriented local governments. For instance, it allows local governments to enter build-operate-transfer (BOT) arrangements with the private sector, float bonds, obtain loans from local private institutions, etc. All these are intended to encourage them to be "more businesslike" and competitive in their operations compared to "traditional" government norms and operations.

It has been 20 years since the LGC was enacted and there are many more issues and challenges of local autonomy in the country. This invites scholars, policy makers, NGOs and POs to sit down and further review the code as well as the prevailing conditions of intergovernmental relations between national and local government and future direction of decentralization. The table below explains more transfer of powers from the National to Local governments via issuance of memorandums and Executive Orders for the past 10 years.

Table 5 NGA Orders and Circulars for Local Authorities

Year	NGA Orders and Circulars for Local Authorities
2000	DILG conducted a nationwide survey on the status of devolution and the concomitant budgetary allocations at the local government units through MC 2000 – 24 and 2000 –159
2004	DOF issued the use of customized accountable forms by local government units
2005	DILG declared the operational autonomy of local water districts through MC 2005 –21. DOH issued directives to implement the Medium – Term Philippines Development Plans (MTPDP 2004 - 2010) and Medium – Term Public Investment Program (MTPIP2005 - 2010). In addition, DOH reiterated administrative order (AO) 70 Series 2003 through MC 2005 – 0060 strengthening Internal Control Systems of all Government units. Department of Environment and Natural Resources (DENR) and DOH also issued a joint resolution containing the policies and guidelines on effective and proper handling collection, transport, treatment and disposal of health care wastes.
2006	DOH adopted the policy of harmonizing certification standards of SentrongSigla (SS) and accreditation of PhilHealth standards for rural health units / health centers (RHUs/HCs) through MC 2005 - 0060. Same office issued directives for the adoption of the Bench book on Performance Improvement of Health Services through MC 2006 -0008
2007	DILG implemented Executive Order (EO) 305 series 2004 that devolves to municipal and city governments the registration of fishing vessels three gross tonnage and below through MC 2007 - 37
2008	DILG issued MC 2008 – 003 that states the resetting the integrated Sangguniang Kabataan (SK) Organization Leadership and Reorientation

	(ISKOLAR) and the Election and Meeting of SK National Federation
2009	DENR prescribed guidelines for the systemic disposition of alienable and disposable residential lands through miscellaneous sales application under Republic Act No. 730 that permits the sale without public auction of public lands through MC 2009 - 05
2010	DENR delegated the authority to issue mineral ore export permits to the directors, regional director of the mines and geosciences bureau concerned and the provincial governors / city mayors concerned among others through MC 2010 - 07

Source: Adaptation from Prof. Edmund Tayao's presentation on Impact on Politics and Governance, "A Colloquium on the Impact of Decentralization"

5.5.2 Issues, Challenges, and Concerns of Devolution in the Philippines

There are three (3) major concerns in the devolution of functions among LGUs in the Philippines.

1. Overlapping of powers and functions as well as services that LGUs provide;
2. Income share of LGUs from the IRA (Internal Revenue Allotment); and
3. Conversion of a Town or Municipality to a City

5.5.2.1 Overlapping of Services that the LGUs provide

The Local Government Units in the Philippines are classified in to four (4):

1. City
2. Province
3. Municipality
4. Barangay

Based on Section 3 of the Local Government Code (LGC) which is the Operative Principles of Decentralization states the coordination, allocation, and the effective use of powers and functions of by the LGUs are indicated in the following paragraphs of the section:

- (a) There shall be an effective allocation among the different local government units of their respective powers, functions, responsibilities, and resources;
- (b) There shall be established in every local government unit an accountable, efficient, and dynamic organizational structure and operating mechanism that will meet the priority needs and service requirements of its communities;
- (d) The vesting of duty, responsibility, and accountability in local government units shall be accompanied with provision for reasonably adequate resources to discharge their powers and effectively carry out their functions; hence, they shall have the power to create and broaden their own sources of revenue and the right to a just share in national taxes and an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas;
- (e) Provinces with respect to component cities and municipalities, and cities and municipalities with respect to component Barangays, shall ensure that the acts of their component units are within the scope of their prescribed powers and functions;
- (f) Local government units may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them;

The LGC may provide the operative functions of the LGUs but it does not have a clear delineation as to what LGU will provide the services in the development of their respective localities. Areas such as agriculture and fishery, environmental management, health, education, social welfare, maintenance of public works, infrastructure development, and tourism are services and or functions common to all local government units based on Section 17 of the LGC. (see the table below)

Table 6 Overlapping of devolve services by LGUs

Powers/Functions/Services	City	Province	Municipality
1. Agriculture and Fishery	---	---	---
2. Environmental Management	---	---	---
3. Health	---	---	---
4. Education	---	---	---
5. Social Welfare	---	---	---
6. Maintenance of Public Works and Infrastructure Development	---	---	---
7. Tourism	---	---	---

Legend: A Cell with --- means that the LGU has the same power and functions and provide the same services

5.5.2.2 Income share of LGUs from the IRA (Internal Revenue Allotment)

The primordial consideration of every LGUs in the Philippines is the sharing from IRA (Internal Revenue Allotment), the LGC specifically provides the explanation for the formula in computing the IRA of LGUs under Section 284 and 285.

SEC. 284. *Allotment of Internal Revenue Taxes.* - Local government units shall have a share in the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year as follows:

- (a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and
- (c) On the third year and thereafter, forty percent (40%). Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

SEC. 285. *Allocation to Local Government Units.* - The share of local government units in the internal revenue allotment shall be allocated in the following manner:

- (a) Provinces - Twenty-three percent (23%);
- (b) Cities - Twenty-three percent (23%);
- (c) Municipalities - Thirty-four percent (34%); and
- (d) Barangays - Twenty percent (20%)

Provided, however, That the share of each province, city, and municipality shall be determined on the basis of the following formula:

- (a) Population - Fifty percent (50%);
- (b) Land Area - Twenty-five percent (25%); and
- (c) Equal sharing - Twenty-five percent (25%)

Provided, further, That the share of each Barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand pesos (P=80,000.00) per annum chargeable against the twenty percent (20%) share of the Barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula:

- (a) On the first year of the effectivity of this Code:
 - (1) Population - Forty percent (40%); and
 - (2) Equal Sharing - Sixty percent (60%)
- (b) On the second year:
 - (1) Population - Fifty percent (50%); and
 - (2) Equal Sharing - Fifty percent (50%)

- (c) On the third year and thereafter:
 - (1) Population - Sixty percent (60%); and
 - (2) Equal Sharing - Forty percent (40%). Provided, finally, That the financial requirements of Barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned.

Sources of Revenue of LGUs include the following:

- National Government
 - Internal Revenue Allotment
 - Share from taxes, fees and charges collected from the development and utilization of national wealth
 - Other grants and Subsidies
 - Debt Relief Program
- Locally Generated
 - Real Property Taxes
 - Business Taxes
 - Other Local Taxes
 - Regulatory Fees
 - Operation of Local Economic Enterprises
 - Tolls and Users Charges
- Other Sources
 - Sales/Lease of Assets
 - Credits
 - BOT-BT Scheme

With the devolved services given to LGUs (with the prevailing conditions of some duplication of functions and services as well), and the current formula in computing the IRA there is a very strong clamour according to Dumugho¹⁵ (2010) to revisit and re-examine the IRA sharing particularly the cities and municipalities due to alleging inequity in the allocation and distribution of shares which also favours the cities. There were serious efforts by the 10th and 11th Congress to amend the code to increase the shares of cities and municipalities. Dumugho (2010, pp.13-14) also points out that the allocation formula includes the combining of “the twenty-three percent (23%) allocation of the city with the thirty-four (34%) of the municipality, making the combined allocation to fifty-seven percent (57%) to be distributed to the individual cities and municipalities in accordance with the distribution scheme provided in the Code”. The provinces also made the necessary proposal for the reformulation of the allocation increasing its share from twenty-three percent (23%) to twenty five percent (25%). (See Table below)

Table 7 Comparison of existing and proposed allocation

Table 3: Comparison of existing and proposed Allocation²

LGUs	Present	Formula	Propose Formula	Increase/Decrease
Province	x 23%	P61.13 B	x 25% = P66.45 B	P5.32 B gain
City	x 23%	P61.13 B	x 20% = P53.16 B	P7.97 B loss
Municipality	x 34%	P90.37 B	x 36% = P95.68 B	P5.31 B gain
Barangay	X 20%	PP53.16 B	x 19% = P50.5 B	P2.66 B loss

¹⁵ Adaptation from Director Eleuterio Dumogho’s paper on “REVISITING THE INTERNAL REVENUE ALLOTMENT (IRA)”.

5.5.2.3 Conversion of a Town or Municipality to a City

Income has been the primordial considerations of LGUs; they are classified based on their annual income from first to sixth class City, Municipality, and Province. (see Table below) With the institutionalization of the devolve functions given to LGUs, funding for the implementation of programs and projects are the immediate concern.

The prevailing sharing scheme of IRA results to the struggles of some LGUs particularly the Municipality in addressing and meeting the growing needs and demands of basic services in their respective area of jurisdiction. This in effect results to opting of some municipalities in becoming a city.

It has been their immediate solution to raise their allocation share as they become too IRA dependent. Section 450 of the LGC provides the following basis of the creation of cities:

(a) A municipality or a cluster of Barangays may be converted into a component city if it has an average annual income, as certified by the Department of Finance, of at least Twenty million pesos (P20,000,000.00) for the last two (2) consecutive years based on 1991 constant prices, and if it has either of the following requisites:

- (i) a contiguous territory of at least one hundred (100) square kilometers, as certified by the Lands Management Bureau; or,
- (ii) a population of not less than one hundred fifty thousand (150,000) inhabitants, as certified by the National Statistics Office: Provided, That, the creation thereof shall not reduce the land area, population, and income of the original unit or units at the time of said creation to less than the minimum requirements prescribed herein.

Table 8 Income classification of provinces, municipalities, cities

(Based on Department of Finance Department Order No.23-08 Effective July 29, 2008)

Provinces

Class	Average Annual Income
First	P 450 M or more
Second	P 360 M or more but less than P 450 M
Third	P 270 M or more but less than P 360 M
Fourth	P 180 M or more but less than P 270 M
Fifth	P 90 M or more but less than P 180 M
Sixth	Below P 90 M

Cities

Class	Average Annual Income
First	P 400 M or more
Second	P 320 M or more but less than P 400 M
Third	P 240 M or more but less than P 320 M
Fourth	P 160 M or more but less than P 240 M
Fifth	P 80 M or more but less than P 160 M
Sixth	Below P 80 M

Municipalities

Class	Average Annual Income
First	P 55 M or more
Second	P 45 M or more but less than P 55 M
Third	P 35 M or more but less than P 45 M
Fourth	P 25 M or more but less than P 35 M
Fifth	P 15 M or more but less than P 25 M
Sixth	Below P 15 M

Source: http://www.nscb.gov.ph/activestats/psgc/articles/con_income.asp

The tables below show the income classification of the Philippines since the LGC was enacted in 1991.

Table 9 *Income classification of Philippine cities (1993, 1997, 2001, 2005)*

1993 CLASSIFICATION

A year after the start of the implementation of the Local Government Code in January 1, 1992, the Department of Finance updated the income classification of local government units. The DOF used the following income ranges in classifying the provinces and the cities:

CLASS	INCOME RANGES	NUMBER OF CITIES
	Special Class*	2
1st Class	P75 M or more	16
2nd Class	P50 M or more but less than P75 M	18
3rd Class	P30 M or more but less than P50 M	15
4th Class	P20 M or more but less than P30 M	5
5th Class	P10 M or more but less than P20 M	1
6th Class	Below P10 M	0
	Unclassified	0
	TOTAL	58

1997 CLASSIFICATION

In 1997, a new set of income brackets for classification was implemented. According to the Department Order 24-97 of the Department of Finance, 91 percent of the provinces and 92 percent of the cities fell under the 1st class category as a result of the implementation of the 1995 classification scheme. Aside from this, DOF noted that LGUs received increases in their shares in the IRA and were able to their tax collection performance.

The income ranges used for the 1997 classification of cities were as follow:

CLASS	INCOME RANGES	NUMBER OF CITIES
Special Class*		2
1st Class	P120 M or more	47
2nd Class	P90 M or more but less than P120 M	13
3rd Class	P60 M or more but less than P90M	11
4th Class	P40 M or more but less than P60 M	4
5th Class	P20 M or more but less than P40 M	2
6th Class	Below P20 M	0
Unclassified		3
TOTAL		87

2001 CLASSIFICATION

In 2001, the Department of Finance issued another income classification scheme. The DOF said the purpose of classification was nullified when it implemented the 1997 income classification because 83% of the provinces and cities fell under the 1st class category. The 2001 income brackets were increased by 70 percent to net out the Internal Revenue Allotment increases in the LGU from 1996-1999.

The income ranges used for the 2001 classification of cities were as follow:

CLASS	INCOME RANGES	NUMBER OF CITIES
Special Class*		2
1st Class	P205 M or more	46
2nd Class	P155 M or more but less than P205 M	16
3rd Class	P100 M or more but less than P155 M	18
4th Class	P70 M or more but less than P100 M	11
5th Class	P35 M or more but less than P70 M	23
6th Class	Below P35 M	0
Unclassified		1
TOTAL		117

2005 CLASSIFICATION

When the DOF re-classified the LGUs in 2005, it released a new classification scheme. Just like in previous years, it cited the increase in IRA shares as the reason why the classification was revised. The 2005 income classification was as follow:

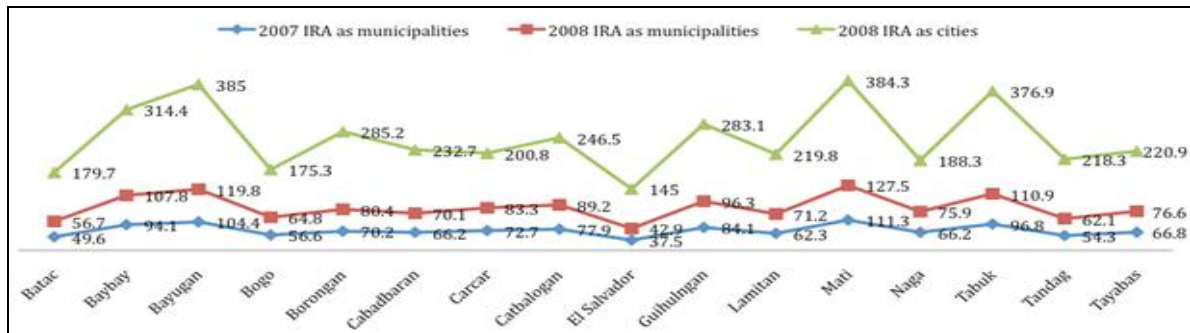
CLASS	INCOME RANGES	NUMBER OF CITIES
Special Class*		2
1st Class	P300 M or more	42
2nd Class	P240 M or more but less than P300 M	17
3rd Class	P180 M or more but less than P240 M	25
4th Class	P120M or more but less than P180 M	25
5th Class	P60 M or more but less than P120 M	6
6th Class	Below P60 M	0
Unclassified		0
TOTAL		117

NOTES: *Under Presidential Decree No. 465, the cities of Manila and Quezon City are classified as special cities.

SOURCE: Bureau of Local Government Finance, National Statistical Coordination Board (http://www.newsbreak.com.ph/democracyandgovernance/Income_Cities.html)

In June 30, 2007, RA 9009 was promulgated as an amendment Section 450 of the LGC increasing the 20 Million Pesos to 100 Million Pesos. This became the impetus of the controversy that stirred the LGUs in the Philippines as the Supreme Court made a ruling favouring the sixteen (16) municipalities the status of cityhood. These municipalities are Batac, Ilocos Norte; Tabuk, Kalinga; Tayabas, Quezon; Baybay, Leyte; Catbalogan, Samar; Borongan, Eastern Samar; Guihulngan, Negros Oriental; Bogu, Naga, and Carcar in Cebu; Tandag, Surigao del Sur; Cabadbaran, Agusan del Norte; El Salvador, Misamis Oriental; Mati, Davao Oriental; Bayugan, Agusan del Sur; and Lamitan, Basilan. After granting the cityhood status, the IRA shares of the 16 municipalities dramatically increase which is depicted in the figure below.

Figure 1 IRA comparison of the 16 new Cities (in millions)



Source: LOGODEF

The LCP strongly opposed the conversion because the towns covered by the various cityhood laws do not meet the requirement under the law that before conversion they must have a minimum income of P100 million (Capino, 2009). The ruling made by the Supreme Court is very crucial as it affects the overall shares of IRA of most cities which relatively becomes an integral part of their income.

Based on the issues that were discussed it is essential for policy makers, the academic community, and the NGOs and POs to re-examine and re-evaluate the devolved functions and IRA sharing of LGUs. Substantive and procedural changes are needed so that a better framework could be crafted to pinpoint the future and direction of decentralization in the Philippines.

5.5.3 Local Government Finances and the Political Economy of Decentralization

5.5.3.1 Constitutional and legal basis of Fiscal decentralization in the Philippines

Political decentralization always goes hand in hand with fiscal decentralization. There can be no meaningful decentralization if the central government still retains direct supervision and control over the disbursement of public funds. Hence a meaningful decentralization project should not only deepen political accountability but foster efficiency in the delivery of public service. Effective decentralization also allows for “the diffusing of social and political tension and ensuring local and political economy (Panadero, 2006, 37 cited in Revisiting Decentralization published by Konrad Adenauer Stiftung (KAS), Local Government Development Foundation (LOGODEF) and German Technical Cooperation (GTZ)) which transforms the political project of decentralization into a conflict resolution tool that can be utilize in not only providing social service but lay down the foundation of long term peace.

In the experience of the Philippines the principle of fiscal decentralization is imbedded in the constitution of 1987. Under the Article X, sections 5, 6 and 7 of the 1987 constitution “Each local government unit shall have the power to create its own sources of revenues and to levy taxes, fees, and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments. In addition Section 6. Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them. Section 7, Local governments shall be entitled to an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas, in the manner provided by law, including sharing the same with the inhabitants by way of direct benefits”. (Article X, Section 5,6, and 7, Local Government of the 1987 constitution)

Table 10 Outline of IRA provisions in the LGC

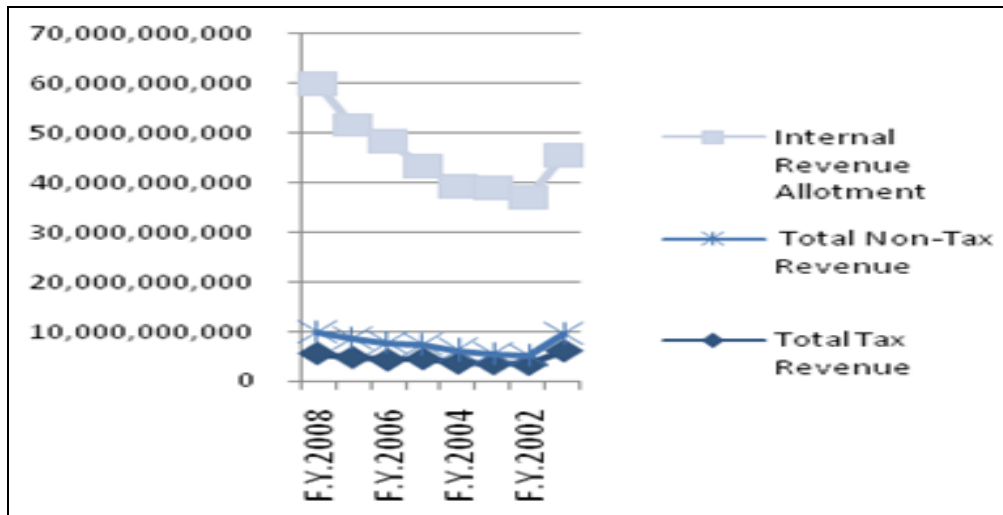
LGC provisions	Basis for the computation of the funds under the LGC	Distribution of the share of the fund among the LGUs
Section 284, 285 and 286	<p>(a) Provinces - Twenty-three percent (23%); (b) Cities - Twenty-three percent (23%); (c) Municipalities - Thirty-four percent (34%); and (d) Barangays - Twenty percent (20%)</p> <p><u>Transitory Provisions on the IRA</u> (a) On the first year of the effectivity of this Code, thirty percent (30%); (b) On the second year, thirty-five percent (35%); and (c) On the third year and thereafter, forty percent (40%).</p> <p>Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to consultation with the presiding officers of both Houses of Congress and the presidents of the "Iiga", to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year:</p> <p>Provided, further, That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services</p>	<p>(a) Population - Fifty percent (50%); (b) Land Area - Twenty-five percent (25%); and 131 (c) Equal sharing - Twenty-five percent (25%)</p> <p>Provided, further, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula: (a) On the first year of the effectivity of this Code: (1) Population - Forty percent (40%); and (2) Equal sharing - Sixty percent (60%) (b) On the second year: (1) Population - Fifty percent (50%); and (2) Equal sharing - Fifty percent (50%) (c) On the third year and thereafter: (1) Population - Sixty percent (60%); and (2) Equal sharing - Forty percent (40%).³</p> <p>Provided, finally, That the financial requirements of barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned. The IRA (a) The share of each local government unit shall be released, without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case may be, on a quarterly basis within five (5) days after the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose.</p>

Source. Local Government Code of 1991 (3 Current formula use in the computation of the IRA)

The constitutional provision provided cited above revealed not only the enumeration of public funds that can be generated by LGU's but also the recognition of the importance of LGU in the release of public funds. But the details on the mechanism was still lacking, therefore the constitutional provision only acted as the guide by which Congress can draft the specific details on the fiscal powers of the LGUs. It took congress almost half a decade to finally complete the specifics of the IRA mechanism. For the past twenty years there has been a relative increase in the amount allocated to the LGU. The table below shows the increase in IRA allocation for the past 8 years and comparing it with locally generated tax collection.

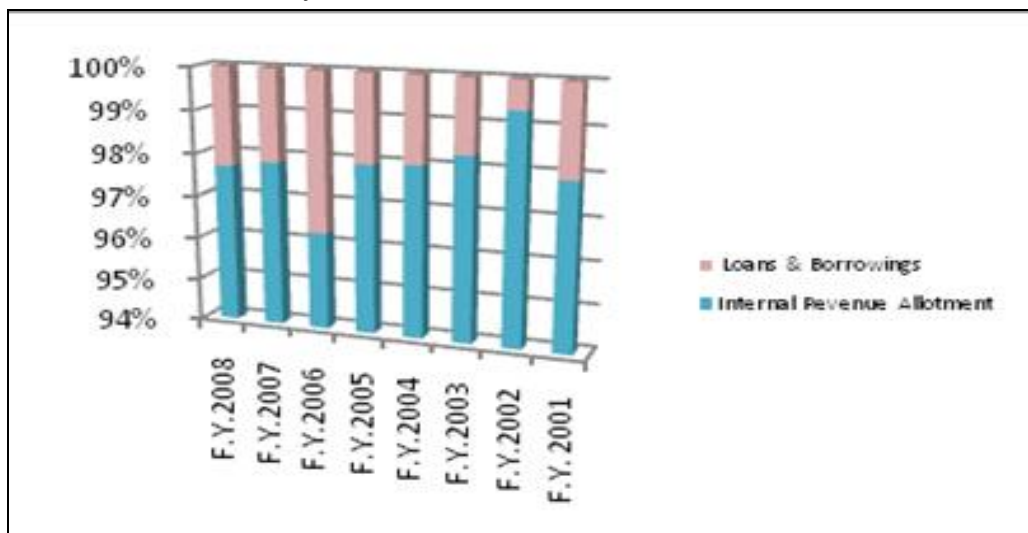
The Table below illustrates the accumulated income total of LGUs in the Philippines from 2001 up to 2008. It represents the overview on how the LGUs generated their both from external and internal sources. And the most remarkable overall view of LGUs fiscal situation is the dependency of the LGUs from the internal revenue allotment of the national government. This income pattern is consistently observed from 2001 to 2008. Despite relative increase in the pattern of local tax collection which includes real property tax, business tax and other non-tax revenue. The pattern remains virtually unchanged with the IRA allotment taking most of the share in terms of the resources LGUs need to maintain its day to day operation. While the past 20 years have resulted in the emergence of LGUs with the ability to decrease their dependence from the IRA the overall picture remains the same. A majority of the LGUs remain dependent to the IRA allotment from the national government.

Table 11 Accumulated income of LGUs (2001-2008)



The three dimensional figures in the Table below clearly illustrate that taking into consideration the number of LGUs which have become almost fiscally autonomous. The number of IRA dependent LGUs outweighs the aggregate total of fiscally strong LGUs. In addition to external funding provided by the IRA, the code also provides that LGU's can avail of funds from the capital market. According to the DILG study "despite the availability of financing facilities in government financial institutions (GFIs) LGUs borrowings remain low.

Table 12 Fiscal autonomy of LGUs



This could be traced to a number of factors. First, financing options for LGUs remain unclear, with wide variations in financing terms and uncertainty about availability of grants. The long approval process and tedious paper work are discouraging factors. There is lack of effective project development and implementation assistance provided by the GFIs and the line agencies to LGUs (Panadero, 2006, 121, Assessing the State of Decentralization in *Revisiting Decentralization*, KAS, LOGODEF and GTZ)". In addition to the IRA, LGUs were given revenue shares from Mining and Corporations operating in the locality; share in the GOCC, credit financing, bonds and long term maturing loans, and local funds. The table below illustrates the numerous funding resources available to the local government unit. The Code also specifies the parameters on the computation and distribution of the funds available to the LGUs in the Philippines. As a result of these new spending powers, LGUs have been able to expand their spending allocation across a broad spectrum of public service. The discussion that will follow shall tackle the spending priorities of the LGUs under the current set up. Besides the IRA, the LGC also provided additional sources of LGU incomes. (see Tables below)

Table 13 Comparison of local income and IRA

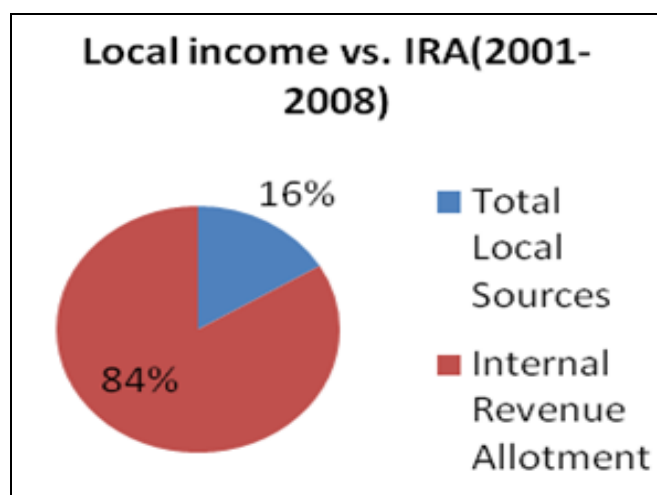
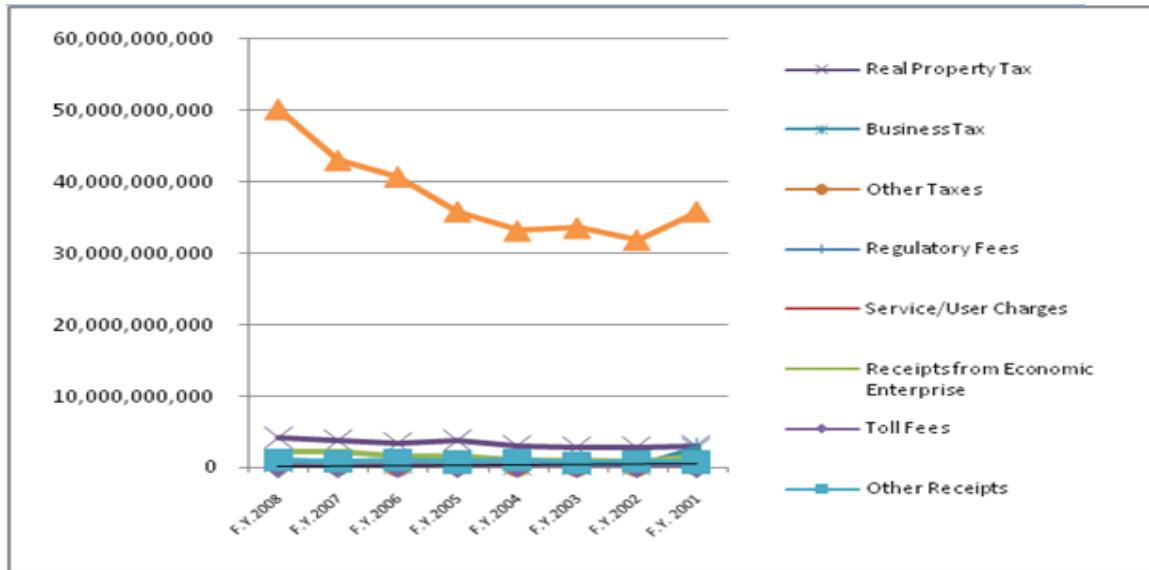


Table 14 Additional sources of income by LGUs

LGC provisions	Fund provided under the LGC	Basis for the computation of the funds under the LGC	Distribution of the share of the fund among the LGUs
Section 289.	Share in the Proceeds from the Development and Utilization of the National Wealth.	Base on amount of collected taxes in the LGU's jurisdiction	<p>Local government units shall, in addition to the internal revenue allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interests, or fines, and from its share in any coproduction, joint venture or production sharing agreement in the utilization and development of the national wealth within their territorial jurisdiction.</p> <p>a) Where the natural resources are located in the province:</p> <ol style="list-style-type: none"> (1) Province - Twenty percent (20%); (2) Component City/Municipality - Forty-five percent (45%); and (3) Barangay - Thirty-five percent (35%) <p>Provided, however, That where the natural resources are located in two (2) or more provinces, or in two (2) or more component cities or municipalities or in two (2) or more barangays; if the resource is found in a highly urbanized city the computation of the share is as follows;</p> <ol style="list-style-type: none"> (1) City - Sixty-five percent (65%); and (2) Barangay - Thirty-five percent (35%) <p>Provided, however, That where the natural resources are located in such two (2) or more cities, the allocation of shares shall be based on the formula on population and land area as specified in paragraph (a) of this Section. The share of local government units from the utilization and development of national wealth shall be remitted in accordance with Section 286 of this Code:</p>
Section 291	Share of the Local Governments from any Government Agency or Owned or Controlled Corporation	<ol style="list-style-type: none"> 1) Population - Seventy percent (70%); and 2) Land area - Thirty percent (30%) 	That in the case of any government agency or government-owned or controlled corporation engaged in the utilization and development of the national wealth, such share shall be directly remitted to the provincial, city, municipal or barangay treasurer concerned within five (5) days after the end of each quarter.

Based on the data collected by the Bureau of Local Government Finance (BLGF), the locally generated revenue for the LGUs has remained low. While possible sources of revenue have increased, actual local income collection of LGUs has remained very low compared to their share of IRA. Even though there have been cases of fiscally productive LGUs, the overall picture has remained unchanged. Below is a summary of LGU revenue sources as compared to the IRA allotment.

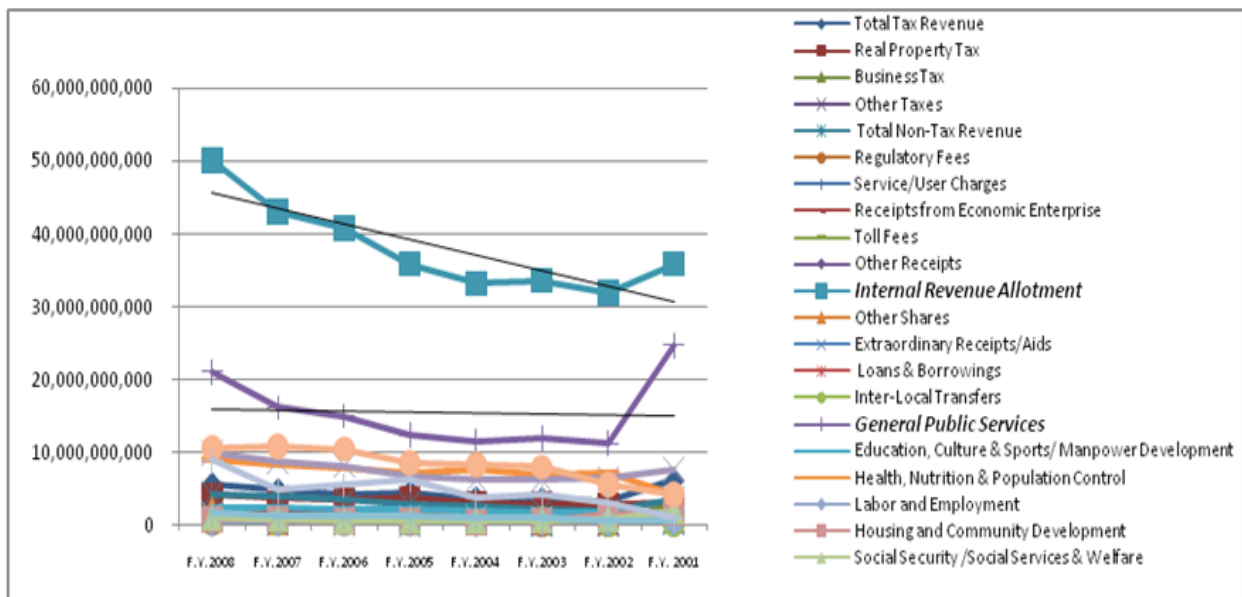
Figure 2 Classifications of locally generated revenue



Consequently, analysis of locally generated revenue reveals that majority of LGUs has performed poorly in terms of raising their own income and thus, making them dependent on their IRA for the past 20 years.

The table below shows the average LGU spending on social and economic development.

Figure 3 Aggregate income and spending of LGUs and amount of LGU generated income from local and national sources (2001-2008)



Source: Bureau of Local Government Finance-DILG

IRA As a Double – Edge Sword

The IRA undoubtedly is an effective tool in empowering LGUs in its spending priorities. However, it has also become one, if not, the strongest impetus to the underdevelopment of some LGUs by making them totally dependent to the remittance of the national government. According to a study conducted by the LOGODEF and the BLGF using data from the quarterly statement of income and expenditures submitted to the DOF from 2002 to 2005, the study concluded that provinces remain to be the most dependent on IRA relative to other LGU tiers, with a dependency ratio of 85 percent in 2005. At the other extreme are cities, which recorded a lower IRA dependency ratio of 45 percent for the same period (Panadero, 2006, pg. 116, Revisiting decentralization by KAS, Logodef and GTZ)".

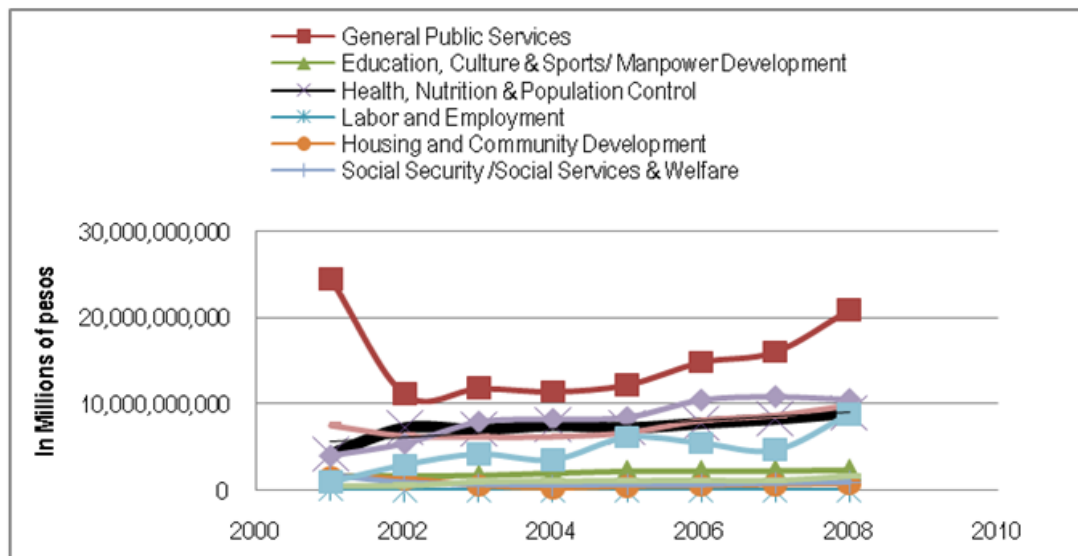
In addition to the dependency created by the IRA, effective decentralization also faces another challenge: the lack of clear and effective monitoring mechanisms in the IRA formula computation as affirmed by both the national and local governments. LGUs hoping to increase their IRA allocation have used the law by using inaccurate Cadastral survey in order to justify increases in their IRA

allocation. Clearly, the lack of proper mechanisms to validate this data undermines the purpose of the law. On the other hand, it has also been repeatedly argued that the national government has been short – changing the LGUs through the exclusion of other taxes (customs, sin, etc.) and solely using the Internal Revenue as the base in its computation of IRA allocation for the past 20 years.

With regards to the expenditure pattern of the LGUs another clear trend emerges. LGUs devote a majority of their fiscal resources to general public service. From 2001 to 2008 the spending for public service outspends all other devolved functions given to LGUs since 1991. This overall measure takes into consideration the various LGUs that have performed effectively in terms of providing basic social services. Consistently the LGUs have spent a majority of their funds for the maintenance and operations of the LGUs and only a small percentage of its income is devoted to other spending priorities.

In some cases like the ARMM provinces spending for public services consumes all the IRA allotment. A stark example is Lanao del Sur, which in 2008 spent 100 percent of its IRA for public service. No provisioning was left for capital spending. According to LGU finance expert even though there is an increase in public spending by the LGU. It “did not automatically result in efficient spending as can be seen in the big gap between income and expenditure of local governments. It seems that local governments have been under spending relative to their incomes (Llanto, 2011, pg. 60, Colloquium on the Impact of Decentralization by the LOGODEF). This is true for social health and education and services while spending for general public service have increase far more rapidly.

Figure 4 LGU Spending patterns



Source: Bureau of Local Government Finance-DILG

Besides spending on public service another trend that can be observed is the relative increase in the spending for social services. Looking at tables 7 6 and 7, one can observe a clear rise on the amount spent on social services as the amount of allocated IRA is increased. While the same can be observed with regards to table 3 wherein as the national government transfers the health sector, its spending has decreased while there was a corresponding rise in the amount spent by the LGUs on health. According to a study conducted by the DILG they observed “from 1994 to 2004, revenues of LGUs increased by 11.2 percent, with revenues from local sources such as proceeds from real property tax collection expanding at a slightly higher rate that those from external sources. LGUs depend on external sources for the bulk of their revenue generation with only a third coming from own-source or local revenues. Among the categories of expenditures, health expenditures grew the fastest, followed by social services and labour and employment”⁸.

In addition, experts on LGU finances observed that “expenditures at all levels of local government (with the exception of the cities) declined when measured relative to gross national product (GNP) in 1998 and 1999 following the onset of the Asian financial crisis. There was a recovery in 2000, which was short-lived in 2001 (3.75% of GNP) and 2002 (3.42% of GNP) due to the adverse impact of NG fiscal restraints on LGU spending. In fact, in nominal levels, aggregate LGU expenditures in 2002 declined by almost 1 percent. In the same presentation (Panadero, 2006, Revisiting Decentralization

7 Page 115, Panadero, Eugenio in Revisiting Decentralization in the Philippines 2006, KAS, LOGODEF and GTZ
8 Ibid

in the Philippines, KAS, LOGODEF and GTZ)", Manasan (2006) asserted that LGU spending on development expenditures (i.e. education, health, infrastructure) have been largely driven by the resources (i.e., IRA and own-source revenue) available to LGUs (Ibid).

Besides spending on social services, the LGC also mandated that LGUs must perform the following responsibilities: Land use planning, agricultural extension services and research, community based forest management, solid waste disposal system, environmental management, pollution control, primary health care, hospital care, social welfare services, local buildings and structures, public parks, municipal facilities housing, communal irrigation, water supply, drainage, sewerage, flood control and inter-municipal telecommunications (Lanto, 2011, 37, Colloquium on Decentralization, LOGODEF)". Again in separate assessments performed by the PIDS and the ADB, both are in agreement that there was a remarkable increase in LGU spending for locally provided services; however, critical observations were made in terms of efficiency in LGU's delivery of public services in the following crucial sectors of Education, Health, Social Services and Capital investment.

LGU spending in the social services has stagnated in 1998 to 2003. This stagnation of social services is worrisome because LGUs are mandated to provide basic health care and education services. In addition, LGU spending in transportation and communication contracted from 0.5% to 0.4% of GNP in 2003 despite the devolution of responsibility of providing local infrastructure to LGUs. Finally, personal services had the largest share of total LGU expenditure. Despite already having a share of large share of LGU expenditure, the share of personal expenditure has continued to increase from 1991 to 2003 (ibid)".

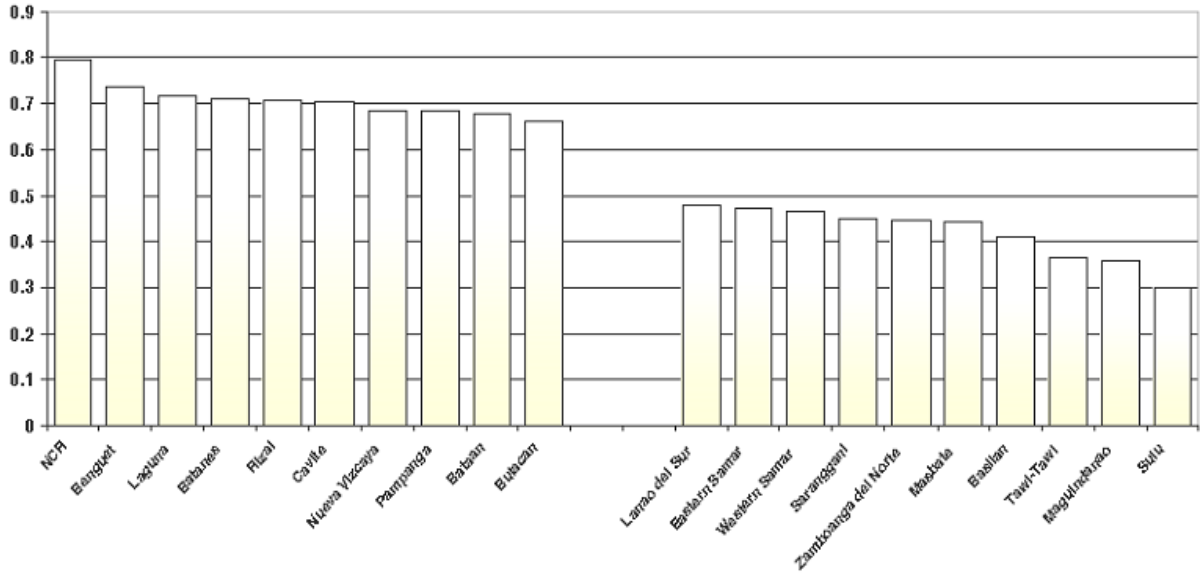
As a result, attempts by several national government agencies to "Renationalize" devolved services gains currency since available data shows that LGUs have poorly performed in the delivery of public services. However, while data points to an overall lethargic performance, one can also observe "islands of good fiscal governance" through the presence of highly urbanized cities, provinces and even, municipalities that are able to achieve stellar performance in delivering the mandate provided to it by LGC. In fact, according to the same studies cited above, some LGUs has also shown a decline in the amount of IRA received from the national government and has instead, totally generated self sufficiency through locally collected income.

Trends in Education, Poverty incidence and income disparity also provide a mix record in terms of improvement since LGU spending increased through fiscal decentralization. Health expenditure as stated above did not result into a reduction of health expenditure by the national government. Instead Per capita health expenditures of LGUs increased by P114 per person between 1992 and 1997, reaching P140 by 1997 (Schwartz, 2000). However overall LGU real per capita expenditure on health declined in 1998-2002 (except in 2000) relative to peak level attained in 1997 (Manasan, 2006). Among the LGU tiers, the stagnation in real per capita expenditure on health in municipalities is minimal but the drop in real per capita health expenditure in provinces was very severe in 2002.

Consequently health outcomes are also a function of health services available at the local level. The increase in health expenditures in the last 15 years by LGUs is partly reflected in the higher number of government health workers between 1996 and 2002, which rose by 21.1 percent in areas outside National Capital Region (NCR) (Table 22). The increase, however, was mostly due to more midwives and dentists being hired by government while the number of doctors and nurses has been reduced by 3.3 percent and 20 percent, respectively. The decline in the number of doctors and nurses was notably in the Luzon area, particularly in Cordillera Administrative Region (CAR) and the Ilocos region. In Mindanao, only Region XII suffered a drastic decline in the number of government health workers possibly due the insurgency problem during the period. In contrast, Eastern Visayas reported a very significant increase in the number of health workers (Lanto and Quimba. 2006, 114, In Llanto, Tayao and Brillantes et al: Colloquium on the Impact of Decentralization; three Essays, LOGODEF, 2011).

The overall performance of LGUs 20 years after decentralization shows a very mix record. If measured in terms of spending and income generation, the LGUs have increased both their income and spending. Looking at the three tables above, it clearly shows a progressive increase. However looking closer at available data, it can also be observed that the increase in income is a result of the increase in LGU IRA share. This inevitably resulted in the increased dependence of LGUs to the allocation from the national government. In addition, increased spending has been concentrated in one particular sector. General public service continues to account for a large share of spending by the LGUs; while, other sectors such as education, social welfare, and health all have experienced stagnant growth in terms of the amount spent and thus, creating an uneven level of human development throughout the country (see Table 8 below).

Figure 5 Human development index on selected provinces and regions



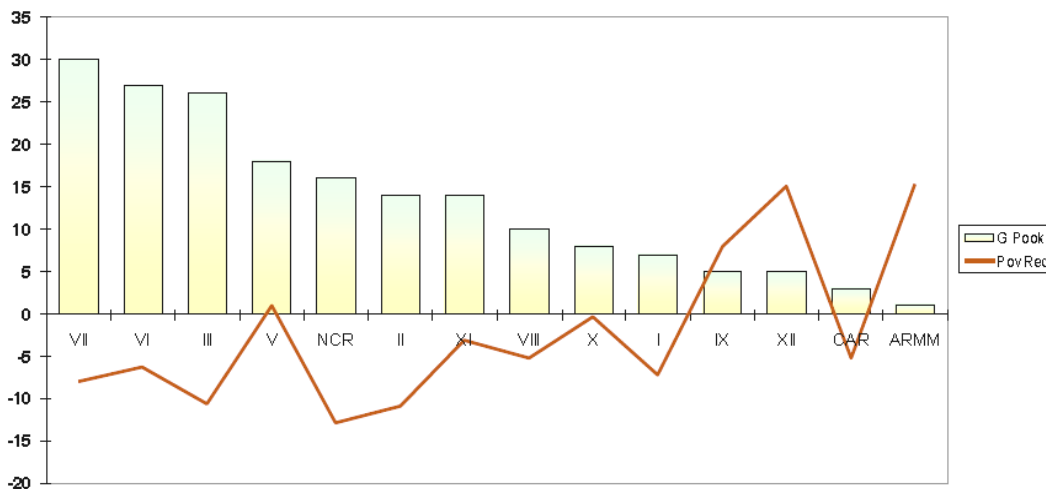
Source: Philippine Human Development Report 2006

Consequently there are attempts to correct this underspending by the LGUs through enhancing their capacities in the effective utilization of the resources they have. Training programs initiated by the DILG, LGA, LOGODEF and other development organizations all attempts to capacitate Local Government staff and officials on development planning and financial management. The DILG also initiated the “Performance Enhancement Fund (PEF),” a project that provides additional funding to LGUs on top of their regular IRA allotment through reward/incentive system. However, the fact remains that several challenges remain to be resolved.

First, there is a lack of serious financial accountability on the utilization of LGU’s resources. Until today national government agencies such as the Department of Finance and the DILG have not imposed strict accountability rules on the utilization of the funds provided to the LGU’s. Other government agencies such as the Department of Health and the Department of Social Welfare and Development utilize different indicators to measure service delivery by the LGU’s. But the lack of a comprehensive standard to measure LGU performance hampers any effort to exact fiscal accountability from the LGU.

Secondly, despite the devolution of health, social services, and agriculture, the same national government agencies continue to receive increased appropriation from the national budget. This marks a sharp contradiction the goal of fiscal decentralization embodied in the Code.

Figure 6 GALING POOK awards per region and poverty level reduction



Source: Panadero, 2006, 112, Revisiting Decentralization in the Philippines 2006 KAS, LOGODEF and GTZ

And finally, the uneven delivery of public service due to differing capacities of LGUs in terms of implementing their devolved functions. LGUs that are financially autonomous are able to function effectively making them less dependent on the IRA while, less developed LGUs have to rely more on

the IRA to function. Since these IRA dependent LGUs cannot function without it, they cannot get out of the cycle of IRA dependency hence, making it difficult for these LGUs to become fiscally autonomous from the national government. Even though there has been numerous best practices by highly effective local government all over the country (see table 4), these LGU's remain simply as "islands of governance" and "pockets of development". The imposed challenge for fiscal decentralization to become effective is how to transform these islands of governance into an archipelago of governance remains yet to be achieved.

5.5.4 References

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5.6 Annex 6: Health Financing Reforms under F1¹⁶

The main objectives of FOURMULA1 under health financing are: ensuring sustainable financing, including mobilizing resources from extra-budgetary resources, focusing direct subsidies to priority programs and expanding the national health insurance program. F1 calls for increasing revenue generation capacities of health agencies without compromising the poor's access to services. This may include revenues from income retention, e.g., user fees and charges for personal health care and regulatory services, and health facilities' rationalized use of real property assets; social health insurance; and private sources such as corporate social responsibility (CSR) programs, and other forms of public/private partnerships. In order to achieve this goal, the following efforts are supported under FOURMULA1.

- **Reducing the Fragmentation in Financing at the LGU Level:** FOURMULA 1 carried out several initiatives to correct some of the inherent weaknesses of devolution. To ease the problems of service fragmentation, lumpiness of investment, and externalities (spill-over effects), some municipalities organized themselves into ILHZs so that they can share resources and benefits together. As of end-2009, as many as 274 ILHZs have been organized in 72 provinces, although little has been done to empirically evaluate their effectiveness, impact, and sustainability.
- **Implementation of Province-Wide Investment Plans:** Until recently, there was little planning capacity for health in LGUs. This problem is being addressed with the roll-out of the Province-wide PIPH (Table 2.8). The PIPH has become the principal instrument to coordinate and consolidate the fragmented strands of resource mobilization by the province as it lays out the multi-year investment plan based on needs identified and the various financing sources (IRA, commodity self-reliance plans relying mostly on locally-generated revenues, reimbursements from PhilHealth, additional central government grants, LGU's own loans, commodity and in-kind support, and external assistance, if any). Lower-level localities are also undertaking their own city and municipal investment plans for health. It remains to be seen how far these local health investment planning initiatives can generate additional resources for health, allocate them properly, and result in a rationalized efficient service delivery system. To measure provincial health expenditures, Local Health Accounts are also being piloted in 11 provinces.

Table 2.1: Provinces with Province-wide Investment Plans for Health, by FOURMULA 1 Waves, 2005-2010

Region	F16	F15 + ARMM	F44
Cordillera Autonomous Region (CAR)	Ifugao, Mountain Province	Benguet	Abra, Kalinga-Apayao
Region I – Ilocos	Ilocos Norte, Pangasinan	-	Ilocos Sur, La Union
Region II – Cagayan Valley	Nueva Vizcaya	Isabela	Cagayan, Quirino
Region III – Central Luzon	-	-	Aurora, Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac
Region IVA – CALABARZON	-	-	Bataan, Cavite, Laguna, Quezon, Rizal
Region IVB – MIMAROPA	Oriental Mindoro, Romblon	-	Marinduque, Occidental Mindoro
Region V – Bicol	-	Albay, Catanduanes, Masbate, Sorsogon	Camarines Norte, Camarines Sur
Region VI – Western Visayas	Capiz	-	Aklan, Antique, Iloilo, Negros Occ., Guimaras
Region VII – Central	Negros Oriental	-	Bohol, Cebu, Siquijor

¹⁶ Extract from WB 2010, health sector review, page 32-33.

<i>Region</i>	<i>F16</i>	<i>F15 + ARMM</i>	<i>F44</i>
Visayas			
Region VIII – Eastern Visayas	Biliran, Eastern Samar, Southern Leyte	-	Northern Leyte, Northern Samar, Western Samar
Region IX – Zamboanga Peninsula	-	Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay	-
Region X – Northern Mindanao	Misamis Occidental	Lanao del Norte	Bukidnon, Camiguin, Misamis Oriental
Region XI – Davao	-	Compostela Valley, Davao Oriental	Davao del Norte, Davao del Sur
Region XII – SOCKSARGEN	North Cotabato, South Cotabato	Sultan Kudarat, Saranggani	-
Region XIII – CARAGA	Agusan del Sur	Surigao del Sur	Agusan del Norte, Surigao del Norte, Dinagat Island
Autonomous Region of Muslim Mindanao (ARMM)	-	Basilan, Maguindanao, Sulu, Tawi-tawi, Lanao del Sur	-

Source: DOH

- Patient classification** – In its desire to impose user charges for the non-poor as a way of mobilizing more funds for the health sector, F1 recommends client segmentation mechanisms and patient classification systems. These were done initially in localities that developed plans for contraceptive self-reliance (CSR) or CSR+ (contraceptives plus other health commodities). More than 300 municipalities now have CSR or CSR+ plans, which were capacitated to undertake proxy means testing using the results of the Living Standards Survey and applying them to their own specific populations. The same tool is being used in the identification and enrolment of indigents into the LGU-PhilHealth Sponsorship Program.
- Special Congressional funds for health** – Since 2007, the National Government through the DOH has leveraged LGUs to provide resources to specific public health programs through specially grant allocations. In 2007, Congress appropriated Php 150 million to be used by LGUs for family planning and reproductive health services. In the following year, Congress also appropriated Php 2 billion to be used by LGUs for MNCHN services. In both cases, the governing rules require that the LGU should first show that it has spent some of its own resources to these programs before it can access the Congressional grants, to indicate that the LGU does consider these programs as a priority. As a result, the annual budgetary appropriations to the DOH have ballooned in recent years. This is an important development for it reinstates the DOH and the regional CHDs as key players in local health financing, an influence DOH lost with devolution.
- Giving Fiscal Autonomy to DOH Facilities:** To address resource inadequacies, F1 has focused on turning health facilities into revenue-earning “economic enterprises,” which essentially entails making them fiscally and organizationally autonomous. All of the retained DOH hospitals have achieved fiscal autonomy, their income-retention capacity having been made possible through a special provision in the Annual General Appropriations Act. The next step for these facilities is to go for a full-blown hospital autonomy, with their own governing boards, essentially making them government owned and controlled corporations. LGU health facilities (RHUs, city health centers, and LGU-owned hospitals) do not yet enjoy fiscal autonomy, and the risk is that the additional resource they mobilize will just revert back to the LGU treasury and may not result in improved health services.
- Reducing the price of drugs:** In the absence of PHIC covering pharmaceutical benefits, outpatient drugs are a major source of expenditures for households. The enactment in 2008 of the *Universally Accessible Cheaper and Quality Medicines Act* (RA 9502/2008) and in 2009 of the *Food and Drug Administration Act* (RA 9711), were important milestones in laying foundations for improving quality and reducing prices of medicines. The “Cheaper Medicines

Act” confers on the President the authority to regulate the price of medicines and drugs and empowers the DOH Secretary to establish a drug price monitoring and regulation system. Pursuant to this Act, the President issued Executive (EO) Order 821 (made effective August 15, 2009) prescribing the maximum retail prices (MRP) for selected medicines that address some diseases which are common causes of morbidity and mortality in the country. The EO covered only five active pharmaceutical ingredients including some antihypertensive, antibiotics, and anti-ceroplastics/anti-cancer.

- **Negotiated Prices for Drugs with Selected Manufacturers:** Some manufacturers negotiated with the Government to reduce prices of selected products voluntarily, rather than fall under mandatory price regulations. The DOH approved voluntary price reductions of up to 50 percent for 16 molecules (or 41 drug preparations) in August 2009, and a further 97 products in 2010. However, voluntary price reductions apply only to the products of participating manufacturers, not to alternative suppliers of generic substitutes. The DOH has established a process for monitoring and evaluation of the impact of these measures.
- **Implementation of Performance-Based Financing Approaches.** In F1, PBF means that budget allocations and releases will be conditioned on the achievement of performance targets. F1 aims to install a performance-based budgeting system for hospitals, public health facilities, and regulatory agencies which necessitates reforms in the respective agencies’ management and procurement system and implementation of a performance audit and review system. DOH is now shifting to contractual mode of dealing with LGUs. It enters into service-level agreement with LGU when it provides resources to implement a component of the Province-wide Investment Plan for Health. The agreement specifies the rights and responsibilities of the DOH and LGU and the performance benchmarks to be used to measure compliance. This approach is in contrast to the previous unconditional provision of drugs and other inputs. DOH contracting of leptospirosis cases with a number of private hospitals also exemplifies the use of PBF in a public/private partnership arrangement.

5.7 Annex 7: Evolution of Local Autonomy in the Philippines

<i>Historical Period</i>	<i>Significant Historical Development that affected Decentralization and Local Governance</i>
Pre-Hispanic Societies	<ul style="list-style-type: none"> • The chieftain of native settlements exercised executive, judicial and legislative powers assisted by Council of Elders. • Monarchical chieftain called the datu, panginoo or pangolo heads an autonomous territorial and political units.
Spanish Colonial Period (1521 – 1902)	<ul style="list-style-type: none"> • Colonial governments consolidated autonomous villages into pueblos (towns), cabildos (cities) and provincias (provinces). • In 1893, the Spanish colonizers enacted the Maura Law.
1st Philippine Republic under Malolos Constitution	<ul style="list-style-type: none"> • In 1898, Malolos Constitution introduced “decentralization” and “administrative autonomy” by instituting localized law-making bodies through the municipal and provincial assemblies. Local officials were then elected on a popular basis.
American occupation of the Philippines (1902 – 1935)	<ul style="list-style-type: none"> • Promulgation of a number of policies promoting local autonomy • Largely because of security considerations, local affairs had to be under the control of the Americans
Commonwealth period (1935 – 1946)	<ul style="list-style-type: none"> • Local governments in the Philippines were placed under the general supervision of the President following the provision embedded in Article VII Section II of the 1945 Constitution. • President, by statute, could alter the jurisdictions of local governments and in effect, create or abolish them • President Quezon preferred to appoint the chief officials of cities
Post-war Era (1946 – 1972)	<ul style="list-style-type: none"> • In 1959, the first local autonomy act (RA 2264) entitled “An Act Amending the Laws Governing Local Governments by Increasing their Autonomy and Reorganizing Provincial Governments” was enacted. This act vested in city and municipal governments greater fiscal, planning and regulatory powers. It broadened the taxing powers of the cities and municipalities within the framework of national taxing laws. • In 1959, The Barrio Charter Act (RA 2370) sought to transform the barrios, the smallest political unit of the local government system into quasi-municipal corporations by vesting them some taxing powers. Barrios were to be governed by an elective barrio council.

	<ul style="list-style-type: none"> • “Decentralization Act of 1967” (RA 5185) It further increased the financial resources of local governments and broadened their decision-making powers over administrative (mostly fiscal and personnel) matters.
Marcos Regime (1972 – 1986)	<ul style="list-style-type: none"> • The imposition of martial law in 1972, which abolished local elections and vested in the dictator the powers to appoint local officials who were beholden to him, was a great setback for the local autonomy movement. • 1973 Constitution rhetorically committed itself to a policy of local autonomy” • Local Government Code of 1983 (Batas Pambansa Bilang 337) which reiterated the policy of the State of local autonomy.
Post Marcos Era (1986 – Present)	<ul style="list-style-type: none"> • 1987 Constitution was promulgated. It included specific provisions guaranteeing autonomy to local governments. • The Local Government Code (also known as the Local Autonomy Act) was enacted in 1991.

Source: Alex B. Brillantes, Jr. and Donna Moscare, 2002. *Decentralization and Federalism in the Philippines: Lessons from Global Community*

5.8 Annex 8: EUD CSP Analysis of Decentralisation and Local Governance

The latest CSP include an annex (Annex XI) on Decentralisation and Local Governance

Situation Analysis: The enactment of the Local Government Code in 1991 devolved the responsibility for the delivery of many basic and infrastructure services to the Local LGUs. This devolution came with some form of fund transfers from the national government to the LGUs called the Internal Revenue Allotment (IRA), although not always with the required amount or know-how transfer to ensure effective decentralisation of services. In the past 13 years of implementation of the Local Government Code, there have been significant changes in the way LGUs manage their local affairs and in the way national government relates with LGUs and in the way people, through CSOs participate in local governance. Many LGUs have also developed innovative practices in development planning in consideration of economic, environmental, social and cultural factors. However, such gains are not enough to achieve widespread progress and genuine decentralisation. Many parts of the country remain poor and the population deprived of basic social services. This may be attributed primarily to the limited IRA received by the LGUs. The IRA was low (40% of the internal taxes collected by the national government) and was not automatically given to the LGUs. In addition, there is an uneven level of capacity and capability of both civil society organisations and LGUs in good governance (e.g., management functions, technical skills in fiscal management, land use planning, resource valuation, policy development, etc.). The MTPDP acknowledges the key role LGUs should play in achieving the national priority agenda and recognizes the importance of good governance in addressing poverty. However, most of the MTPDP measures are focused on developing infrastructures rather than on capacity-building of LGUs. In the march 2005 PDF, Decentralisation and Local Governance was identified as a key area of concern to foster the partnership between national government and LGUs towards national socio-economic development.

Challenges: Some of the key issues identified in the PDF were:

a.) Local Governance Framework

- • Need to harmonise capacity-building efforts for LGUs, including setting up a sustainable mechanism for rationalization of capacity building activities;
- • Need to institutionalise performance benchmarking systems; Need to clarify roles between national line agencies and LGUs for the effective delivery of services (e.g., in health, social services, etc.).

b.) Local Finance

- • Need to consider well-targeted performance grants without creating moral hazards (i.e., dependency on grants);
- • Need to explore untapped LGU revenue base (e.g, centralised land valuation, privatisation of assets);
- • Need to harmonise central government financial institutions on-lending terms of funds sourced from Official Development Assistance (ODA);
- • Need to promote anti-corruption practices at the local level.

c.) Legal Framework:

- Need to conduct a broad review of the implementation of the Local Government Code particularly the review of the IRA formula to enable the LGUs to cover the cost of devolved functions.



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LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Rwanda**

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List of Abbreviations

BNR	National Bank of Rwanda
CB	Capacity Building
CBR	Community Based Rehabilitation
CD	Community Development
CDC	Centres for Disease Control
CDF	Common Development Fund
CDP	Community Development Plan
CEDEX	Central Public Investment & External Finance Bureau
CFW	Child and Family Wellness
CG	Central Government
CDP	Country Development Plan
CRIS	Common Relex Information System
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DCPETA	Decentralisation, Community Participation, Empowerment, Transparency and Accountability
DDP	District Development Plan
DFID	Department for International Development
DIP	Decentralisation Implementation Plan
DLG	Decentralisation & Local Governance
DP	Development Partner
DPRPR	Decentralised Programme for Poverty Reduction
EC	European Commission (Commission of the European Union)
EDF	European Development Fund
EDPRS	Strategy for Economic Development and Poverty Reduction Strategy (2008-2012)
EQ	Evaluation Question
EU	European Union
EUD	Delegation of the European Union
EUR	Euro
FENAPH	Federation of Disabled People's Organizations
GBS	General Budget Support
GDP	Gross Domestic Product
GIZ	German International Development Cooperation
GoR	Government of Rwanda
HIMO	Labour Intensive Methods
HQ	Head Quarter
HR	Human Resources
HVP	Human Papillomavirus
ICT	Information, Communication and Technologies
JADF	Joint Action Development Forum
JC	Judgement Criterion
JEU	(EC) Joint Evaluation Unit
KHI	Kigali Health Institute
LG	Local Government
LIRPW	Labour Intensive Public Works
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MIFOTRA	Ministry of Public Services and Labour
MINAGRIC	Ministry of Agriculture
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance
MTE	Mid-Term Evaluation
MTEF	Medium Term Expenditure Framework
NDIS	National Decentralisation Implementation Secretariat

NDSF	National Decentralization Stakeholders Forum
NGO	Non-Government Organisation
NSA	Non State Actors
PAD	Programme d'Appui aux Districts
PFM	Public Financial Management
PFSCR	Plate Forme de la Société Civile Rwandaise (Rwanda Civil Society Platform)
PMU	Project Management Unit
PNRPH	National Health Plan
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Plan
PSC	Programme Steering Committee
PSCBS	Public Sector Capacity Building Secretariat
RALGA	Rwandan Association of Local Government Authorities
RDSF	Rwanda Decentralisation Strategic Framework
RIAM	Rwanda Institute of Administration and Management
SACCO	Savings and Credit Cooperatives
SBS	Sector Budget Support
SME	Small and Medium Sized Enterprise
SNV	Dutch Development NGO
UNDP	United Nations Development Programme
UNR	National University Rwanda
VUP	Vision 2020 Umurenge

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

The purpose of the evaluation is to gain key relevant lessons learnt and to provide recommendations for future support to decentralisation processes; it covers aid delivery over the period 2000-2009 taking into account the different entry points used by the EC/EU to deliver its support to decentralisation processes. The overall thematic evaluation is partly based on a number of country case studies to be carried out during the field phase and the present report is a summary of findings from a field visit to Rwanda.¹

The field visit to Rwanda had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. This note should by no means be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered foremost at the single country level, but have been formulated for use at the global level and are a subset of the findings using the full set of collected data from the desk study and the different field phase country case studies.

The reasons for selecting Rwanda as one of the field studies were:

- The decentralisation support has increased in importance over the evaluation period.
- Rwanda has embarked on an ambitious decentralisation process since early 2000s and the process has been implemented through a Decentralisation Implementation Plan (which is now in the 3rd phase).
- Rwanda figures as one of the top recipients of DLG support over the evaluation period.

The field visit was undertaken between 23/05 and 30/05/2011. The evaluation team was composed of Hans Olsen and Alexis Dukundane.

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Rwanda has specifically looked into the following aspects:

Table 1 *Research focus*

<i>Research focus</i>	<i>Mainly related to EQ</i>
What is the policy dialogue between the EC/EU and the Government of Rwanda surrounding the decentralisation reform process?	1-2
Why has the EC/EU selected not to prioritise support to decentralisation and local governance?	5
What has the outcomes of the EC/EU support been in terms of improved service delivery from local councils and capacity of key government institutions?	6-8

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a desk review of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in the country.

In addition to studying the documentation, the Team also interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country. Besides meeting all relevant staff of the EUD, the stakeholders met comprised key government officials as well as donor representatives, NGO/CSO platforms and groups, local government association and national research institutes active in the field of local governance.

The preferred interview methodology was individual in-depth interviews focused on the relevant EQs and the working hypotheses. A list of people met can be found in Annex 1. The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency. Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with in-formants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation and local governance portfolio of the EU Delegation. Rather it is an attempt to learn from the Rwanda experience and to encourage wider reflections on how best to structure and focus EU assistance to decentralisation processes.

Working hypotheses

- Over the past years, Rwanda has, thanks to its energetic Government and with support from many development partners, engaged in the implementation of a number of important policy decisions and public sector reforms. These include the Local Administration Reform (initiated in 2002 and implemented in 2005), which made the administrative structure much lighter by creating 30 districts, replacing the earlier 106 districts; and 4 provinces plus Kigali town replacing the former 12 provinces; as well as the Decentralisation Reform (initiated in 2000), which included revision of various laws defining organisation and functions of districts, sectors and cells, and which, in principle, provided the new local administrative units with an important number of service delivery obligations.
- The EC/EU has not been at the centre of these reforms and has elected to support decentralisation and local governance more indirectly through bottom-up approaches and rural development. The best example of this is the support given to the Ubudehe community development initiative, which was a key part of the District support programme from 2003-2010.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description decentralisation process in the country

The system of governance in Rwanda before, during and after colonization was mainly characterized by strong centralization of power that has impeded the participation of citizens in the decision-making process especially in the planning of actions for its own development. After the sad and deplorable events that Rwanda has been through (1994 and earlier) the Government of Rwanda has sought to find and adopt strategies to help the country out of this permanently disastrous and complex situation, and especially related to fighting poverty and other development problems.

It is within this framework that certain strategies were adopted, including:

- The establishment of well-coordinated, effective and efficient local administrative bodies;
- The consolidation of national unity and strengthening the country's security;
- The strengthening of close collaboration with private operators and civil society to facilitate and accelerate the development process; and
- The promotion and adoption of strategies to promote transparent management of public affairs.

In 1996-1997 after the massive return of Rwandan refugees in 1994, consultations on local governance was initiated in Rwanda, focusing on the causes of disunity among Rwandans. The findings of these consultations were given, among other recommendations, priority in the implementation of the formulation of the decentralisation and democratisation process, which aims at promoting public participation in the process of decision making both in the identification, development, implementation, monitoring, evaluation and control of community development and socio-political sustainability.

One of the key findings in 1998 was that approximately 70% of Rwandans lived below the poverty line and most (nearly 90%) were living in rural areas. It was therefore necessary that policies for the poor were put in place so that resources were directed towards areas where poorer people live and to programmes that involve greater participation of the majority of Rwandans in the resolution of daily problems they faced.

It is in this context that in May 2000 the Council of Ministers of Rwanda adopted the policy document and strategies for implementing the decentralisation policy. In the same context, in May 2001, the Community Development Policy was adopted, while the policy of fiscal and financial decentralisation was finalised in November 2001. In November 2001, laws and regulations governing the establishment, operation and financing of local government units was initiated and also saw the creation of the Rwandan Association of Local Government Authorities (RALGA).

In January 2001, implementation of the decentralisation process was initiated as the first phase of the implementation of this policy, whose main task was setting up institutions for decentralisation and strengthening their coordination and project management in order to ensure local services. At the lowest level, this should be achieved through a participatory planning process with communities. The first phase (2000-2005) established democratic and community development structures and reinforced the core Local Government Authority (the District). To facilitate the functioning of these structures, a number of legal, institutional and policy reforms were undertaken during this period, including democratic elections for local leaders. The second phase (2006 to 2010) aimed to deepen the decentralisation process in line with the Local Administration Reform Policy adopted in 2005. This policy had the following objectives:

- To promote and enhance effectiveness in service delivery by making the Sector a truly service delivery focal point with adequate human, material and financial capacity, and to improve collection of data and information at this level;
- To streamline and strengthen the coordination of "public services" and local economic development at District Level by availing more technically competent personnel as well as financial resources to the District in order to ensure sustainability of decentralized fiscal regimes;
- To streamline and strengthen the coordination of development at provincial level;
- To establish and strengthen coherent monitoring and evaluation systems as well as institutionalize accountability tools and systems.

After the first phase of the decentralisation process, various studies, evaluations and analysis that were made showed that despite the positive achievements of registration, with the establishment of various structures and the establishment of a set of procedures and mechanisms, some challenges still remained. Therefore, in the second phase of a few key steps have been taken such as:

The review of decentralisation policies, focusing on community development, fiscal and financial decentralisation, and the review of the legal and regulatory framework;

An administrative reform including administrative restructuring of the country:

- 11 provinces and Kigali City down to 4 provinces and Kigali City,
- 106 local governments (districts and cities) down to 30 districts
- 1956 down to 416 sectors
- 9165 cells down to 2148 and
- 14 975 entities created called Imidugudu / villages (50 to 200 households).

The strategic priorities of the Economic Development and Poverty Reduction Strategy (EDPRS 2008-2012) are the subject of three interrelated programs: (i) Sustainable Growth for Jobs and Exports, (ii) or Vision 2020 Umurenge VUP and (iii) Governance. The first puts forward a programme of public investments seeking to lower the operational costs of doing business in the country, which should stimulate private investment. Umurenge Vision 2020 is a programme of integrated rural development strongly decentralised, especially designed to accelerate the fight against extreme poverty. This programme sets the order of priorities for the expansion of non-agricultural activities that will increase the efficiency of services and enable better targeting of social safety nets.

With the reformed local government administrative system in 2006 and the creation of the 30 new districts, each district now has an elected council, an executive office, headed by the elected mayor assisted by two deputy mayors and a chief executive who in turns is heading the administrative staff of around 35 people at districts level, plus a staff of five persons in each administrative sector.

In legal terms, the process of decentralisation is guided by Law 29/2005 of 31/12/2005 determining the administrative entities of the Republic of Rwanda and Law 08/2006 of 24/02/2006 determining the organisation and functioning of the complemented by a Presidential order, which specifies the organisations and the functioning of the sectors, cells and villages. The EDPRS, for example, 'makes a case for consolidating and extending the decentralisation of public expenditure when accompanied with robust accountability mechanisms' whilst also making reference to the electorate (being the clients of the public services) asking for patterns of public expenditure in line with local and citizens priorities.

Two key points regarding decentralisation can be highlighted. Namely that so far, relatively little attention is paid to the role of the elected representatives (and elections) in the district councils, apart from the role of the mayor, even as *Governance* is one of the three flagship programmes of the EDPRS. And furthermore directly relating to fiscal decentralisation, it should be noted that the EDPRS largely defines its service delivery objectives as sectoral objectives, while relatively little being said in concrete terms about the proposed re-allocation of state functions from central government to districts.

Clearly, and understandably given the longer-term history and the short period that decentralisation is promoted as an official policy, Rwanda started the process with a system that has the characteristics of *de-concentration* i.e. a system whereby line ministries considered districts as mere implementers. Based on the objectives of the policy the way the local governments are structured, with an elected council and an elected mayor (*de facto* as local *governments*), and statements as made in the EDPRS 2008-2012, clearly imply a further shift towards the model of devolution.

Law 08/2006 of 24/02/2006 determining the organisation and functioning of the District, for example, in article 5 states that districts are responsible (i) to implement government policies (ii) deliver and assist sectors deliver good quality services (iii) elaborate, coordinate and implement development programmes and (iv) promote solidarity and cooperation with other districts. Article 20 adds that districts are responsible for decision taking, policies and giving instructions with regard to the appointment of teachers and the approval of the establishment of nursery-, primary, secondary and technical schools and that districts can take action in case of poor performance. However, nowhere is it said that districts have been given the responsibility for delivery of nursery-, primary, secondary and technical education.

The Rwanda Decentralisation Strategic Framework (RDSF – August 2007), tries to clarify further and notes that districts, as far as education are concerned are (i) to start nursery schools and monitor the way they operate (ii) start primary schools and monitor the way they function, (iii) monitor parents associations and teachers, (iv) build capacity and (v) mobilise resources. Hence, although not said explicitly in the law, it can be deduced from various documents that districts are, as part a decentralised system based on the principles of devolution, given the responsibility for the provision of

basic services in the district (health, education, water, road infrastructure and agricultural support services) and that, as stipulated in the fiscal decentralisation policy of 2006, the central government will assist districts to obtain the necessary resources for the delivery of these services.

2.2 List of the major EC-funded interventions

The field team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC-funded interventions considered.

Table 2 *List of the major EC-funded interventions*

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Decentralised programme for rural poverty reduction	33,97	FED/2003/016-357	The main decentralisation intervention of the EC/EU in Rwanda from 2003 to 2010. Especially the community support "Ubudehe" was seen as a crucial intervention for encouraging local participation and service delivery.
Soutien à la politique de décentralisation en vue d'une inclusion communautaire, sociale et économique des personnes en situation de handicap vivant en	0,6	DCI-NSAPVD/2007/019-404	
Améliorer la participation citoyenne dans les processus de gouvernance décentralisée	0,6	DCI-NSAPVD/2008/020-081	

The DPRPR from 2004 was initiated with an overall envelope of 40 million EUR. The focus was rural poverty reduction in the framework of administrative decentralisation: 1/ Support to participative planning process; 2/ Direct support to priority actions identified; 3/ capacity building of CDC, local administrative services, SMEs, local associations and the civil society; 4/ Support to labour-intensive public work; 5/ Budget support to districts.

Under DPRPR and the broader context of poverty reduction, the EC/EU provided 1 million EUR funding in 2002 for the implementation of a pilot phase of Ubudehe in the former Butare Province. Subsequently, the EU has funded two further phases of the Ubudehe programme (2005-2006 and 2007-2008), through its DPRPR (9th EDF), in addition to the project 'Support to the Districts' (Programme d'Appui aux Districts / PAD).

The development strategy of Rwanda is currently based on the "Vision 2020", the PRSP1 (2002-2006) and the second Poverty Reduction Strategy Plan (EDPRS – 2008-2012). The Decentralised Programme for Rural Poverty Reduction (DPRPR) supported this strategy through two main components: 1) the "Ubudehe" component, addressing itself to the local rural actors (some 85% of the Rwandan population); 2) the "Support to the Districts", itself divided into sub-components directed towards capacity building of the administrative and technical services of the Districts, and around construction/rehabilitation of small and medium sized infrastructures in the Districts, as well as targeted work with high intensity of labour.

The EC/EU support has focused on priorities identified by the population, the authorities of the districts submit to the Common Development Fund (CDF) Community Development Plans (CDP) for funding. At the level of each local government (the nearest administrative unit of the population), people define its priorities and related projects, elect its representatives "Ubudehe" in charge of the execution and monitoring of projects and participated in the realisation of the latter. EUR 900 was awarded for every 9165 cells in the country. The process is fully participatory and under control by the beneficiaries. Operating at the district level, the EC/EU supported Decentralised Programme for Rural Poverty Reduction (DPRPR) supported local priorities, particularly in infrastructure, and was implemented with participation of the people. In parallel, the authorities are trained in the proper management of small community projects.

A detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1:

All national stakeholders met had a clear understanding of the EC/EU approaches to DLG as pronounced under the DPRPR but could not mention any specific policies and/or strategies on decentralisation. So there was not a wider knowledge of any specific documentation that the EC/EU has developed.

Ind 1.3.2:

The donors in Rwanda are working together on a kind of coordinated funding approach to supporting the implementation of the Decentralisation Implementation Plan (DIP). Basket funding was briefly attempted but never really materialised in 2005/6. However, the EUD has been active in this group since its existence from about 2005 onwards but since 2007 only as a more passive member. The various Development Partners (DPs) in the group do see that the EC/EU have quit clear policies and strategies on DLG issues but that the division of labour exercise also limits some from taking more actively part in the DIP implementation. Over the past couple of years the EUD have had representatives who have attended meetings in the Decentralisation Working Group but not on a regular basis, which has frustrated a number of the other DPs, who see the EC/EU as a very important actor in the decentralisation field not least because of the larger sector support in key serviced delivery sectors.

Ind 1.3.3:

The EUD staffs were aware of many policy statements and documents that have come out of headquarters over the past 4-5 years and have attended regional and international meetings to discuss approaches and lessons learned.

3.2 EQ2: Institutional capacity

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

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

Indicators:

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

- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1:

Looking at the DPRPR and the implementation of the programme it is clear that the EC/EU tried to respond to the needs of the national partners and the redesign of the programme in 2005/6 is an example of this when the funds were channelled through the CDF. What is clear is that the EC/EU procedures in terms of auditing, accounting and use of funds proved to be very cumbersome for the national partner and almost jeopardised the intervention. A solution was found, as the national partner grew stronger capacity wise, and better able to live up to the EC procedural demands. However, now it seems that DLG is NOT a strategic issue for the EC/EU moving forward in the 10 EDF and with the division of labour exercise. So the EC/EU is not necessarily actively seeking out strategic partners in the DLG field.

Ind 2.1.2:

The dialogue internally at the EUD is very clear and active. Seems that the EUD often shares information of relevance to the various sectors and decentralisation issues.

Ind 2.1.3:

There is a Rural Development Cluster and one person is specially dealing with Decentralisation issues.

Ind 2.1.4:

There doesn't seem to be any specific incentives for risk taking in terms of decentralisation and local governance.

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1:

The EUD has had throughout the last 5-6 years a number of staff dealing with rural development, PFM and Governance issues. The last 1½ year there has been one person dedicated to decentralisation issues.

Ind 2.2.2:

Various meetings with the delegation staff dealing with decentralisation, rural development and PFM issues showed that they have an active team with many staff with knowledge of the issues relating to DLG. The issue of local PFM problems and relating to the decentralisation reform process were discussed actively in the group.

Ind 2.2.3:

It was not clear how many of the staff had attended training in decentralisation related issues but some had been involved in the earlier forum on the Internet (2006) and found it an interesting exercise with good overall discussions.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*

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

Main findings from the field mission:

Ind 2.3.1: The decentralisation donors have through the working group a M&E system where key aspects of the DIP are monitored every year.

Ind 2.3.2:

No information

Ind 2.3.3:

One can't talk of a "driver of change" agent within the EUD system but as mentioned above there are staff that are dedicated to follow the decentralisation field in terms of developments and issues and feed this back into the various programming areas of particular concern to EUD in various sectors not least the Agricultural sector where a larger sector budget support programme has recently been developed and which encourages a fiscal decentralisation approach with funds being sent directly to district level for implementation of agricultural activities.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance*

Main findings from the field mission:

Ind 3.1.1:

There is a discussion of the decentralisation process but not an in-depth analysis of the policies and strategies in the CSP. However, the EC/EU programme DPRPR and especially the later Mid-Term Evaluation (MTE) of the DPRPR included a very elaborate analysis of the decentralisation process and the reform issues.

Ind 3.1.2:

The MTE of DPRPR proposed radical and they were based on the remaining funds of about EUR 15 million being used under different modalities. This led to a change in funding modality for Ubudehe and District Support for which went through Sector Budget Support to CDF. The objective of the support was to enable the GoR to deliver its PRS through increased means, improved macroeconomic stability, and increased focus on result-based policy making. This will be monitored through a number of specific key performance indicators (at macro and sector level).

Ind 3.1.3:

Quality of the dialogue is high and very intense. This can be seen from the very active sector-working group on decentralisation and local governance and other relevant sector working groups especially for PFM issues and general governance as well.

Ind 3.1.4:

The 2002-2007 (9th EDF) CSP talks briefly about decentralisation and rural development. Interestingly enough the 2008-2013 CSP only makes reference to rural development and does not mention decentralisation and the decentralisation reform process with one word, which is understandable since it's not a priority of the EC/EU, but is worrying since it is one of the largest and most important on-going reform processes in the country and one which has potentially a lot of influence on especially implementation of sector programmes within agriculture, governance, health and education.

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as “How should existing interventions best evolve?” are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Ind 3.2.1:

The evidence is discussed elsewhere but under the DPRPR there was focus on both top-down approach of support to selected districts and bottom-up approach via the Ubudehe to local communities and based on local community priorities. This became clearer when the funding modality was changed under the DPRPR to better fit with the GoR’s preferred transfer mechanism to local governments under the CDF.

Ind 3.2.2:

As an example of the evolving fiscal decentralisation situation the EC/EU has recently started to channel an amount of 20 million EUR (SBS) through a grant system over a period of 4 years in the agricultural sector. Financing is provided directly by MINECOFIN to the 30 districts using the existing earmarked transfer mechanism for the agricultural sector. Earmarked transfers are distributed following an allocation formula, which includes environmental, economic, and socio-economic indicators. Districts will be free to choose the activities they would like to fund using the earmarked grant, within the framework spelled. While MINECOFIN is responsible for monitoring the compliance with financial rules and regulations, MINAGRI is responsible for evaluating district progress reports and approving the release of the different tranches.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as “When and how to use sector budget support?” or “what are the risks related to the”) are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1:

This is discussed elsewhere. From Project to Programme and Sector Budget Support has happened over the last 10 years of EC/EU support to the decentralisation process.

Ind 3.3.2:

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

Ind 3.3.3:

Extent of emphasis on decentralization/LG issues is present as specific indicators also in monitoring of GBS. The Decentralisation, Community Participation, Empowerment, Transparency and Accountability (DCPETA) Sector Working Group deals with many issues of governance. However, it is not clear how this is being coordinated with decentralization/governance focal points in ministries and in other sector working groups and what role EC/EU staff play in this process

Ind 3.3.4:

The EC/EU has been discussing the various support modalities but especially under the latest CSP (2008-2013) various support modalities are discussed from GBS, over SBS to Project support.

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

Indicators:

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

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

Main findings from the field mission:

Ind 3.4.1:

There was no evidence of any specific studies that have led to the EC/EU support strategy for DPRPR. The EC/EU response strategies in the area of decentralisation have been aligned with national policies. The partners are responding to Governments' priorities / activities under the DIP and the fiscal decentralisation strategy and PFM capacity needs, all of which EC/EU support to some degree. The choice of entry points and aid delivery methods have been appropriate to national contexts and have developed over time from project to programme and now in the form of SBS also (Agriculture and Social Protection).

Ind 3.4.2:

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

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind 4.1.1:

Regular meetings with other donors take place in the framework of the Budget Support Harmonisation Group, the Development Partners Coordination Group, the annual Development Partners Retreat and Development Partners Meeting, monthly EU Heads of Cooperation and Heads of Mission meetings, ad hoc Political Officers meetings and at different sectoral working groups (the EC/EU is particularly active in the transport, justice, public financial management, agriculture, and decentralisation working groups). The EC-chaired informal network of donors on elections met on a very regular basis for the 2008 elections and the issuing of a draft electoral code for the forthcoming elections.

Ind 4.1.2:

No records found on any resolution of any inconsistencies.

Ind 4.1.3:

The EUD played a key role in the harmonisation and alignment area. It participated actively in the 2 Joint Budget Support Reviews and is leading a task force to develop a new multi-donor partnership framework for budget support. It co-chairs the Transport sector-working group with GoR. It coordinated policy dialogue through joint EU policy statements at the Development Partners meetings, and by regularly convening EU meetings to coordinate political dialogue in accordance with Article 8 of the Cotonou Agreement. The EC/EU is a financing partner in 4 basket funds but will face some challenges as basket funds are increasingly managed by and in accordance with recipient's procedures where EC/EU participation would require four-pillar audits. However, there is not basket funding in the DLG area.

Ind 4.1.4:

The question is why the EC/EU has not selected to fund a programmatic approach to decentralisation process through the DIP. But other donors have consistently taken the lead on decentralisation issues – earlier on it was DFID and the Dutch and the Germans, now it's the Dutch and the Germans still taking the lead. However, funding for decentralisation is ad hoc and linked to various area-based programmes of donors and/or capacity building funds used in a strategic way especially by GIZ.

3.4.2 JC4.2. There is complementarities between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finance decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1:

The dialogue is anchored around the DIP and is conducted mainly through the decentralisation sector working group with GoR but mostly in terms of exchange of information.

Ind 4.2.2:

The local development/Governance portfolio is important in EC/EU and increasing support to DLG issues over the evaluation period can be seen. The EUD did not initially dedicate specific staff resources to DLG (shared) but later part of evaluation period 1 full time staff member. The EUD has not been focal point in the sector working group established in 2005/6 but have attended meetings sporadically and even though not a decentralisation donor in division of labour exercise recently conducted EUD DLG focal point attends meetings more regularly now.

Ind 4.2.3:

This is not the case. There is some coordination but not a basket funding of the DIP. This is clearly the wish of some donors and the GoR but until now it has not been possible. There is more incremental funding and donors with programmes/projects as vehicles of support.

Ind 4.2.4:

N/A

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1:

The coherence has become more evident when the funding of DPRPR went through CDF and as SBS. The latest developments are that the EUD has developed a fiche for SBS for the agricultural sector with funding through the CDF and for all districts. The EUD has been part of the DLG coordination mechanism with major donors and GoR but not as the most active partner. The EC/EU DPRPR was a district and area based programme from the beginning and only later in 2006 did aspects of the UBUDEHE become more national in approach. But other aspects of DPRPR support to districts labour-based infrastructure development where for a limited number of districts. However, the EC/EU support to UBUDEHE was seen as crucial and significant for the survival of this countrywide initiative. Aspects of the programme had sector focus as well especially within agriculture and health where the limited amounts to communities could be used for improvements for the community in these fields.

Ind 4.3.2:

There is no evidence that the crosscutting issues have played a major role in the decentralisation support to districts and communities. The focus has been more on labour-base infrastructure development and on small-scale support to communities with clear local governance support focus.

Ind 4.3.3:

The EC/EU support to decentralisation processes is generally coherent with other (sector and GBS) activities, and is now given more prominence in support to various programmes. The harmonisation of donor activities is more clearly prominent but still a long way to go in terms of joint action plans, revised fiscal decentralisation strategy with less earmarked or conditional funds at local level, and more programmable or unconditional funds. But M&E of the decentralisation process is included in the GBS indicators.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- Ind 5.1.1. *Existence and quality of national decentralisation policy and specific devolution processes*
- Ind 5.1.2. *Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1:

The RDSF, adopted in August 2007, provides the basis for furthering the decentralisation process from 2008 to 2012 in a comprehensive and coordinated manner. The RDSF outlines five strategic areas to boost the decentralisation process and further empower Local Government Authorities. It is aligned to the national EDPRS. The DIP has been elaborated by the GoR to implement the RDSF and addresses all the strategic areas of the RDSF. Its goal is to reach “sustainable economic growth and social development” and its purpose is to achieve “equitable, efficient and effective pro-poor services and local development in an environment of good governance”.

Ind 5.1.2:

The Program Steering Committee (PSC), chaired by the Minister of MINALOC, steers, oversees and supervises the implementation of the DIP. It provides guidance to the National Decentralisation Implementation Secretariat (NDIS) on priorities and strategic decisions that shall be implemented for the smooth implementation of the DIP. The main mission of the PSC is to provide strategic advice and support for coordination and harmonization of all stakeholders' contributions to DIP execution. The PSC serves as the decision-making body for DIP implementation. The NDIS reports to the PSC and provide secretariat services to the PSC. NDIS is exclusively responsible for day-to-day management and coordination of DIP implementation in close collaboration with central Government ministries and local government authorities. The NDIS, being statutorily part of MINALOC, works in close collaboration with the Directorates of the Ministry. The NDIS focuses on supporting local governments, in order to organize, implement and monitor the attainment of DIP objectives.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- Ind 5.2.1. *Existence of national legislations supporting decentralisation processes*
- Ind 5.2.2. *Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1:

Phase One (2001-2004): The first phase (four years) was meant to institutionalize decentralized governance by articulating the policies and the legal frameworks, putting in place the necessary administrative structures, systems, and mechanisms; holding the grass root and local government elections, undertaking institutional and human resource (especially the elected) capacity building activities, and extensive sensitization of the population on the legal and administrative aspects of decentralized governance. Notably, relevant policy and legislative frameworks were formulated, and the CDF was established and democratic elections for local leaders held during this phase.

Phase Two (2005-2009): The second phase covered five years ending 2009 and aimed to institutionalize decentralised local governance by having it deliver on its promises to the population. Focus was on enhancing public service delivery through decentralisation of public services from the Central Government to the districts. Most of the gaps identified and lessons learnt from implementation of the first phase formed basis for enhancing the policy and strategy implementation plan in the second phase. The key output of this phase was the development of suitable statutory framework that;

- i) Facilitates greater participation of the citizens in decision making, planning and implementation of their development programmes and projects;
- ii) Facilitates greater allocation of resources to the Local governments and grass root structures for their use in the processes of self liberation from the poverty traps, increasing their productive capacities, plus enhancing their access to health services, education, information and above all, ensuring that they have enough to eat;
- iii) Gives greater linkages to other political, social, judicial, administrative and economic reforms; and
- iv) Allows better co-ordination of stakeholder interventions in the decentralisation programme and activities to create synergy in interventions and progressively shift from project support to programme support that would best bring about even development throughout the whole country as well as help to raise the national capacities to manage the reform process.

Phase Three (2010): This phase has started and its main aim of enhancing the decision-making mechanisms of public administration. It will focus on: fiscal decentralisation to promote local development; and strengthening the capacity of the devolved units of local governance (District, Sector, Cell and Village) to implement the RDSF.

Ind 5.2.2:

The laws determining the State Finances for each financial year, and as submitted, discussed and approved by parliament, normally contain two annexes as follows: Annex I providing an overview of Income and Annex II providing the budget of expenditure, whereby the latter, for 2008, is presented in 6 different manners as follows:

- Annex 2.1: Summary overview of total budget by sector (16) and sub-sectors (49)
- Annex 2.2: Summary overview of recurrent and development budget by budget agency. There are 55 budget agencies, including 15 ministries, the presidency, parliament, the judiciary, 4 provinces and 30 districts.
- Annex 2.3: Summary overview of the total budget (for three years) by budget agency.
- Annex 2.4: Total budget, by budget Agency by programme.
- Annex 2.5: Recurrent Budget by budget agency (85), programme and sub programme
- Annex 2.6: Development Budget by Budget agency (17); The 17 budget agencies that have a development budget are mainly the ministries. The provinces, but more importantly, also the districts do not have a development budget.

In 2007, Annex 2.5, the sub programmes were further sub divided into chapters and paragraphs, which made the budget law 2007 to be twice as voluminous as the budget for 2008. Apart from the advantage of a slimmer budget, the real advantage is that it makes reallocation within the sub-programmes easier as it does no longer require parliamentary approval. For their own internal budgeting, however, budget agencies still use the chapters and paragraphs. All programmes and sub programmes as included in the budget, are defined by the respective sector / ministries as part of the EDPRS. Hence, in principle, the budget is objective and output (rather than input) oriented. The link between the objectives-driven programmes and sub-programmes and the more input guided chapters and paragraphs, however, is not always evident. It sometimes appears that, when the programmatic budgeting was introduced, existing budget lines were placed under the best fitting (sub) programmes without a real change in implementation or choice of activities. One of the focus areas of DIP III (2011-15) will be to harmonise sector legislation and programming with the RDSF. This work has and is not being supported by the EC/EU.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*

- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

Ind 5.3.1:

With the reformed local government administrative system in 2006 and the creation of the 30 new districts, each district now has an elected council, an executive office, headed by the elected mayor assisted by two deputy mayors and a chief executive who in turns is heading the administrative staff of around 35 people at districts level, plus a staff of five persons in each administrative sector. It was not possible to get a full overview of all staff working at LG level as many are deconcentrated and volunteers do many other services.

Ind 5.3.2:

The Government launched the Decentralisation Policy with the aim of strengthening the practice of good governance and promoting the mobilisation and participation of the people in determining their own well-being. To achieve this, the Government passed four decentralisation laws relating to provinces, districts, the city of Kigali and urban authorities. Under these laws, the four provinces remain arms of the central Government, administered by provincial governors approved by the Senate in respect of proposal made by the Cabinet and comprising an integral component of the central Government, whilst districts and cities now exercise budgetary autonomy. Whilst law No. 17/200218 assigned taxes and fees to sub-national levels of government, revenues from these sources are insufficient to cover the operating requirements of sub-national governments, let alone carry out functional responsibilities assigned or delegated to them, and service delivery relies largely on grants from central Government. Since the launch of the decentralisation policy the Government has been developing mechanisms to clarify and improve the predictability of the flow of resources to district governments. There are currently three main flows of resources from the central Government: a block grant (un-earmarked) from central Government; grants earmarked for the delivery of specific public services at sub-national level; and revenues from the CDF. The relative importance of these three main sources reflects the current status of the decentralisation process. Whilst the long-run objective is to devolve services, which are currently delegated to local government level (which implies a progressive decline in the use of earmarking), the requisite capacities of local governments and the associated mechanisms for managing devolution have yet to be established for this in the majority of sectors. However, in sectors like health and administrative governance, most service delivery has already been devolved, while in others like education efforts for full devolution are already under way. This has a clear bearing on the staff working at LG level, as most are still fall under the sector ministries and not the District.

Financing of most Rural District Councils shows that: (1) More dependant on central government (CG) transfers - 10% of total annual funding comes from internal sources while 90% is from external sources especially CDF (demand driven) and sectoral transfers from the CG; (2) The sectoral/ Earmarked transfers are meant for infrastructure development; (3) Main sources of internal funds include: Service based fees at sector level (markets, slaughter house fees), levies on construction materials (sand, concrete, ballast etc); (4) Transfers 10% of its total budget and 50% of total internal income to the sectors; (6) Procurement is done by the council; and (7) MINALOC provides technical support through capacity building programmes in public financial management.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local governments degree of autonomy is well described in legislation.*

Main findings from the field mission:

Ind 5.4.1:

The CDF was established in 2002 under Law 20/2002, with the intention of providing support to districts for development purposes. MINALOC acts as the parent ministry to the CDF and also provides the president of the board for the CDF. The major source of funding for the CDF comes from the Government budget, which is meant to channel an amount equivalent to at least 10% of the previous years domestic revenue collection to the fund. The donor community also provides funding

for the CDF. At the outset, the allocations from the CDF were effectively formula-driven in that the fund was divided equally among districts. This method of allocation was replaced in 2005 with a dedicated formula, proposed by the Board of the CDF and approved by the Cabinet, based on population size, geographical area and indicators relating to household welfare and access to basic infrastructure within each district. Access to CDF funds, however, requires district governments to go through a project preparation process and to submit documents related to this before disbursements become effective. Whilst district government access to CDF resources from the Government budget is formula driven, allocation of funds provided by donors is not. In practice, most donor assistance to districts through the CDF is earmarked to specific districts (and therefore simply uses the mechanism of the CDF). The block grant for sub-national governments, access to Government resources provided through the CDF and allocation of a major proportion of earmarked resources for service delivery, therefore, are (explicitly) formula driven. The remainder of the transfers are allocated according to a transparent criterion (i.e. the total allocation is divided by the total number of districts and allocated to each accordingly). Data from MINECOFIN for the 2007 Budget show that over 80% of earmarked transfers are allocated according to rules based and transparent formulae, with the remainder allocated according to the transparent and rule of dividing the total by the number of districts.

Ind 5.4.2:

The HRM management at district level is still hampered by most staff working directly for the larger sector ministries. The districts are being encouraged to develop HR plans and strategies for their own staff but this is proving a challenge. The EC/EU has only to a limited degree focused on HRM plans of LGs but more on increased resources for local governance and infrastructure investments. A number of capacity building (CB) initiatives have been implemented during the last 5-6 years (DIP II) by various stakeholders (MIFOTRA, MINALOC, PSCBS, RALGA, RIAM, MINECOFIN, CEPEX, Line Ministries, donor-supported projects). However, recent assessments and evaluations have emphasized persisting gaps for local governments in fulfilling their devolved roles and responsibilities due to their limited financial and technical capacity to plan, organize, implement, monitor and evaluate large and complex investments. In addition, there is not a proper coordination of CB initiatives resulting in unclear linkages between the DIP and CB activities at different levels, lack of synergies and unclear division of responsibilities for those institutions charged with CB. EUD conducted training at LG level for planning - 50,000 people have been trained on Ubudehe concepts and procedures in terms of participation, planning and management of the collective and individual initiatives. EC/EU support's focus has been on PFM training at all levels through MINECOFIN support and not through the DPRPR.

Ind 5.4.3:

Law No 29/2005 of 31/12/2005 determining the administrative entities of the Republic of Rwanda, which determines that the country is covered by four Provinces and the town of Kigali, which are divided into 30 Districts, which in turn encompass 416 Sectors that in turn are divided into 2,150 Province is a de-concentrated administrative level (without a council), all other levels (district, sector, cell, and the *Umudugudu*) could be considered local government levels, as they have a council that is mandated to take decisions pertaining to their mandates. According to Law 08/2006 of 24/02/2006 determining the organisation and functioning of the District, the district council is considered the primary level of Local Government, while the other levels (sector, cell, and *Umudugudu*) are considered subsidiary levels. Whereas the mandates for the district are broadly described in the aforementioned law, the responsibilities of the sectors, cell and *Umudugudu* are set by presidential order (and hence not by law). Although there are discussions to consider in the future the sector as the main service delivery point, and subsequently also make direct central government transfers to sectors, for the time being, and considering capacity, for the near future, districts are likely to be the focal point for local service delivery, with the executive secretaries as accounting officers.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*

- *Ind 6.1.2. Perception by stakeholders (LG & CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

Ind 6.1.1:

MINALOC/NDIS staff has been formulating and in control of the RDSF from the beginning and have of course increased their capacities over the evaluation period considerably. This has also to some degree been supported by EC/EU but not as the main and most active of partners.

Ind 6.1.2:

The perception of the CSOs and NGOs is that the capacities of central government agencies have improved considerably over the past 10 years. This is born out by the development of Decentralisation Strategic Framework and the subsequent Decentralisation Implementation Plans (DIP) that is now in phase 3.

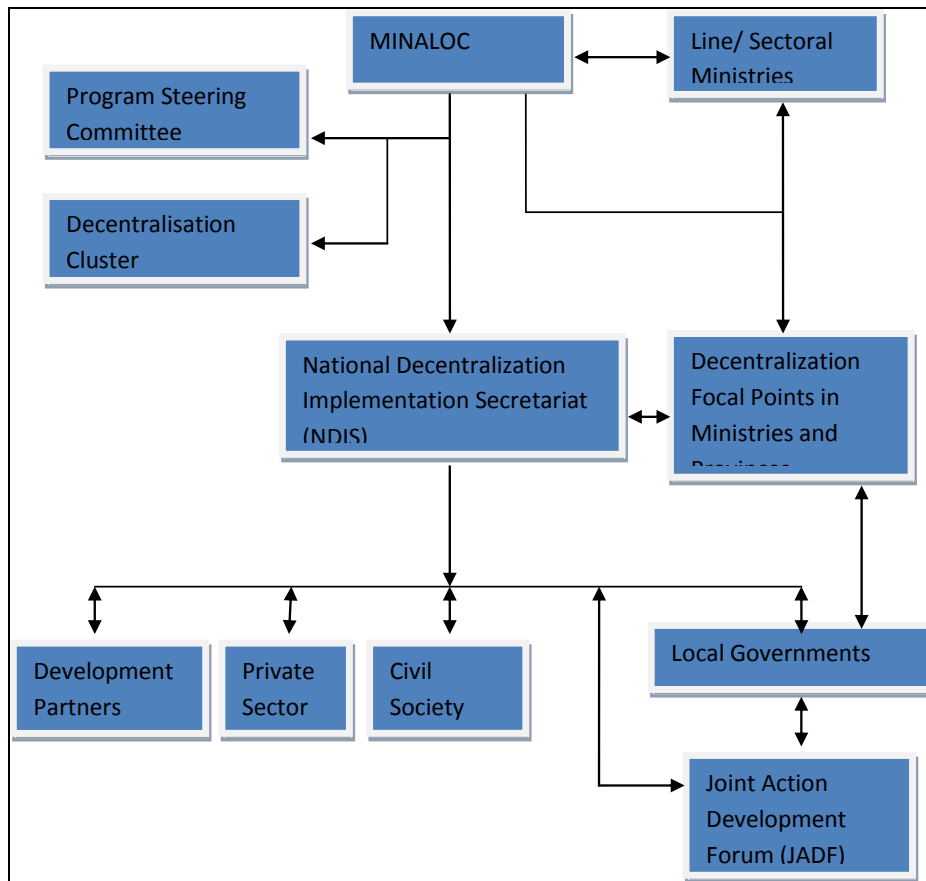
Ind 6.1.3:

See 6.2.4 below

Ind 6.1.4:

The figure gives an overview of the implementation framework for the DIP. It clearly shows that inter-governmental and inter-ministerial relations have increased and improved under the DIP implementation arrangements.

Figure 1 *DIP Implementation Framework*



3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local*
- *Ind 6.2.3. Evidence of improved HRM in local governments*

- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

Ind 6.2.1:

PFM reform is backed by a strong political will, clear visioning process, dissemination and sensitization of planning guidelines at central and sub-national government levels and a clear and consultative budgeting process. The Decentralisation Policy and Fiscal Decentralisation policies and the subsequent laws governing intergovernmental fiscal relations continue to generate great impetus for deepening of economic and governance reforms including PFM reforms, through improved coordination of planning and budgeting processes. Further, PFM reforms are heavily supported by the donor community through, but not limited to, provision of direct budget support, technical assistance and being part of the consultative processes that have led to aid harmonization, alignment and birth of the PEFA assessment framework. Weak systems of financial control at local level are a major constraint on devolving further powers to the districts. One of the key challenges facing the GoR is the limited capacity of budget agencies to produce regular financial and fiscal reports on revenues, expenditure, borrowing and inter-governmental fiscal resource utilisation on a regular basis. The EDPRS includes measures to strengthen these systems and to put in place a more robust accountability framework, which incorporates the monitoring of both physical outputs and financial indicators (PEFA June 2008).

Ind 6.2.2:

Local planning has improved over the past years by becoming more participatory and more comprehensive. This has been supported by EC/EU through the DPRPR both through the district support and through Ubudehe. The Rwandan model emphasises a strong mobilization of the population in planning and accountability, which has the effect that the administration must react to ad-hoc requests for information, participation of leaders in government meetings and the need for multiple explanations or defence of administrative decisions. However, the participatory approach has put strain on the administration staff, which simply doesn't have time and resources to respond to the aforementioned requirements. But the administrations of a district with its small number of staff (part of the personnel are under the control of central Government) is not able to ensure effective administration and at the same time contribute to achieve a broad and deep participation of the people at all levels.

Table 3 The Ubudehe Fund Allocation and Utilisation Process

The training of trainers was conducted at different administrative levels (Umudugudu / village, sector, district and national level). These trainers are responsible for monitoring, while the population led by trainers at the village level analysis of poverty situation of the village, is a prioritization of needs, identifies and categorizes the poor. This is done using a social map of the village using local symbols. These maps are plotted on tissue stored in the coordinator of the village.

After the participatory analysis of problems of the village, village members are developing a community project at the village level where the document contains a list of households and their categories of poverty and housing, prioritization of projects the village, the details of the logical framework and budget priority project showing the local contribution, support and asked that their regulatory frameworks in the event of implementation of the project.

Aware of this process, the population also chooses the poorest household, but having the ability to move from one category below the poverty category. Supported by village-level trainers, this household is also developing a project using the methodology mentioned above. The programme finances the subproject Ubudehe household on condition that they promise to the village a real contribution in economic development activities at village level.

After this process, funds are disbursed from the account at the BNR Ubudehe to accounts of the districts, which, in turn, transfer them to open accounts in the villages for this purpose in the local credit unions. The amount given to the various villages and poor households is the same throughout the country (respectively nearly 1.000 EUR and 100 EUR).

The village council elects a committee for financial and technical management. This committee is responsible for tracking the use of these funds to the village and report to the executive committee of the sector that sends these reports to the district with a letter. The reports outline areas for districts are developed by trainers across sectors (agricultural sector) that are responsible for monitoring and other technical Ubudehe in all villages in the area, through the Community Development Committee (CDC) sectors and cells.

In the follow-up, trainers provide training areas at village level by grouping cells especially with regard

to monitoring data updates villages. There are also briefings, at the sector / district, on the use of funds.

Ind 6.2.3:

There is a greater focus on improved HRM and capacity building needs assessments have been conducted recently. The EC/EU has not been involved with this.

Ind 6.2.4:

The introduction of annual local government performance contracts (Imihigo) is the most recent initiative to increase the accountability of local governments to central government. The local government performance contract is an implementation device for the District Development Plan (DDP), which includes a mix of national and local priorities. A district mayor and the President of Rwanda sign each contract and open meetings are held annually to discuss the outcome of the contract. Line ministries offer districts a choice of performance indicators for inclusion in District Performance Contracts (*imihigo*) and allow districts to set their own targets. In practice, many districts select indicators, which are not on the list, and are, therefore, not closely linked to earmarked spending allocations. Work is currently underway to achieve a closer alignment of DDP indicators with the pattern of local spending, so as to improve the monitoring of the EDPRS. The Imihigo is a GoR process and no specific support for this from the EC/EU.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1:

RALGA was established early 2000s and has developed into an organisation with increased staff and resources. They are playing more and more a strategic role in the analytical work being done especially in terms of capacity building strategies for LGs. They are also part of the evolving international and regional local government association structures. The EC/EU has not supported RALGA directly but in-directly as RALGA applies for funding under the “Non-State Actors and Local Authorities in Development” Thematic Programme (NSA-LA)².

Ind 6.3.2:

Discussions with various partners show that CSOs do not understand their mandate as representatives of citizens. They also have weak organizational capacities and maintain limited linkages with other CSOs. In addition, the majority of CSOs are faith-based organizations that are interested in service delivery rather than engaging in governance and civic participation. Furthermore, civil society organizations have no structured engagement mechanisms with which to interact with citizens in their constituencies. It was also recognized that CSOs in Rwanda do not have the skills or information for meaningful engagement in the budget and other development issues. They also have limited skills or structured processes to inform citizens and engage in advocacy. Generally, the concept of civic participation and holding the government accountable appears to be a new concept in the Rwandan society. The CSOs were found, however, to assist local authorities in areas such as citizen information campaigns and education as well as data collection processes. The EC/EU is supporting this area through the above-mentioned programme, which is mainly funding for strategy papers and action programmes for community actions.

Ind 6.3.3:

Research institutions in Rwanda have increased and have done considerable analysis on issues of local governance. The EC/EU has through its local grants for governance, accountability and research tried to create an interface between NGOs/CSOs/LGs (JADF) and small project funds (see above) – 2007-2009: 1 million EUR – meaning that different partners worked together to develop local collaboration.

² entered into force on 1 January 2007 in the framework of the Development Cooperation Instrument (DCI); replacing the “Co-financing with European NGOs” and “Decentralized Cooperation” budget lines.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1:

Local elections have taken place but due to the process of reconciliation after the 1994 genocide the local elections are not yet fully democratic and based on the principle of full democratic representation. The local election process has not been supported by the EC/EU.

Ind 7.1.2:

The Ministerial Instruction No. 04/2007 established the Joint Action Development Forum (JADF) at the district and sector levels. The Forum is meant to be a consultative body for information dissemination and promotion of cooperation among actors supporting local socio-economic development and social welfare of the population. The Forum aims at coordinating activities of all development actors so as to promote coordination of efforts and efficiency, as well as avoid duplication of efforts in development actions. In addition to its main responsibilities, the JADF is a vehicle for implementing the DIP. By its nature, the JADF is made of diverse local organizations, capacities, and personalities. In order to ensure participation and effectiveness in the implementation of the DIP, the JADFs may organize themselves into task teams who will contribute to specific activities implementing the DIP at LG levels.

The councilors are elected by citizens directly and are expected to represent the views and opinions of the electorate. However, discussions with key stakeholders revealed that councilors at district level have limited knowledge to engage in effective planning and effective discussions and yet through established commissions are mandated to discuss and as legislators approve the district budget. Furthermore, it was highlighted that some district councilors tend to be incorporated in the LG authorities' activities instead of playing accountability duties to the citizens. At sector level it was indicated that councilors participate in identification of the imihigo activities without participation in prioritization and planning processes. Generally, district and sectors councilors have limited resources available to facilitate citizens' engagement and participation.

The EC/EU support to increased local participation in local development planning was clearly an aim of UBUDEHE support and to some degree achieved, as the priority of DPRPR was to further develop capacities at local level for planning and budgeting as well as PFM related issues. This means that the EC/EU support has been important for the relationship between local development planning, community development and strengthened collaboration between district administrations and communities as emphasised by the Ubudehe approach, and what the JADF should be working with.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards etc)*

Main findings from the field mission:

Ind 7.2.1:

JADF is a great platform to engage district stakeholders in the decision-making, planning and budgeting processes. There has been no specific support from the EC/EU to the JADF's but members of JADFs have been able to access funds under the NSA local authorities support funding from the EC/EU. The JADF coordinates and monitors all interventions of stakeholders working in the district. The diagnostic process highlighted that the establishment of JADF structures is a ministerial order and that there is no legal policy governing the institution. Findings also indicated that although the structure exists at the district level, it is not fully operational in many sectors. In addition, as partners in development, JADFs do not have any mechanisms for receiving feedback from citizens and reporting back to them. There is also no structured process for them to make inputs to the budgets and implementation of interventions. Finally there are no systems for regular monitoring and evaluation to assess the progress of funding and implementation of service delivery within a district.

Although the Ministry of Finance has explained that full budget documentation can be obtained on

demand by interested parties, local financial institutions stated that they were unable to obtain the documentation at the time of the budget and, therefore, relied on media coverage of the budget speech for analysis of budget decisions. Full media coverage of the Minister of Finances budget presentation and the plenary discussion of budget documents does take place and some of this information is also posted on the government website. A complete set of budget documents has not, however, been available to the general public at the point of their submission to the legislature. The mission was not informed of the use of notice boards at district level for budget transfer information. However, the Imihigo system of accountability does in principle have service delivery targets that the Mayor/Councils have to live up and are fixed targets, which are reported on yearly to the public and especially the President.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

Ind 7.3.1:

See 5.3.2 above.

Ind 7.3.2:

Whilst it is possible in principle for members of the public to request information on what resources have been allocated to particular service delivery units there are no specific provisions in place to facilitate the provision of such information. There is no general provision at local or national level for issuing public information on resources available to primary service units other than through "Public Accountability Day" - a public meeting where local governments issue general budget information to the public. It doesn't seem to be a focus area of the EC/EU.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

Ind 8.1.1:

Especially after 2006 LG budgets have grown in total numbers (see table below) but LG share of national budget is constant 12% over the period 2006 to 2011 and is not projected to grow either in the near future as projections for 2012/13 it remains at the same level. This does not necessarily mean that the administrative budget versus the service delivery budget has grown since most services are delivered through line ministry budgets but it does show that LGs do not have much control over the service delivery budget as such.

Figure 2 National versus District Total Budgets

M CFW	2006	2007	2008	2009/10	2010/11	2011/12	2012/13
Districts	34.703.770	68.154.550	84.660.910	134.737.526	110.059.002	128.532.235	137.023.702
Nat. budget total	281.539.806	419.701.400	521.135.190	988.304.673	984.022.047	1.068.684.952	1.141.509.690

District % share	12%	16%	16%	14%	11%	12%	12%
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Source: MINECOFIN

Service delivery improvements at LG level more centrally driven than locally – earmarking and programme approach in sectors. Improved and sustained economic growth averaging 10% p.a in the recent years - has encouraged socio-cultural development and significantly reduced poverty. Baseline surveys that informed development of the EDPRS 2008-2012 give background evidence that national statistics (trends) justify the engendered impact of decentralisation during the period (2001-2009) in form of, reduced unemployment rate³; improved GDP⁴, increased access and utilization of land (agricultural production). Rates of poverty reduction since 2000 have been modest (though not fast enough to meet either the targets set in Vision 2020 or the MDGs)⁵.

Ind 8.1.2:

This is work underway. The revised Fiscal Decentralisation Strategy clearly aims at increasing the needs based formula driven allocation of funds for districts in future. Until now it has been very conditional and linked to sector allocations with little or no flexibility in allocation and execution by the districts.

Ind 8.1.3:

This is a developing issue in Rwanda but not one that the mission could find a lot of evidence on. However, as stated before volunteers deliver many services especially within health. The GoR encourages this as part of the wider civic duties of the citizens in Rwanda. Once a month all citizens are asked to participate in cleaning their neighbourhood and working for environmental improvements.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc)*

Main findings from the field mission:

Ind 8.2.1:

The mission could not complete a detailed analysis of this aspect. The EC/EU supported labour intensive small infrastructure projects under the CDF for districts are maintained by the operational budgets of the districts. The 2010 evaluation report noted that district did maintain the projects. It was not possible to get a full overview of LG budgets.

Ind 8.2.2:

The mission could not complete an analysis of this aspect. One aspect that has been addressed under EC and other donor funding is that water points are maintained through user payments/fees.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *8.3.2 Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.1:

³ According to the EICV 2007 results, levels of declared unemployment are very low in Rwanda but under-employment is high. There has been diversification of household income sources as the proportion of the employed labour force engaged in agricultural occupations fell by 9% nationally to 80% between 2000/01 and 2005/06, with most of the decline occurring among men. The share of the labour force working in formal employment increased from 5% to 10% over the same period or an estimated 1.25 million people of working age (15 to 70). Young people and women more often perform unpaid work than men.

⁴ GDP grew from an average of 6.4% in 2006 to about 10% p.a in 2009

⁵ Average poor person's consumption is at about RWF 150 per day, increased by over 2% since 2001.

The evaluation of Ubudehe in 2010 found that effectiveness within the Programme estimates that at least 1.4 million⁶ people have been direct beneficiaries of the Ubudehe Programme. This is actually a very low estimation, which is based on an average of only 10 beneficiary households per project per village. According to the sample, the number of beneficiaries for a Community project can actually vary, ranging from 5 – 6 households in the case of a cow livestock project, to a few thousand in the case of a road or a health centre project. It would not be an exaggeration to estimate that probably at least 20% of the population of Rwanda has benefited from the programme, including potential indirect beneficiaries to the scope. In terms of empowerment, community participation and ownership, the Ubudehe objectives have been successfully achieved. In addition, it was noted that unplanned and unintended changes also occurred, notably through the creation of temporary and more long-term jobs, as well as new activities, initiated through Ubudehe projects.

Other aspects addressed under the DPRPR are building of market places and access to water. Therefore a number of people have improved access to services but this is also the case with other donor projects/programmes in the districts. However, the mission could not get exact numbers.

Ind 8.3.2:

Improved service delivery to the citizenry through: consultative planning and budgeting processes; increased budgetary allocations to the districts and sectors. According to the SNV Rwanda Annual report 2009 and various sector reports, there has been improved service delivery in key development sectors such as Health (reduced mortality, morbidity, increased child birth rates, etc) education, agriculture, enterprise /micro financing⁷, Water and sanitation. Recent gender assessment reports⁸ indicate that both women and men have enjoyed benefits accruing from decentralised governance through qualitative improvements in service delivery in the above-mentioned areas.

⁶ Estimation that at least 1.4 million people have been direct beneficiaries of Ubudehe, EUD budget for Ubudehe (23,338,883 €) the investment would represent the equivalent of 16 € per final recipient and this targeted the most vulnerable and poorest segments of the districts.

⁷ In Rwanda, women run an estimated 41% of businesses. Over the years women's membership and participation in cooperatives and associations has been increasing.

⁸ Rwanda Gender Assessment: Progress towards improving women's economic status by ADB Group, Human Development Department (OSHD), November, 2008

4 Conclusions concerning the hypotheses to be tested and main challenges to be discussed in the synthesis phase

What is the policy dialogue between the EC/EU and the Government of Rwanda surrounding the decentralisation reform process?

In summary, the EC/EU has been actively involved in the policy dialogue with GoR surrounding the decentralisation policy framework and the implementation of the DIP. The discussions have centred around the support given through the DPRPR, which was two fold, both in terms of community development projects of an infrastructure nature for selected districts based on labour-intensive methods and then the community development projects under the Ubudehe approach. The dialogue seems in the last 3-4 years to have centred around aspects of SBS in agriculture and GBS in terms of DLG issues that are of importance to the overall poverty reduction strategy of the GoR, and therefore also relevant for district development and decentralisation reform. However, most of the constructive dialogue for local governance has been surrounding the Ubudehe approach as a participatory approach to poverty alleviation in all cells of the districts.

The EC/EU changed its approach to funding the DPRPR when it accepted in 2005/6 that the improved capacity of CDF for good management of the funds at its disposal, and in accordance with the general desire of the Government. This was also done in collaboration with a number of other DPs who were channelling their funds for decentralised development support through projects and programmes and then decided to go through the CDF. In general, the amounts provided by the EC/EU to the CDF were sufficient for achieving the expected works under the DPRPR and the Ubudehe. Usually, the CDF have done the advance payment on the basis of the annual action plan of the District and paid the remaining funds as the works progressed. The activities were conducted within the time expected and the results achieved on schedule and according to the technical specifications. Furthermore, the DPRPR evaluation found that activities seemed to have been subject to an effective planning and monitoring and the follow-up of the projects properly realised by the staff of the CDF. The EC/EU support is therefore highly relevant and coherent with the needs of the GoR own poverty reduction strategy.

Why has the EC/EU selected not to prioritise support to decentralisation and local governance?

In general the EC/EU has over the evaluation period shown a high degree of interest in the decentralisation agenda but it seems that the overall local governance interest has been in the rural development area with a focus on food security, labour intensive small-scale infrastructure development and agricultural development. It does not seem to be the decentralisation agenda and the need for overall decentralisation reforms at district level that has occupied the EC/EU other than as a reform that does influence the funding of LGs. This was also the reason for the change of funding through the CDF in 2006 and onwards for both aspects of the DPRPR. It seems that the EC/EU has made a decision to support rural development as the engine for agricultural and local economic development and paid less attention to the decentralisation reform process as such.

But having said that the EC/EU has been active on local governance issues as shown above but also through funding for NSA activities at local level and through support to research and studies for reconciliation and poverty reduction at local level. So while the EC/EU has not been involved in the direct development and support for the decentralisation reform process and policy formulation per se, it has actively supported initiatives that have improved the funding channels and the local governance issues through participatory community development programmes, namely the district infrastructure support and the Ubudehe support. All stakeholders found that the EC/EU support to especially Ubudehe as being highly relevant and pertinent to the development agenda at local level.

What has the outcomes of the EC/EU support been in terms of improved service delivery from local councils and capacity of key government institutions?

It is very difficult to get exact data and budget overviews from the districts in Rwanda. This makes any analysis of service delivery improvements over the past 10 years rather academic and non-utilitarian because of lack of baseline data as well as concrete data evidence of improvements. The below is based on the findings of the 2010 DPRPR and Ubudehe evaluations both carried out for the EC/EU.

From the Final Evaluation Report of Ubudehe (June 2010): *Furthermore, in a country where some 85% of the population's livelihood is dependent on agriculture and livestock, one of the more efficient methods to reduce poverty in Rwanda is to increase the purchasing power of farmers. An increase in purchasing power would have a ripple effect on the sectors of trade, production and processing enterprises, handicrafts and services, which are all currently under-represented in Rwanda. The*

development of rural areas can thus be regarded as the overall outcome for the development of the whole economy in Rwanda and Ubudehe can most certainly contribute towards this. As an overall conclusion, we would like to emphasize that Ubudehe is one of the best achievements we have observed during the past 25 years of collaboration with the European institutions. Ubudehe has won the prestigious UN Public Service Award due to the participation and ownership of millions of citizens and the strong support of the Authorities of Rwanda for poverty alleviation. As such, the price that was awarded seems totally justified. This success was no coincidence, but the result of work, often unique, made by all project stakeholders, led by the Rwandan government and the constant support provided by the European Union, Action Aid and other donors who participated in the programme.

The Evaluation of Ubudehe in 2010 concluded that there was a particularly high relevance of the Ubudehe programme towards beneficiary's needs (which is attributed to the participatory approaches, leading to a strong ownership of the actions to be undertaken for responding to those needs, as well as the EDPRS and the Millennium Development Goals priorities, which all are guiding reform initiatives being undertaken by the government of Rwanda.

Regarding efficiency, some weaknesses were observed in terms of management of the Programme. Particular areas of weaknesses included: financial management (not mismanagement, but heavy procedures and difficulties due to the scope of the programme) during its first phase and the lack of human resources provided to the CDF for a proper management and operational follow-up of 55.000 funding; obvious gaps in the information chain between the field (Sectors) and the upper levels (Districts, CDF, ministries); a lack of impact assessments and related lessons learned; and the inadequacy of EDF financial procedures to such a complex programme.

Nevertheless, at local level, good governance is noted and has largely contributed to the success of the programme. In addition, improvements are noticeable between the first and second phase of Ubudehe. The CDF had in fact progressively established a complex follow-up system, even if not perfect. The weak point actually remained the reporting and documentation throughout the programme.

In conclusion, the EC/EU support has contributed to service delivery improvements especially through small infrastructure investments but also to local economic development through a focus on community agriculture and husbandry projects. The EC/EU is also a big donor in terms of GBS and overall some economic improvements and sustained economic growth averaging 10% p.a in the recent years has encouraged socio-cultural development and significantly reduced poverty. Baseline surveys that informed development of the EDPRS 2008-2012 give background evidence that national statistics (trends) justify the engendered impact of decentralisation during the period (2001-2009) in form of, reduced unemployment rate (according to 2007 survey results); improved GDP (GDP grew from an average of 6,4% in 2006 to about 10% p.a in 2009), increased access and utilization of land (agricultural production). Rates of poverty reduction since 2000 have been modest (though not fast enough to meet either the targets set in Vision 2020 or the MDGs) as an average poor person's consumption is at about 150 RWF per day, increased by only over 2% since 2001. Over 90% of poor people still live in rural area with an increasing urbanisation putting strain on services in the urban areas.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Name</i>	<i>Function</i>	<i>Institution</i>	<i>Date</i>
ZURDO Diego TECCARELLI Daniele TILLESSEN Achim KUBACH Tarik S��raphine Mukankusi DE BOER Vincent	Rural Development Cluster	EUD Rwanda	23/05 -2011
Mr. Cyrille TURATSINZE	Permanent Secretary	MINALOC	24/05
Mr. Egide RUGAMBA	DG MINALOC, Planning, M&E	MINALOC	24/05
Mr. Musiime James RURANGA	Monitoring & Evaluation Facilitator, Decentralization Sector	MINALOC	24/05
Mr. Stephan KLINGEBIEL	DCPETA Co-Chair	KFW	24/05
Ms. Marcelline MUKAKARANGWA	DCPETA Co-Chair Advisor	KFW	24/05
Mr. Apollinaire MUSHINZIMANA	Coordinator	NDIS (National Decentralisation Implementation Secretariat)	25/05
Mr. Yves NTABANA	Acting Director General	RIAM (Rwandan Institute of Administration and Management)	26/05
Ms. Marie-Ange INGABIRE H.	Ag. Director NAO Support Unit Ministry of Finance and Economic Planning	MINECOFIN	26/05
Mr. Leonard RUGWABIZA	Director General National Development Planning	MINECOFIN	26/05
Mr. Elias BAINGANA	DG National Budget Unit, Fiscal Decentralisation	MINECOFIN	26/05
Mr. David LAHL	Conseiller Technique D��centralisation	GIZ	27/05
Mme Laetitia Nkunda	Director	CDF	27/05
Mr. KARAKE Th��ogene Secretary General/ Faustin Serubanza (Programmes Manager); Innocente Murasi (LED officer); Bosco RUSHINGABIGWI (communication)		RALGA (Rwandese Association of Local Government Authorities)	27/05
Ms. Nadine RUGWE	Governance Advisor	Embassy of Netherlands	30/5
Mr. Laurent MESSIAEN	Governance/ decentralisation officer	Belgium - CTB	30/05
Mr. Pierre LEBRUN	Governance/ decentralisation officer	Embassy of Belgium	30/05
Mr. Edouard MUNYAMALIZA (spokeperson as of March 2011); Mr. Thadd��e Karekezi , Permanent Secretary / Mr. Eug��ne RWIBASIRA (ex spokeperson)		Rwanda Civil Society Platform (PFSCR) /Plate Forme de la Soci��t�� Civile Rwandaise	30/05
Mr. Paul WATSON	Country director	TROCAIRE	30/05
Mr. Naasson MUNYANDAMUTSA	Deputy director	IRDPA	30/05

5.2 Annex 2: The list of documents consulted

- EC - Final Evaluation Report of Ubudehe (June 2010)
- Document de Stratégie et de Coopération – Programme Indicatif pour de période 2002-2007
- Country Strategy Paper and National Indicative Programme for the Period 2008-2013
- Evaluation de la coopération de a Commission européenne avec la Rwanda – Evaluation de niveau pays. Rapport final, Nov. 2006, Vol 1+2
- Decentralisation Implementation Plan (DIP II) 2008-2012
- Decentralisation Implementation Plan (DIP III) 2011-2015
- PEFA: Financial management and Performance report, June 2008
- MINECOFIN: Economic Development and Poverty Reduction Strategy 2008-2012, September 2007
- MINECOFIN: Fiscal Decentralisation in Rwanda, Review of the Existing Grant Allocation Practice and Guidelines for Streamlining of Allocation Formulae for Block Grants and Sector Earmarked Grants, Final Report February 2009
- MINECOFIN - GoR PFM Reform Strategy [2008-2012], Abridged Version
- MINECOFIN, Ubudehe Concept Note, March 2003
- MINELOC: Mid Term Evaluation of the 9th EDF Decentralised Programme for Rural Poverty reduction (DPRPR), November 2005
- Impact of decentralization on service delivery in Rwanda, MINALOC/World Bank, PPT May 2005
- MINALOC Making decentralised services delivery work, discussion paper, Sept 2005
- MINALOC institutional analysis and assessment, 2005;
- EC - Evaluation et analyse ECOFIN conjointes des programmes d'appui à la réinsertion économique et sociale des démobilisés de la ville de Kigali (PARES) et de la partie "haute intensité de main d'œuvre" du volet "Soutien aux districts" du DPRPR »; June 2009
- Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 Establishing a Financing Instrument for Development Cooperation
- EC – NSA-LA Programme Mid-Term Review, Final Report December 2009
- Devis-programme (soutien aux districts) du 15 juillet 2005 au 14 janvier 2007, FCD
- Loi nr 20/2002 portant sur la création, organisation et fonctionnement du Fonds Commun de Developpement des districts, villes et la ville de Kigali, 1er aout 2002
- Manuel de procédures du CDF, novembre 2004
- CDF Annual Report 2004, March 2005

5.3 Annex 3: Detailed list of EC-funded interventions

Table 4 Detailed list of EC-funded interventions related to decentralisation

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Decentralised programme for rural poverty reduction	2003 - 2010	33,97	33,8	FED/2003/016-357	Bottom up	L	Grant to GoR	Government, Republika Y U Rwanda
Soutien à la politique de décentralisation en vue d'une inclusion communautaire, sociale et économique des personnes en situation de handicap vivant en	2008 - 2013	0,6	0,2	DCI-NSAPVD/2007/019-404	Bottom up	N/L	Grant	Government, Handicap International Association
Améliorer la participation citoyenne dans les processus de gouvernance décentralisée	2009-2011	0,6	0,2	DCI-NSAPVD/2008/020-081	Bottom up	L	Grant	Private companies/ Dvpt agencies, Trocaire
<i>Indirect interventions</i>	<i>Implementation period</i>	<i>Planned amount</i>		<i>CRIS Decision Nr</i>				
Appui technique & logistique au min.finances & planification économique	2005-2006	0,03		FED/2000/015-184				

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Decentralised programme for rural poverty reduction

Budget: EUR 33.972.633

Start date: 2003

Objectives and expected results:

Overall objective:

DPRPR aims to reduce poverty in the programme zone through support to activities within the framework of the decentralisation process implemented by the Rwandan government, which should help local populations participate fully in the decision-making process with the local administration.

Project purpose:

DPRPR will empower local women and men to establish their own development priorities. It will train their elected officials and their local service providers to oversee a process where local firms and associations deliver the social, environmental and, particularly, the economic infrastructure prioritised by the people, and provide skills and new technologies for income-generating activities. By DPRPR's end, the skills learnt and systems put in place will allow the process to continue using funds from central government and the district's own tax revenue. A higher proportion of market-oriented agriculture and profitable off-farm businesses will raise incomes for poor farmers. Rural public works - and subsequent maintenance - will provide work preferentially for the poor, thus reducing poverty and improving infrastructure.

Expected results:

DPRPR will produce four broad results:

- The population of the programme zone adapts its economic activities, particularly agriculture, from subsistence to a market-oriented economy.
- Most of the population of the DPRPR zone lives above the poverty threshold.
- Every district in the DPRPR zone has a CDP and can implement it because of skills gained through budgetary support alone. .
- The entire population participates physically and intellectually in CDP implementation.

Activities:

Cell-level populations will define their development priorities, which their directly elected representatives will present at sector level. Sector-level priorities including, where possible, symbioses of priorities in different cells, will go to a sector plan and then to district level representatives will present at sector level. Sector-level priorities including, where possible, where they contribute to the CDP via a transparent process. The main outputs of the CDP will be a set of district priority activities, rolling three-year MTEF plans, and annual district-level work plans. DPRPR will support the implementation of prioritised activities at three levels. At the cell level, it will support *ubudehe* activities nationwide (9,176 cells) for the first year. At the sector and district levels, DPRPR will support activities funded through labour intensive public works (LIRPW). 3

Ubudehe is a new twist on an old Rwandan tradition of mutual aid at the local level. Collection of data on cells' needs and participatory planning (for incorporation into the CDP) lead to quick funding of cells' pressing priorities and the injection of funds at the grassroots level to allow the community to work collectively to solve their priority problems, thus recapitalising the rural economy and rebuilding the fabric of cohesive local relations through economic activity. The population of the cell must partially match the funds they receive, either in cash or in kind. Importantly, all members of the community participate in the planning and in the works undertaken, including women, youth and other disadvantaged groups normally excluded from decision-making and collective action. Wide radio publicity will prepare the population for the community participation in *ubudehe* before it begins. DPRPR will support the *ubudehe* approach throughout the country at cell level with funding of €10 million in the first year. For continuity, CDF funds will supply funding in later years.

At sector and at district level, DPRPR will support local priorities to which the populations will have to contribute in cash or kind. DPRPR support will take two forms. Firstly, the programme will finance training to ensure that local administrative services have the necessary skills in organisational and financial management, participatory development and planning by objectives. Secondly, for year 2 and

3 it will finance LIRPW run by the local authorities, or collaboration with them to implement their annual plans. The DPRPR budget covers possible payments to other executing agencies but this cost will not account for more than 7.5 percent of the value of the works. These agencies will provide agricultural research and extension skills and SME support services.

At national level, the EC strongly supports the principle of CDF. Over the course of DPRPR implementation, PMU and CDF will work closely together to co-manage the programme. PMU will work to boost CDF's technical and managerial capacity and, as a function of CDF's enhanced status, will gradually transfer to CDF full responsibility for all DPRPR's technical and managerial functions. One of the technical assistants proposed will support CDF in this area. The DPRPR Monitoring Committee will draw up a set of criteria for successive stages of transfer of this responsibility.

A debate is underway on the future of the province. This administrative level could disappear when the districts have acquired sufficient capacity to manage their own development. Meanwhile, provinces play a coordinating role in the decentralization process, and so the proposed programme includes technical support at this level in each province in the programme zone. A provincial co-ordination committee will include all district mayors, representatives of civil society, the private sector, and all project-level projects and programmes (such as the proposed programme). This committee will manage problems beyond the scope of individual districts.

Specific activities:

For result 1:

- Carry out a participatory diagnostic throughout the country and implement collective actions using the *ubudehe* approach, which the programme will support nationally in year
- Develop a CDP in each district in the programme zone.

For result 2:

- Support to execution of LIRFW solutions to locally identified priority problems.
- Monitoring and evaluation of this execution, while developing mechanisms that will allow a progressive evolution from programme support to budget support.

For result 3:

- Train the elected officials and the local administrative services in participative management of local development and in good governance: identification, planning,
- Formulation, implementation, monitoring and evaluation of their own development, with a moral and physical commitment by the population.
- Facilitate meetings between the different local-government levels (cells, sectors and districts) to ensure that each takes the others' participation and needs into account when planning the CDP. 4

For result 4:

- Use *ubudehe* and labour-intensive LIRPW to inject funds to the poor in the programme zone and to promote community relations through working together.
- Ensure that all participate in the participative planning exercises at each level.

5.4.2 Intervention 2

Title: Soutien à la politique de décentralisation en vue d'une inclusion communautaire, sociale et économique des personnes en situation de handicap vivant en

Budget: 600.000 EUR

Start date: 2008

Objectives and expected results:

Overall objective:

Persons with disabilities living in rural areas gain access to quality rehabilitation care and a better community inclusion, economic and social prescribed in accordance with the law of Rwanda (priority to children and attention to the gender approach).

Specific objective:

The Ministry of Health leads and coordinates on the entire country the implementation of the 2008-2012 PNRPH in order to develop further the provision of physical rehabilitation and to achieve concrete results in terms of school, community, social and economic inclusion, of persons with disabilities in the districts of Rusizi, Huye, Musanze, Kayonza and Ruhango. (with priority given to children and attention to the gender approach to reach 50% of women / girls)

Expected results:

1. The Department for Rehabilitation of Physically Disabled "leads the PNRPH 2008-2012 by associating the various ministries and all stakeholders in the functional rehabilitation as well as local actors
2. The rehabilitation professionals and health professionals in general (medical and paramedical) acquire new skills in the areas of functional rehabilitation and CBR to be able to take a key role in the network of resource persons for the inclusion of persons with disabilities.
3. A device for Community Based Rehabilitation (CBR), relying on local institutions and associations, is implemented in the five rural districts of Rusizi, Huye, Musanze, Kayanza and Ruhango and working for the inclusion of persons with disabilities.

Activities:For result 1:

- Technical Support to the Department "Rehabilitation of the Physically Disabled" for the control and coordination of actors involved in rehabilitation for the implementation of PNRPH Biannual meeting of the National Steering Committee PNRHP, 3-day workshop for validation "manual RBC" (25 participants), a national seminar of restitution (40 participants) "
- Implementation and tracking of the Monitoring Committees of the PNRPH in 30 districts of the country and visits of support / advice from the department to the operators / services of disability rehabilitation and local authorities to facilitate the operational implementation of activities PNRPH (1 seminar of presentation of PNRHP to the authorities of the 30 districts (1 day / 100 participants), 5 sessions of 3-day training of district authorities (30 participants per session), 3000 copies, awareness manual)
- Advocacy and media coverage of the achievements of 2008-2012 PNRPH Radio spots, radio broadcasts, radio media, 2000 awareness posters, RV and print important activities of the project "
- Establishment of a monitoring of indicators measuring the inclusion of persons with disabilities in their community (school children, including disabled persons' associations, sports clubs ...) Standardized monitoring "care" and the establishment of a monitoring "indicators of inclusion" - design and validation workshops "

For result 2:

- Elaboration and implementation of a continuing education plan in collaboration with the KHI and associations of professionals (physiotherapists and orthopedic) for the rehabilitation professionals serving. Skills Assessment for the development of 2 continuing education plans (physio and ortho), training sessions (physiotherapy and ortho) "
- Introduction of modules relating to functional rehabilitation and to strategy RBC in initial training courses of the health professionals trained at KHI, the UNR and schools of nursing. 112 lectures a half day in the 7 schools targeted - training syllabus in 1000 copies "
- Capacity building of associations of rehabilitation professionals (external communication, research funding and advocacy), Developing a communication strategy for each association, duplicating a folder of presentation of each association (1000 copies), financial support for each of the three associations to achieve their communication strategy "

For result 3:

- Support to the establishment of the RBC committees in districts and RBC targeted sectors (1 team training project + HVP Gatagara (7 weeks), 18 training sessions of 3 days for 40 participants ")
- Awareness sessions and training on the RBC approach aimed at health professionals and community health workers ("training of trainers") 10 training sessions of the professionals 5 days (37 participants per session) 74 sessions of training community health workers (40 participants per session)
- Capacity building of elected of the local associations of FENAPH and of other structures of people with disabilities.
- Support to the dynamic features of inclusion of persons living with disabilities (advocacy for inclusive education, access to vocational training, to sports and cultural support for the creation of income generating activities and the formation of cooperatives).
- Support for the creation of "Homes Handicap Relay" within the administrations of the districts targeted. Establishment of 5 "Homes Handicap Relay" instead of 1 per district "

5.4.3 Intervention 3

Title: Améliorer la participation citoyenne dans les processus de gouvernance décentralisée

Budget: 600.000 EUR

Start date:

Objectives and expected results:

Overall objective: Improving citizen participation in the process of decentralized governance.

Specific objective:

- Awareness and facilitate participation of local people in the initiation, development, implementation and monitoring of the decisions and programs that affect them
- Strengthen the capacities of the partner organizations in this project analysis and monitoring of the policies and development programs.
- Strengthen networking and exchange of information at district level between the different development actors.

Expected results:

1. Target Groups and individuals contribute constructively to the local development process.
2. Partner organizations prepared and equipped to contribute constructively to the development process at multiple levels.
3. Establishment and effective operationalization of the mechanisms for exchanges and cooperation between different actors of completed and tested development

Activities:

Capacity building and information dissemination to target groups

- Creating a reference document of citizen participation in the intervention districts.
- Organizing six conference debates in each cell of a targeted area (areas: good governance, basic rights, basic principles, civic responsibility, opportunities for participation).
- Media conference debate (newspapers, radio, posters, pamphlets). Organize a socio cultural event.
- Training of the members.
- Organize discussion sessions on draft laws / programs being developed.
- Producing a documentary short film.

Strengthening of the partner organisations' capacities

- Mainstreaming of gender in the programs / projects.
- Training on techniques for collecting and managing information.
- Training on technical analysis and policy monitoring.
- Training on analysis and monitoring of budgets.
- Training on advocacy techniques.
- Education of the trainers on the techniques of training of adults / group facilitation.
- Understanding of laws, policies and programs.

Implementation and effective operationalisation of the mechanisms for exchange and collaboration between different development actors

- Establish a decentralized office of the platform in each district.

5.5 Annex 5: Detailed country context

5.5.1 Decentralisation in Rwanda

5.5.1.1 Political Decentralisation

The constitution of the Republic of Rwanda 2003 as amended to date, article 3, enshrines a constitutional provision “that the territory of Rwanda is divided into provinces, Districts, Cities, municipalities, Towns ,sectors, and cells.” Similarly article 167 of the same constitution as amended to date provides that “Public administration shall be decentralized in accordance with the provisions of the law” and that Districts, Municipalities, Towns and the City of Kigali are decentralized entities with Legal status and administrative and financial autonomy and the foundation of Community Development”.

In launching the decentralization policy in May 2000, the government of National Unity then and the people of Rwanda recognized the impelling need to fight poverty at close range. The decentralization and mobilization of the people with regard to democratic governance and participation in the decision making process in activities that bear impact on their well being was and remains the underpinning *raison d'être* of the decentralization policy in Rwanda. The implementation of the decentralization policy is in addition expected to enhance peace and reconciliation through empowerment of the local population.

In the national decentralization policy, May 2000, it is stated the policy was formulated with set principles guiding its implementation and respecting the following:

- Ensuring national unity, indivisibility and even development
- Ensuring local autonomy, identity, interest and diversity
- Separation of political and administrative/technical authority work
- Matching transferred responsibilities with the transfer of financial and material resources.

Respecting these principles in implementing the policy, is anticipated to ensure, among others, citizens living in peace and harmony without national disintegration or discriminative development; enhancement of people’s participation in identifying local needs and interests; infuse the culture of accountability in individuals; and match transferred responsibilities and functions while implementing decentralization with requisite financial; material and human resources. This ensures that decentralization is meaningful in giving local population the capacity to plan and manage their local development.

This assessment therefore seeks to specify the mechanism through which decentralization might have distributional implications. For example new central government allocation criteria for resources, greater decentralization autonomy over resource allocation and public investment or service delivery decisions or changes in the institutions or groups participation in decisions made at local level.

The implementation process of the decentralization policy since May 2000 to-date has thus been executed largely in two phases with first phase covering 2000 – 2005 and second phase covering 2006-2010. The implementation of the decentralization process focuses on attaining the following specific objectives:

- To enable and reactivate local people to participate in initiating, making, implementing, and monitoring decisions and plans that concern them, taking into consideration their local needs, priorities, capacities and resources by transferring power, authority and resources from central to local government and lower levels;
- To strengthen accountability and transparency in Rwanda by making local leaders directly accountable to the communities they serve and by establishing a clear linkage between the taxes they pay and the services that are financed by these taxes;
- To enhance the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management and control of service provision at the point where services are provided and by enabling local leadership to develop organization structures and capacities that take into consideration the local environment and needs;
- To develop sustainable economic planning and management capacity at local levels that will serve as the driving motor for planning, mobilization and implementation of social, political and economic development to alleviate poverty;

- To enhance effectiveness and efficiency in the planning, monitoring and delivery of services by reducing the burden from central government officials who are distanced from the point where needs are felt and services delivered.

In phase one, a series of desirable institutional building actions and activities were initiated including local elections in March 2001 and presidential election in August 2003 and parliamentary elections in October 2003. These elections were in accordance with the national constitution promulgated in June 2003. Political decentralisation process through the two phases has integrated the fundamental ingredients of effective decentralization such as Political will at the local government level and creating awareness on the democratisation and good governance processes. Political will at the Local Government level makes implementation of decentralisation policy easier. It is apparent from the consultations with key stakeholders and literature review, that implementation of democratisation and good governance initiatives at local levels in Rwanda benefited tremendously from higher level political goodwill. The President of the Republic of Rwanda gave his full endorsement and unqualified support to the process while officiating at the national consultative conference held from 2nd to 5th November 2001 to assess the achievements, the challenges and design the way forward for strengthening good governance for poverty reduction.

During the consultations both at national and at local governance structures it was apparent that the media is positively mobilised, and makes a major contribution particularly in mobilising local people, and empowering them with information. The print and electronic media is noted to be continuously involved in tracing the progress of the democratization and decentralization process and activities. Through feature articles, editorials, announcements, commentaries and periodic coverage of democratic and decentralization processes and events, the media has played a critical role in ensuring the grass root communities have stayed abreast of all democratic and decentralization events. For example more than 90% of the people consulted were aware of all past and on-going (Presidential) political activities and programs. The media also provides a platform for national debate as people at grass root structures air their views through different private and community radio stations: HUYE, RUBAVU, and NGOMA.

5.5.1.2 Administrative Decentralisation

The implementation of the decentralization process has empowered the population politically, and created a platform for sustainable democratization and the needed environment for mobilizing the population to actively participate in tackling diverse concerns embracing poverty, security, peace, reconciliation as well as their individual and collective well fair.

In phase two, 2006-2010, the focus has been to consolidate progress on national priorities i.e vision 2020, and deepen the decentralization through enhanced effectiveness of service delivery to communities. This is focusing on increasing capacities at the levels of administration (villages, cells and sectors), promotion of integrated local economic development and fostering community participation at village level in planning and management of local affairs.

This is reflected in the Local Administration Reform Policy of 2005 with the following specific objectives:

- Promote and enhance the effectiveness of service delivery by making the sector a real service delivery focal point with adequate human, material and financial capacity, and to improve the collection of data and information at this level;
- Streamline and strengthen the coordination of 'public services' and local economic development at district level by providing more technically competent personnel as well as financial resources to the district in order to ensure sustainability of decentralized fiscal regimes;
- Streamline and strengthen the coordination of development at the provincial level
- Establish and strengthen coherent monitoring and evaluation systems as well as institutionalize accountability tools and systems.

In Rwanda, the implementation process of the decentralization policy has proceeded through transferring powers; authority; functions; responsibilities; and the requisite resources from the central government to the local governments, mainly the districts. The implementation process is through three modes viz: *deconcentration*, *delegation* and *devolution*. This arrangement underscores the interactive nature of the respective units especially with regard to the flow of information, community participation in local development activities and monitoring and evaluation of economic activities at the grass-root level. This chart is complemented by information in table 2.1 which provides roles and responsibilities attributable to each of the decentralized governance units.

Table 5 Responsibilities of each territorial sub division

Level of administration	Units before reform	Units after reform⁹	Roles and Responsibilities
National	1	1	<ul style="list-style-type: none"> • Policy Formulation: Develop policies, programmes and principles which govern the country; • Resource mobilization: Mobilise resources to enable implementation of the programmes; • Capacity building: Build capacity of the population and entities which implement programmes prepared at national level; • Monitoring and evaluation: Evaluate and monitor the implementation of set policies and programmes.
Province	11	4	<ul style="list-style-type: none"> • Co-ordinate District planning with sufficient budget to implement it; • Ensure Districts implement policies whose objective is governance that supports culture of peace, transparency and participation of citizens in decision making; • Ensure District governance and administration are in line with national policies, laws and regulations; • Ensure District development is based on scientific research.
City of Kigali	1	1	<ul style="list-style-type: none"> • Draw up city master plan and housing designs; • Strengthen City, Districts and Sectors capacity; • Determine and implement city development programmes; • Co-ordinate and analyse vital statistics on socio-economic development; • Mobilise local and foreign funds to invest in the City of Kigali.

⁹ Rwanda's Decentralization Governance Reform Policy, August 2005.

<i>Level of administration</i>	<i>Units before reform</i>	<i>Units after reform⁹</i>	<i>Roles and Responsibilities</i>
District	106	30	<ul style="list-style-type: none"> • Ensure urban, economic and demographic development and enhance “poles of development”; • Build the capacity of Sectors to enable them give better services to the population; • Develop and implement District development plans; • Co-ordinate and analyse vital statistics which indicate socio-economic development of the population; • Coordinate District development programmes and give better services to the population, delivered at Sector level; • Emphasize transparent management of public resources; • Mobilise funds to invest in the District; • Put emphasis on scientific research in the District development; • Promote ICT; • Promote the social welfare of the population; • Mobilise funds and other resources;
Sector	1.545	416	<ul style="list-style-type: none"> • Give basic services; • Analyse population problems and design development plans in which the population participate; • Solve population problems; • Collect basic statistics on which development activities shall be based; • Sensitise the population to implement Government policies and programmes and to be patriotic; • Ensure proper management of public resources; • Coordinate specific Government programmes such as Gacaca, TIG, reconciliation committees etc. • Promote ICT.
Cell	9.165	2.148	<ul style="list-style-type: none"> • Assist the “Umudugudu” realise its objectives; • Link the “Umudugudu” level of administration with that of the Sector; • Collect basic statistics and deliver them to the Sector; • Analyse population problems, co-ordinate their aspirations, prioritise them and take to the Sectors problems which are beyond the means of Cell; • Resolve conflicts, and fight injustice; • Promote education and good social behaviour; • Promote peace and security.

<i>Level of administration</i>	<i>Units before reform</i>	<i>Units after reform⁹</i>	<i>Roles and Responsibilities</i>
Umudugudu/ Villages	14.975	14.975	<ul style="list-style-type: none"> • Collect basic statistics and deliver them to institutions which analyse, utilise and keep them; • Promote ICT; • Promote peace and security.

Section 5 of the National Decentralisation Policy, May 2000, indicates the process of decentralisation was envisaged to proceed through a phased approach of implementation. The first phase i.e 2000 – 2003 but subsequently extended to 2005, was for deconcentration at the Intara (province) level and devolution at the Akarere (District) level. The second phase, presently covering 2006 - 2010 period, capacities at Akarere are to be raised such that functions and responsibilities at **Intara** are decentralised to the Akarere with corresponding resources. Some administrative functions at Akarere level are to be deconcentrated to Umurenge (sector) level. The third phase presume removal of Intara (Province) to reduce administrative tiers and corresponding administrative expenses.

As indicated in chart 1 and table 1 on roles and responsibilities, the current decentralized administrative hierarchy embraces five legally instituted tiers including Intara, Akarere, Umurenge and Akagali and Umudugudu. This administrative structure has greatly facilitated the implementation of decentralization policy objectives and especially encouraging grassroot population to participate in public policy implementation and to influence or determine the nature of democratic governance through direct elections of leadership at the Cell and umudugudu levels by residents. According to democratic decentralization process, all the village (umudugudu) residents above 18 years constitute the Village council and this council directly elects its executive committee of 5 persons. The councils at sector and district levels as well as at Kigali city are representatives of electoral bodies at these levels.

The council at the District, Sector and Cell are empowered by law to make decisions intended to promote and improved community livelihoods but always ensuring such decisions do not contradict existing laws or instructions from higher levels of governance. The council at the village level is especially critical as the primary point initiating participatory involvement of the grass-root population in electing their own government and promoting community spirit that is essential for implementing decentralization policy and other government programmes.

This politico-administrative framework has accordingly initiated promoting bottom-up planning where communities are facilitated to decide what their development priorities are and to participate in their design and implementation. In this context, development programmes are demand driven and expected to entrench the interest of the grassroot population and to appreciate the advantages of decentralization policy much better.

5.5.1.3 Fiscal Decentralisation

In Rwanda the law and formal procedures underlying fiscal and financial decentralization are enshrined in the Rwanda constitution 2003 and the National Decentralization Policy May 2000; as well as the Fiscal and financial decentralization policy as updated in may 2006. The Decentralization Authorities, general Provision Article 167 outlines 11 Districts, Municipalities, Towns and City of Kigali are decentralized entities with legal status and administrative and financial autonomy and are the foundation of community development. In section 2 sub sections 2.1. (iii) of the National Decentralization Policy May 2000 states "under devolution, the powers, authority, functions, responsibilities, services and resources (outlined in this policy) currently centralized at Central Governments will be devolved to the Districts which will be created by law as legal entities with powers to sue and be sued".

Thus, according to section 6 on legal entities as local governments and administrative structures subsection 6.1 Rural areas "The Akarere will be a legal entity with powers to sue and be sued. It will therefore be referred to as a local government. The Intara, the Akagari and the Umurenge will be administrative divisions to serve the purpose of effective implementation of central government, local government and local community development activities and services provision"

The goal of fiscal and financial decentralization is to ensure that the transfer of powers and responsibilities from the Central Government to the local governments is matched with corresponding transfer of budgetary resources to meet the arising expenditures at the level of local governments. This is expected to necessarily ensure effectiveness and efficiency in the provision of requisite services at the local and community levels. This arrangement has equally created a stronger

foundation for enhancing grass-root based socio-economic transformation and sustained growth and hence enhanced favourable development environment for reducing poverty in Rwanda.

The execution of fiscal and monetary decentralization is jointly charged with MINALOC and MINECOFIN who are mandated to ensure matching funding to the responsibilities, equity, transparency, accountability, incentives and enforcement of professional practices to protect correct use of public funding at the local government levels. The MINECOFIN has since 2002 instituted elaborate public accounting systems for the local authorities, carried out related training and capacity enhancement programmes for the local authorities acquire appropriate skills in budgeting and correct procedures of using public funds and other resources.

Under the fiscal and financial decentralization arrangements, the matching funds to transferred powers and responsibilities to the local governments are composed of "Intergovernmental transfers mainly to accomplish the following:

- Provide the local government with means to carryout the functions and responsibilities that have been devolved to them
- Correct the economic and social distortions that exist between districts. In this regard, districts are accorded greater role for the demanded service delivery across all sectors.

The intergovernmental transfer is through the following means:

- Bloc or unconditional grants. These cover administrative functions and discretionary funds that allow local government authorities a measure of autonomy to deliver services in line with local needs and priorities.
- Earmarked grants. These are conditional already linked to specific central government projects, programmes and or activities.
- Own resources. It is assumed with increased investment interventions in the local government areas, there should be possibilities to raise local taxes and other types of local revenues.

However, the likelihood of Districts being able to mobilise own resources to provide a measure of fiscal and financial autonomy is far off given the existing low taxation base in the districts.

5.5.1.4 Service Delivery

Basing on the discussions conducted with Rwanda Government Officials; Development Partners involved in supporting the implementation of decentralization process; Civil Society among others and the literature consulted, it is generally evident that the heart of Rwanda decentralisation policy is "**prioritisation of service delivery and reducing poverty in the country**".

This is to urgently bring about accelerated development and reduction of poverty at the grass-root population. Thus, implementing the decentralization policy focusing on critical social and economic services to the grass-root population underpins a correct option to address poverty and economic growth concerns specific activities targeted include education especially for the young, improved health services to the rural and urban poor and to modernise agricultural production and to provide other services that are urgently in need by especially the grass-root population.

The vision of public service delivery through the decentralized units, puts people at the centre and requires high standards of accountability in the use of public resources. Efficiency and effectiveness call for rapid acquisition of a wide range of skills in planning; fiscal and financial management as well as human resource management. Other skills emphasised in this regard include enhancing capacities and capabilities in statistical know-how i.e. data collection, analysis and report processing as well as skills in monitoring and evaluations. These professional attributes are correctly assessed to be at the heart of attaining efficient and effective service delivery to all the citizens including the grassroot population

5.5.1.5 Local Governance Initiatives

Imihigo

The introduction of Imihigo in 2007 as indigenous tools enhancing service delivery under the implementation of decentralization programme was clearly timely. The concept is deeply rooted in Rwanda ancient times and revolves around trust and determination.

This concept has been modernised and institutionalised as an effective tool for promoting service delivery that is well understood at all levels of governance and the population at large. Apart from enhancing attainment of certain service products linked to decentralization process (i.e. clean water, primary education spaces and health services to increasing number of users), it has also immensely contributed to better understanding of what decentralization policy is and entails. Intended goals to achieve are not only set by the heads of Districts, Sectors or Cells but also by individuals who have

embraced the tool to measure their own performance in target areas.

The President of the Republic of Rwanda is manifestedly interested in this good practice, targets of service delivery especially at the District level are made to him as the head of State. Though, this has turned out to be a great success in accelerating service delivery at grassroots levels, there are some countervailing aspects. In this regard, it is necessary to ensure that the cosponsors of pledges conform to approve national plans and budget.

The process of implementing the decentralisation policy in Rwanda during phases one and two extending through 2000 – 2010 period, has been strengthened by several initiatives that were instituted during this period. Several of these initiatives were grassroots based while a number of others are formally instituted to guide and deepen the understanding of the benefits of decentralization implementation. These have greatly assisted to enhance democratic governance and the promotion of several desirable socio-politico-economic values but especially local economic development, peace and reconciliation.

Abunzi (Mediators)

This is a conflict resolution arrangement or committee comprised of twelve residents of a sector who are persons of integrity and acknowledge for their mediating skills in a given community. According to the National Constitution 2003, they are elected by the executive committee and councils of sectors from among persons who are not members of decentralized local government or judicial organs for term of two years which may be extended. Parties to disputes can choose three of the mediators to whom they submit their case for mediation.

This instrument of conflict resolution is rooted in the ancient times of the national culture and attracts positive responses and mutual respect at the community level. It assists build confidence in the country's legal system, a process that liberates local people from bad practices and promotes genuine socio-economic relations. Thus under this environment, decentralized programmes are beneficial individually and collectively to local communities.

Gacaca Courts

The Gacaca court is an adaptation from traditional cultural communal law that is effective in promoting healing and moving on with life. It was established in 2001 for the trial and judgement of cases against persons accused of the crime of genocide and crimes against humanity in 1994. The Gacaca courts are recognised and incorporated in the constitution of the Republic of Rwanda.

The significance of Gacaca operations and procedures in managing genocide cases at the community level is that it has largely enhanced the process of reconciliation and peaceful coexistence at the community and grassroot levels. This has enabled wider participation of the people enforcing the objectives of the on-going decentralization activities in such areas as local elections; community mobilization for participation in socio-economic activities and promotion of peace and reconciliation especially through engagement and collaboration in mutually beneficial income generating activities.

This development at the community and grassroot levels has strongly assisted the local people to take advantage of several development programmes under the decentralized governance and to increasingly build their confidence in the system and to be aware of how their welfare is daily improving through self efforts and less dependency on others..

HIMO: Labour Intensive Methods¹⁰

Labour-based technology is used in construction works production, transformation and maintenance works, which optimises the use and management of local resources. The optimal mix (the percentage of labour in relation to other sources or to the total construction costs) varies according to the type of work and is very much dependant on the level of salaries and the materials available locally and varies from country to country as well as from region to region.

A number of studies consulted including the Economic Development and Poverty Reduction Strategy (EDPRS), recent poverty analysis suggest that more than 90% of Rwanda population continue to be involved mainly in crop production and there is minimum diversity in the production of other agricultural products.

Under different decentralization programmes especially the drive to modernise and diversify agricultural production with non-traditional agricultural products, the need for skilled labour both in agricultural production and supporting activities is increasing. This will not only raise the productivity in the sector but increasingly create new employment opportunities including related feeder roads and various types of construction works (stores, and agricultural facilities).

The HIMO intensive skills formation and training as well as in house continuous intensive training focusing especially on human resource development in the rural areas and transformation of

¹⁰ *International Labour, MINALOC April 2008, National Labour Intensive Public Works Strategy (HIMO/LIPW)*

agricultural production provide strong support to realising one of the key objectives of the decentralization policy i.e. local economic development and empowerment of especially the rural population.

Ubudehe

The Ubudehe program is a pro-poor rural centred poverty eradication initiative launched in 2001 as part of partnership between Ministry of Finance and Economic Development and Ministry of Local Government. The Interventions of this program largely funded by European Union are developmental, aimed to assist poor households move out of the vicious circle of poverty through income generating schemes and household projects.

The Ubudehe being a community-based program is well rooted in the Rwandan Culture of mutual assistance and conviviality whereby people came together to address common problems and to ensure their communal security and survival. This traditional communal obligation to participate in the neighbour's house construction, bush cleaning for crop farming or excavating wells for the cows and other uses is adapted under the Ubudehe program to promote income generating activities for the poor household at the cell and sector levels. In the context of enhancing implementation of the decentralization policy, the activities of Ubudehe program directly addresses the need "to develop sustainable economic planning and management capacity at local levels that will serve as the driving motor for planning, mobilization and implementation of social political and economic development to alleviate poverty". It is to be noted that rural household development activities equally benefit from the existence of the "Umuganda" program focused on maintenance of infrastructures and improved environment.

Households projects supported under "Ubudehe" intervention are across sectors with concentration on animal husbandry, education, water and to less extent tontines (village credit), offices, forests and energy. The program has in addition generated critically important information on wealth possession and types of life existence in the areas covered by the program. This categorises the object poverty; the very poor; the poor; the resourceful poor; the food rich and the money rich. This information is extremely useful particularly for planning purposes at the local government decentralized units in evolving investment programs prioritizing poverty reduction. The success of Ubudehe program is for the moment not widely replicated due to inadequate funding but also the existence of other competing schemes for the same source of financial support. Ultimately, there may be need to integrate all such community based schemes under one organisation with common operational rules of engagement and procedures so as to ensure their developmental interventions are sustainable in future.

Umurenge SACCO

The Umurenge SACCO is a government of Rwanda initiative that aims to increase access of financial services to all citizens but especially in the rural areas presently heavily unbanked. Establishing the Umurenge SACCO at every village is thus anticipated to bring commercial banking services within the reach of every Rwanda inhabitant particularly the poor and un-banked citizens.

In the process, this is envisaged to promote a set of modern commercial banking practices including possession of individual bank deposits, savings and eventually overcome the local fear of borrowing from commercial banks in the place of money lenders at exorbitant interest rates. At the national level, this initiative is to provide a strong channel for mobilizing widely national savings and contribute significantly to the country's investments perhaps initially at the district.

Presently, only about 21% of Rwanda population have access to financial services. As a result, this is a real constraint limiting the liquidity and bank credit in the national economy. The formal sector (monetary) was about 48% of GDP in 2008 while non-monetary informal sector accounted for a declining 20% of GDP same years. With effective and successful operations of Umurenge SACCO, this situation should be reversed so that the formal monetary sector increasingly absorbs the informal monetary and the informal non-monetary sectors and thus expand the monetary base of the economy.

Membership of Umurenge SACCO is voluntary, not mandatory, but the Government and National Bank of Rwanda actively encourages all citizens including senior officials both at the central and local governments to register for membership of Umurenge SACCO to promote the expansion of its deposit base.

Among several difficulties this grass-root based bank has to overcome is the wide spread fear that its operations may eventually fail like those of Cooperative Banks where many members lost money. In this regard, the participation of National Bank of Rwanda, Ministry of Local Government, Ministry of Finance and Economic Planning in promoting the establishment of Umurenge SACCO bank gives assurance as required.

The process of internalising democratic decentralization and ensuring participatory involvement in planning and management of socio-economic activities at the community and grassroots levels, three important institutions were initiated during phase one 2000 – 2005 to guide and facilitate effective

implementation of the policy. The three institutions include the common development fund (CDF) and the National Decentralization Implementation Secretariat (NDIS) jointly supported by the government and development partners. The third one i.e. the Rwandese Association of Local Government Authorities is a civil Society Agency initiated by its members (Local Governments) and in consultation with the central government.

Common Development Fund (CDF)

The Common Development Fund (CDF) is a central government owned fund instituted by the law No.20/2002 of 21/05/2002 and subsequently replaced by the new law No. 07/2007 of February 2007, determining the attributions, organisation and functioning of the CDF in conformity with the organic No.14/2004 of 26.05.2004 determining the general arrangements of the public institutions.

The CDF supports implementation of the decentralization policy to achieve decentralized good governance through supporting sustainable socio-economic development and to effectively fight poverty at the lowest level of local government units.

Since its inception in 2002, CDF interventions have covered the following areas:

- Productive and income generating infrastructures. This enhances Districts and Kigali City financial capacities to finance (modern markets and slaughter houses; tax parks; development of swamps; storage facilities; sales points; agriculture products processing units; hostels; assembly halls etc.
- Agricultural interventions
- Transport infrastructures (Roads and bridges)
- Water supply and sanitation
- Energy projects (solar, hydroelectric, biogas)
- Environment protection
- Rural telecommunication
- Administrative infrastructures (new office space and old building rehabilitation)
- Education infrastructures (classrooms, offices)
- Health infrastructures (Health centers, health posts, clinics)
- Project studies and supervision (project documents, tender documents, estimates, designs and works supervision)

The interventions of CDF are deliberately oriented towards eradication of poverty at the household level (financing agriculture; small trade; handcraft and executed at the Umudugudu level (Village) in consonance with the UBUDEHE programme. The common development Fund, apart from certain constraints arising from its bureaucratic procedures; limited technical capacities and inadequate funding to satisfy long term development demand from 30 districts and lower levels, this notwithstanding, operations of the fund at the local government decentralized units has greatly influenced the process of acquiring desirable skills in planning, project processing and financial management at lowest levels of decentralization. This is in addition to being the only channel availing long term development financing at the community and village levels.

The National Decentralisation Implementation Secretariat (NDIS)

The NDIS began as a UNDP funded project under MINALOC. It was eventually formally established in 2008 as a coordination secretariat responsible for the implementation of the decentralization policy pursuant to organic law No.29/2005 of 23/12/2005 determining the administrative entities of the Republic of Rwanda and this was by the Prime Minister Order No. 24/03 of 23/7/2008.

The NDIS is accordingly a public service under the authority of the Minister in charge of decentralization and is financed and enjoy administrative autonomy within the framework of its mission. The NDIS mandate encompasses the following responsibilities:

- To prepare and coordinate different activities related to decentralization
- To ensure that objectives, principles, and strategies of the decentralization policy are clearly understood and implemented by all concerned agencies
- To analyse the decentralization policy and advise government agencies on matters related to its implementation
- To be a secretariat to the National Stakeholders forum responsible for the implementation of the decentralization policy and other related meetings
- To advocate for the decentralization policy in various institutions

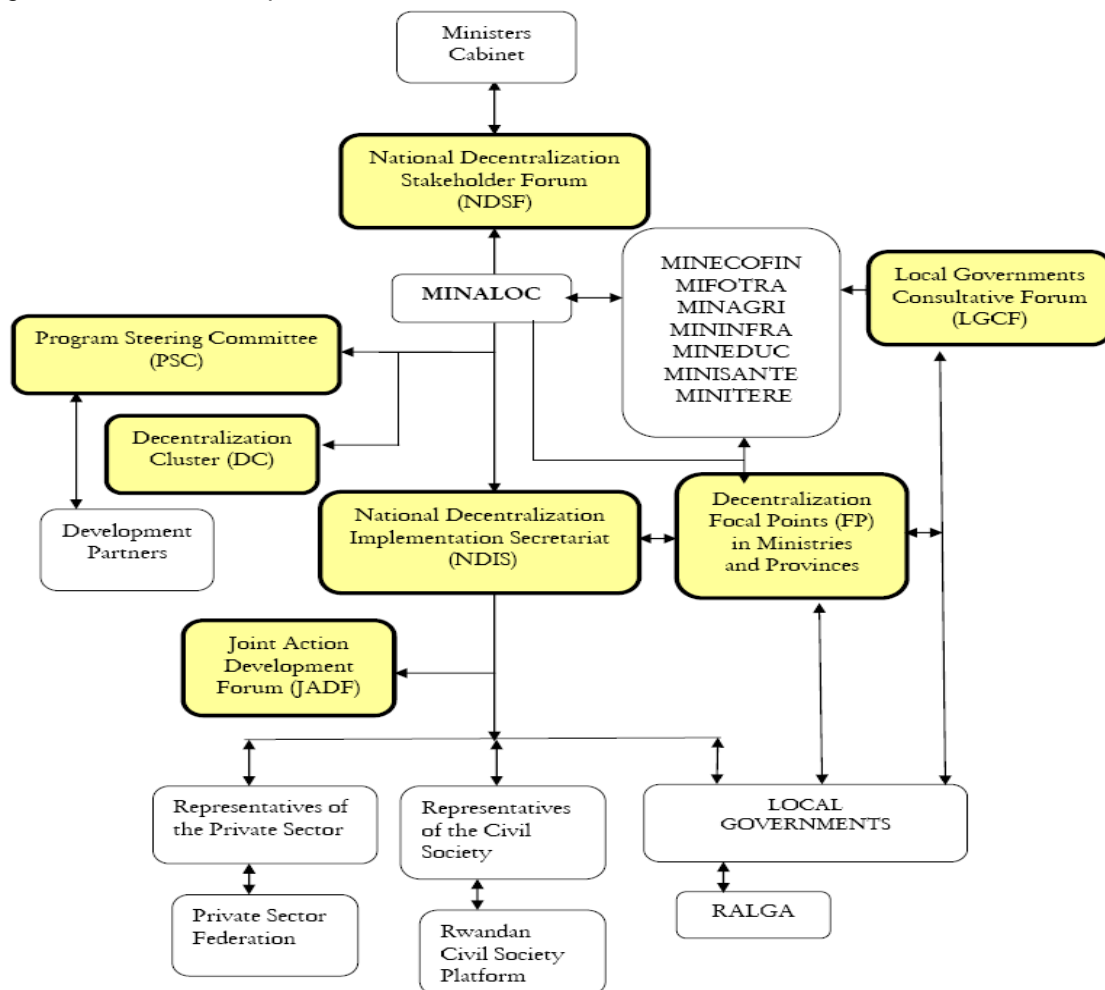
- To prepare and implement the five year decentralization implementation program and mobilise the necessary financial resources for its implementation
- To assist and advise Districts and other agencies and departments involved in the implementation of the decentralization policy
- To implement recommendations of the meeting of the consultation forum.

The NDIS operates within the mandate of MINALOC and provides Secretariat Services to both National Decentralization Stakeholders Forum (NDSF) and to the program steering committee (PSC) and is exclusively responsible for day to day management and coordination with local government authorities.

The activities of NDIS are crosscutting, integrating and coordinating all interventions and contributions from diverse bodies including the central government ministries, government agencies, local governments, development partners, civil society, private sector and academia so as to create integrated administrative and technical linkages within which to ensure progress in achieving decentralized policy objectives over time.

Even though the pace of sectoral decentralization especially with regard to a number central government activities is yet to be harmonised, still, the overall awareness is that **Rwanda Government is totally committed to ensure that this policy is successfully implemented both to attain poverty reduction and democratic governance.** The socio-economic information originating from districts and lower levels reveal the general population is generally satisfied with these objectives and the level of welfare and public service delivery are improving, as is meaningful participation in policy discussions at the grass-root level.

Figure 3 DIP Implementation Frameworks at Central Level.



Source: Rwanda Decentralization Implementation Program 2008 – 2012 (DIP)

Rwandese Association of Local Government Authorities (RALGA)

The Rwandese Association of Local Government Authorities (RALGA) is an established and functioning organization under the law No.04/2001 of 13/01/2001 but later modified in the law

No.08.2006 of 24/02/2006.

The mandate of RALGA includes:

- Representation
- Lobbying and advocacy
- Capacity building

This mandate is translated in the following objectives of the Association:

- To establish and promote solidarity bonds between City of Kigali and the Districts of Rwanda;
- To contribute to the improvement of local administration;
- To promote socio-economic development of the Rwandan population;
- To keep the population informed about Decentralisation related decisions taken by Central Government, City of Kigali, and Districts;
- To develop relations of cooperation with foreign Districts and their Local Government Associations;
- To provide opinions on Decentralisation Policy and to advocate for it before competent Institutions;
- To advise Central Government on Decentralisation related Programmes and Policies.

In pursuance of its mandate and objectives, the RALGA as a civil society organisation has effectively assisted the local government decentralized unit acquire the requisite skills in management, planning and data analysis for these units to effectively and efficiently handle their decentralized tasks. In association with MINALOC and MINECOFIN, the RALGA handles induction training programs for the elected councillors at all levels of local councils to equip them with requisite know-how and skills. In particular, at these levels, councillors lack varying degrees of competencies to identify critical development needs of the communities, and grassroots population they represent. They are, therefore, trained on how to determine priorities and how to respond to emerging opportunities in time. These aspects are important in internalizing the benefits of decentralization at the district and lower levels. In this connection, the interventions of RALGA have, among other things, provided continuous follow-up of the progress of the implementation process of decentralization.

The organization undertakes lobbying and advocacy on the behalf of its members, the local government, and makes known the requirements of the local governments to the central government for action. In this regard, RALGA strongly supports and promotes the process of decentralization and the empowerment of local authorities, which is essential to achieve sustained socio-economic development.

The Association works closely with NDIS especially in coordinating specific capacity building programs for the local government decentralized units and in sustaining progress in implementing the decentralization policy.

While all these initiatives have greatly contributed to the achievements attributable to implementation of decentralization one major constraining factor relates to decentralization management capacities (institutional, organizational, financial, material and human resources) severely inadequate.



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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Sierra Leone**

Prepared by: Philip Bøttern

July 2011

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

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List of Abbreviations

ADDO	Arch Diocesan Development Organisation
AFRC	Armed Forces Revolutionary Council
BBC	British Broadcasting Corporation
BRACE	Building Resilience and Community Engagement
CA	Chief administrator
CDF	Civil Defence Forces
CLoGPAS	Comprehensive Local Government Performance Assessment System
COOPI	Associazione Cooperazione Internazionale
CRIS	Common Relex Information System Multi-Donor Trust Fund
CSO	Civil Society Organisation
CUD	Coordination Unit for Decentralisation
DCBP	Decentralisation Capacity Building Programme,
DDR	Disarmament, Demobilisation, and Reintegration
DecSec	Decentralisation Secretariat
DfID	Department for International Development (UK)
DSDP	Decentralised Service Delivery Programme
EC	European Commission (Commission of the European Union)
ECHO	European Commission Humanitarian Office
EQ	Evaluation Question
EU	European Union
EUD	Delegation of the European Union
FAO	Food and Agriculture Organization
FCC	Freetown City Council
FoSED	Food Security and Economic Development in the Bo, Pujehun and Kenema Districts
FY	Fiscal Year
GBS	General Budget Support
GoBiFo	Project to strengthen social capital in the pilot Districts of Bombali and Bonthe
GoSL	Government of Sierra Leone
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HELP	Hands Empowering the Less Privileged
HRM/D	Human Resource Management/Development
HRMO	Human Resource Management Office
HRSOC	Human Rights Society Organisations and Communications
IEC	Information, Education, Communication
IMC	Inter-ministerial Committee
INPS	Integrated National Public Survey
IRCBP	Institutional Reform and Capacity Building Programme
JC	Judgement Criterion
JCS	Joint Country Strategy
JEU	(EC) Joint Evaluation Unit
JICA	Japan International Cooperation Agency
KDERP	Kenema District Economic Recovery Programme
KNSCC	Koidu/New Sembehun City Council
LC	Local Council
Le	Leones. 1 Euro=5000 Leones
LG	Local Government
LGA	Local Government Act
LGA	Local Government Act
LGFD	Local Government Finance Department
LoCASL	Local Council Association Sierra Leone
M&E	Monitoring and Evaluation
MC	Municipality Council
MDA	Ministries, Departments and Agencies

MDA	Ministries, Departments and Agencies
MDTF	Multi-Donor Trust Fund
MLGRD	Ministry of Local Government and Rural Development (up to April 2011: MIALGRD)
MoFED	Ministry of Finance and Economic Development
NAO	National Authorising Officer
NCDDR	National Committee for Disarmament, Demobilisation and Reintegration
NDP	National Decentralisation Policy
NGO	Non government Organisation
NPS	National Public Services
PDA	Personal Data Assistant
PHU	Peripheral Health Unit
PUCAFS	Peri and Urban Community Action for Food Security Programme
RF	Result Framework
ROM	Result Oriented Monitoring
RUF	Revolutionary United Front
SADev	Sustainable Agriculture Development in Koinadugu District
SBS	Sector Budget Support
SL	Sierra Leone
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
UNCRPD	UN Convention of the Rights of Persons with Disabilities
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States Dollars
WB	World Bank
WDC	Ward Development Committee

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the European Commission (EC)/ European Union (EU) to deliver its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to *Sierra Leone* had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means should this note be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting Sierra Leone as one of the field studies were:

- EC/EU has decided to allocate all resources for the Decentralisation Capacity Building Programme, (DCBP) into a trust fund managed by the World Bank to co-finance the Institutional Reform and Capacity Building Programme (IRCBP).
- Sierra Leone has implemented a rapid approach to decentralisation where the Government of Sierra Leone (GoSL) planned to devolve almost all functions of central government ministries to newly established local councils within 5 years (2004 to 2008).
- Sierra Leone is a fragile state coming out of a ten years' civil war in 2002.
- The programme's budget is relatively large (Euro 10 million) compared to the total EC/EU portfolio for support to decentralisation during the evaluation period
- The entry point to decentralisation in the EC/EU support is top down, i.e. reform implementation by the central government

The field visit was undertaken between 16/05 and 23/05 2011. The evaluation team was composed of Philip Bottern (team leader) and Sullay Sesay (national consultant).

1.2 Focus of the analysis and data collection methods

1.2.1 Research focus

Besides collecting additional evidence related to answering the EQs, the field visit to Sierra Leone has specifically looked into the following aspects:

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

Table 1 Research focus

Research focus	Mainly related to EQ
Clarity of EC/EU policy/strategies on decentralisation according to national stakeholders and other international donors	1
Institutional capacity of EC/EU for support to decentralisation – how were priorities made in the delegation? Did the general EC/EU framework for support to decentralisation facilitate decisions?	2
Appropriateness of World Bank (WB) Trust Fund as aid modality for decentralisation support; how has policy dialogue been affected? To what extent has decentralisation process and outcomes been affected, what has been the specific EC/EU contribution?	3
Coherence between major sector interventions (such as in education sector) and decentralisation support	4
Documented results of decentralisation process and the relative importance of EC/EU support - though the WB trust fund and other EC/EU funded interventions.	5-8

The following working hypotheses have been developed during the desk phase for Sierra Leone. It has been a part of the field visit to validate, nuanced or rejected the hypothesis:

1. The EC/EU support to decentralisation as a joint agreement with the other donors (WB and Department for International Development - DFID) may have restricted the EC/EU's influence on programme development and policy dialogue with the government. In particular as staff with responsibility for decentralisation is limited in the delegation.
2. A joint programme may have increased efficiency of programme resource as transaction costs are smaller and EC/EU, WB and DFID communication with the government is easier.
3. Policy dialogue with the government can be clearer and more effective in a set-up with single donor programme.

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a **desk review** of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in Sierra Leone (SL).

During the field phase, the team, in addition to continued document review, also interviewed key persons in ministries and development partners with relevant and extensive knowledge of the IRCBP and decentralisation in SL.

A few interviews were carried out as focus group meeting, but the preferred interview methodology was individual in-depth interviews focused on the relevant EQs and the working hypotheses. The debriefing, the final day of the mission, was arranged with participation of a large group of the key staff in the delegation². A list of people met can be found in Annex 1. The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency. The team also benefited from their respective extensive experiences with decentralisation in SL since its re-activation in 2004.

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. The team relied extensively on the related reports and their prior extensive knowledge from SL attempting to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue also centred around distilling broader lessons and themes rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall portfolio of the EC/EU. Rather it is an attempt to learn from the Sierra Leone experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

² In the meeting the team's findings and different aspects of decentralisation including EU's evolving policy approach during the last 10 years were discussed as well as the coordination between EU sector programmes and decentralisation.

Statistics

Getting reliable updated statistics in SL is difficult as time series are not updated regularly and surveys are not carried out as planned. The methodology for the Integrated National Public Survey (INPS) is currently under revision and the survey has not been carried out in recent years, hence recent basic statistics on social services and infrastructure and public opinions on service delivery is not available. Some of the newest data is therefore as old as 2005.

The latest published comprehensive performance assessment of the local councils (CLOGPAS) is from 2008. The results from 2010 will be published within the next 6 months³. This lack of statistical data has been a particular challenge to present reliable information for answering EQ 8 on service delivery.

The IRCBP has developed a result framework (RF) with baseline information, which has been updated regularly. The IRCBP RF presents indicators for programme and decentralisation progress and some outcome indicators. The latest update from March 2011 has been used frequently in the present report. The total result framework is presented in Annex 6 to the report.

³ The team received, however, some preliminary information on the results from 2010, which was applied for answering in particular EQ 5 and 6.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description of the decentralisation process in the country

Brief background history

SL has a long tradition with local governments since the independence in 1951 and also during the British Colonial Rule. The district councils' operations were, however, suspended in 1972 because incidents of corruptions were detected in some councils. Thereafter, the councils were changed to management committees with members appointed by the central government.

After the restoration of peace in 2002 and the conduction of national elections, the decentralisation was reintroduced, and new local councils elected in 2004. Since then one of the most radical decentralisation reform has been implemented with devolution of almost all central government functions to local councils.

National Actors in the Decentralisation process

A strategic framework involving political, governance and administrative elements has been established to guide the implementation process of decentralisation. The key stakeholders are:

- The Ministry of Local Government and Rural Development (MLG&RD) charged with ensuring the administrative elements of the decentralisation including the devolution of central government functions to local councils
- Ministries, departments and agencies (MDAs) charged with devolving functions to local councils and monitoring their performance as specified in the Local Government Act (LGA) 2004 and
- The Ministry of Finance and Economic Development (MoFED) tracking the local councils (LCs) spending and regulating the fiscal decentralisation process, i.e. expenditure assignments, local revenues and government tied and untied grants.

Other key actors are the Parliament, which is engaged in the process of enacting and amending appropriate legislation, the Judiciary dispensing justice related to the decentralisation process, and the Auditor General's Office for auditing local councils' accounts and reporting all findings to the MLG&RD.

Local Government Act and Decentralisation Policy

The 1991 Constitution of SL deals only a little with decentralisation; and before 1972 decentralisation was based on statements in official documents and obsolete sector policies without laid down rules and regulations.

After 2002 the decentralisation process took off with the Local Government Act (2004), approved by the Parliament in 2004. It addresses – inter alia – the devolution of functions from the central to local councils, criteria for the election of councillors and their disqualifications, local councils' revenues and financial management. As regards governance, a multi-stakeholder approach is engaged to promote participation in decision-making in particular in planning, which is also a part of the LGA.

A National Decentralisation Policy has recently (2010) been endorsed by the cabinet and the LGA will now be revised for consistency with this and sectors laws⁴.

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in SL mainly through the IRCBP. The table below summarises the major EC/EU-funded interventions in support to decentralisation considered.

⁴ In Annex 5 the LGA is presented in more detail including functions of the LCs.

Table 2 List of the major EC/EU-funded interventions

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Decentralisation Capacity Building Programme	9,1	17038/194632	All funds from the DCBP were transferred to a trust fund, managed by the WB, which finances the IRCBP. The contribution from the WB was 25 mUSD.
Decentralised Service Delivery Programme (DSDP)	5.0	22211	5 years (signed 16 September 2010). First tranche from EC/EU will be released 1 July 2011 to a trust fund managed by the WB. WB has allocated United States dollars (USD) 20 million. DFID may join.
Non State Actors, NGOs and Local Governments	61,4		50 projects approved by Delegation of the European Union (EUD) in Sierra Leone from the budget line for Non State Actors (NSA) and Local Authorities. Three of these are implemented by LCs with a total budget of 1,3 mEUR while many other include local councils as actors.

The IRCBP was implemented from 2004 and it deals with all aspect of the decentralisation reform in SL i.e. transfer of functions to councils, training and capacity building of central and local governments staff and local councillors, financial management, local revenue management and collection, planning, public participation and support to a local government association.

The EC/EU support to decentralisation in SL cannot be separated to certain areas of the IRCBP and therefore the evaluation of EC/EU's support to decentralisation in Sierra Leone will deal with the results of the IRCBP as this is the only major EC/EU intervention for decentralisation apart from three minor projects implemented directly by the local councils.

Note: a detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1

The beneficiaries from IRCBP are not aware of any particular EC/EU approach to decentralisation. The ministries and others met during the mission appreciate EC/EU's support highly but see the IRCBP only as a programme financed by the WB co-financed with the EC/EU. They question the rationale behind the EC/EU's financial input into the IRCBP with very little follow-up on activities and results.

"I just wonder why the EU doesn't want to know how its money is spent" (government official).

In particular, officials from MLG&RD encourage more involvement and encourage the EC/EU to be more visible and follow up on decentralisation issues.

It should also be mentioned that some non-senior actors met during the field mission were not fully aware of the EC/EU's participation in the funding arrangement for the IRCBP. Moreover, all government officials met noticed the very limited participation of EC/EU officials in arrangements in the MLG&RD.

Ind 1.3.2

Other stakeholders including the United Nations Development Programme (UNDP) have the perception, that EC/EU basically has adopted the policy of the WB and does not have a particular policy itself.

Ind 1.3.3

The present EUD staff are not aware of the EC/EU decentralisation policy documents from 2007 and 2009. Interviews with various stakeholders confirm that the EC/EU entered into the trust arrangement in 2005 with consultations with the EC/EU but without referring to any particular EC/EU documents on decentralisation.

The EUD has used approaches for decentralisation developed by the WB, which are consistent with those of the EU according to the EUD.

Recently, during 2010, the EC/EU decided to support the second phase of the Decentralised Service Delivery Programme (DSDP) after a request from the WB. This funding will begin from July 2011 and again the EC/EU will follow the WB approach. EC/EU funding will be directed towards the new programme's first component on local development grants although the funding cannot be traced separately as it will also be channelled through a WB managed trust fund.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1

In the preparation for the EC/EU "DCBP", the EUD analysed various options for how the support should be allocated. During that process it was realised that the WB already had implemented a large reform programme with the GoSL and funding was needed to prolong the programme. The operative EC/EU procedures did not hinder the EC/EU to join this new arrangement within a trust fund with the WB, DfID and GoSL as partners.

EC/EU procedures have also permitted the establishment of a partnership with the DfID which resulted in a joint EU/DfID CPS 2008 to 2013.

Ind 2.1.2

The coordination is mainly done by the relevant staff, who arrange meetings or have informal sessions, when this is necessary. Within the EUD no formal mechanism is established to secure coherence between different EC/EU interventions in sectors and decentralisation.

Ind 2.1.3

From 2005 to early 2010 and again from early 2011 one staff member is responsible for decentralisation. This has not resulted in enough capacity in the delegation to be active with the government in discussions on decentralisation. On the other hand this has hardly been a priority of the EUD as the communication with the government on decentralisation has been left to the WB, when funds were allocated to the IRCBP.

Ind 2.1.4

No particular incentives/disincentives have been observed by the mission for risk taking within decentralisation.

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1

The EUD has no specific unit dealing with decentralisation – this is done by an individual. The present staff member with responsibilities for decentralisation started in 2011 and since the former decentralisation staff member left in early 2010, no staff member has been fully responsible for decentralisation.

The EUD's human resources are too scarce to follow the IRCBP closely and once funding is provided to the WB managed trust funds, the EUD has decided that the WB manages the funds. However, some criticisms were launched on WB procedures by the EUD staff members during the de-briefing meeting - in particular on WB information sharing of the aide memoires from the implementation

support missions and also the problem that decisions on changes in programme implemented can only be taken, when the support missions from the WB is present in SL.

Recommendations to the government from the missions, in particular on the institutionalisation of the programme, in the Decentralisation Secretariat (DecSec) in the MLG&RD and Local Government Finance Department (LGFD) in the MoFED have been raised to GoSL by the WB and supported by the EC/EU.

Ind 2.2.2

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

Ind 2.2.3

The present and the former staff member with responsibilities for decentralisation in the EUD have not received specific training on decentralisation⁵ – it is a learning-by-doing process. Nor has other staff members in the EUD.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1

There is no specific monitoring system for decentralisation in the EUD. Monitoring of the EU DCBP, (which provides all its funds to the IRCBP) is done via the EC/EU Result Oriented Monitoring (ROM) system. While the IRCBP is monitored with the aide memoires from the IRCBP implementation support missions and the progress reports from the IRCBP secretariat. These documents are read and archived in the EUD.

The four projects financed by the budget line for Non government Organisations (NGOs) and local authorities are not monitored by the delegation.

Ind 2.3.2

There is no particular mechanism for joint learning systems in the EUD for decentralisation – knowledge about decentralisation is shared occasionally at informal or formal staff meetings in the EUD. At the de-briefing meeting, the acting head of the EUD suggested nominating an EUD decentralisation coordinator, who will be responsible for dissemination of experiences for decentralisation and coordinate with EC/EU sector activities.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

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

⁵ The EUD staff had not participated in capacity building for sectors either. All EUD staff members agreed that it is a learning-by-doing experience within the sectors and decentralisation.

- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant CSP sections on decentralisation and local governance*

Main findings from the field mission:

Ind 3.1.1

EC/EU support to decentralisation has followed the approach suggested by the WB in the IRCBP including the analysis of national strategies and policies when the programme was prepared. EC/EU did not carry out a genuine analysis of decentralisation in SL on its own or with consultancies. DFID and officials from MLG&RD agree that the response by the EC/EU is aligned with the national priorities.

Ind 3.1.2

The EC/EU trusted that the WB procedures were aligned with the GoSL policies, strategies and funding arrangements. The IRCBP has itself designed transfer mechanism with support to the LGFD and the mechanism for transfer of functions to the local councils following the existing set-up in MoFED. Interviews with government officials confirm that procedures in the IRCBP were developed with the MoFED and aligned with already existing procedures i.e. those in the LGA from 2004.

Ind 3.1.3

The dialogue with the government has been led by the WB after each of the bi-annual/annual implementation support missions for the IRCBP. The dialogue has according to MLR&RD and the EC/EU been of good quality but the issue on the institutionalisation of the programme's results has not been solved although this has been raised continuously since the mid-term review in 2006. Since early 2010 the EUD's participation in activities in the MLG&RD has been limited to a few meetings and working groups. The EUD was more active before 2010 but mainly during the implementation missions for the IRCBP.

Ind 3.1.4

The joint CSP 2008 to 2013 has specific reference to decentralisation and local governance and it presents some comments on the decentralisation reform process in SL and how this can be supported. The document is of good quality and the conclusions are in coherence with observations from other donors and the GoSL.

The CSP 2003-2007 included support to institutional strengthening of government institutions in the reform process including decentralisation actors, i.e. it was a more open strategy document, which did not say specifically that the EC/EU would support decentralisation.

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Ind 3.2.1

By supporting a comprehensive reform managed by the WB, the EC/EU has followed the top-down entry point to decentralisation. The programme is well designed according to the national context, where the decentralisation system was not defined until the approval of the LGA in 2004 and it was necessary to continue in a comprehensive reform process with gradual devolvement of functions to LCs.

Elements of bottom-up entry are also seen by the projects in specific districts financed by the EC/EU budget line for Non-State Actors and Local Authorities in development with applications directly to the EUD. The EUD mentioned in particular three projects (see table 3 below) with districts as project implementers. The EUD sees these projects as a good supplement to the top down approach. MLG&RD, on the other hand, would like to be more involved/ informed during the implementation of all projects at district level to coordinate these with government programmes.

Ind 3.2.2

The EC/EU decided to follow the IRCBP's intervention logic, which were designed by the WB. As a consequence, the EC/EU did not carry out a separate analysis on the intervention logic of the programme and how it should evolve over time.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as “When and how to use sector budget support?” or “what are the risks related to the”) are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1.

The EC/EU has supported decentralisation since 2004 and followed the WB approach in the IRCBP. The approach has evolved during the implementation following recommendations from the IRCBP implementation support missions, which have been carried out annually or semi-annually. According to MLG&RD the responses have been appropriate.

Ind 3.3.2

The IRCBP has been designed well and national context had not changed substantially during the course of the programme. Stakeholders met during the mission or ROM reports do not report on incidences, where efficiency was lost.

Ind 3.3.3

The EUD assessed that a sector budget support (SBS) modality could not be used in 2004 as the EC/EU at that moment had substantial problems with the introduction of a general budget support (GBS), which was introduced from 2004. The GBS modality was difficult to introduce as the government should understand the mechanism and its implications. Furthermore, the EUD would like to join the IRCBP and this had already been implemented in a trust fund modality, which is the preferred modality of the WB. .

Ind 3.3.4.

The EUD considered that joining a WB managed trust funds would be the best and most efficient way to support decentralisation in particular as the WB funding of the IRCBP only lasted to mid 2008. The additional funding from EC/EU and DfID had made the continuation up to June 2011 possible. This decision was taken after it has been assessed in a consultancy if the EU's DCBP could finance other activities within decentralisation. The analysis concluded that the IRCBP already covered most activities and other areas i.e. policy formulation and specific district programmes were covered by UNDP, United Nations Capital Development Fund (UNCDF), Japan International Cooperation Agency (JICA) and German Technical Cooperation (GTZ).

It was accepted that the funds from the EC/EU could not be traced separately and this is accepted fully in the EUD including the fact that some stakeholders might not know that EC/EU is supporting the trust fund.

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

Ind 3.4.1.

Decentralisation analyses and strategies are mentioned in the CSP 2008 to 2013. Other analyses on decentralisation have been left to the WB during programme formulation and implementation support missions.

Ind 3.4.2.

The WB was the obvious partner as it had already started the IRCBP with similar objectives as the EC/EU programme (DCBP). EC/EU had also established cooperation with DfID as the other major donor in decentralisation and it was therefore logical to join DfID in the IRCBP. The UNDP/UNCDF

also suggested that EC/EU could support their programmes at district level, but support to national decentralisation process was more important for EC/EU as the IRCBP would stop from 2008 without the support from EC/EU and the DfID.

Regarding EC/EU support channelled through NGOs, three local councils (BO, Bombali, Kailahun) are supported by the EC/EU from the budget line for Non-State Actors and Local Authorities in development with specific projects. Other projects financed from this budget line do also involve some LCs to some extent but not as implementer of the project (see Annex 3 for an extensive list).

Table 3 Projects with local councils as implementers financed from the EC/EU budget line for non state actors and local authorities in SL

<i>Project</i>	<i>District</i>	<i>Dates of implementation</i>	<i>Amount (Euro)</i>
Sustained monitoring of Government of SL's new free health care programme	Bombali District Council	NA	443.327,00
Capacity Building of the Bo District and City Councils for Good Governance, Effective Aid Delivery, Health, Water and Sanitation Services	Bo District Council, Bo	2008 - 2012	450.000,00
Building capacity of Peripheral Health Units (PHUs)	Kailahun District Council	NA	449.933,00
Total local councils			1.343.260,00

Source: *The EUD*

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Ind. 4.1.1

Among EU countries: DfID and EC/EU have established a close cooperation in SL during the last 10 years, which materialised fully with the publication of the Joint CSP for 2008 - 2013⁶. From 2004, the EC/EU and DfID coordinated their action on decentralisation, when DfID decided to support the trust fund for the IRCBP and DfID recommended EC/EU to follow this approach during the formulation phase of the EU DCBP.

Apart from this cooperation with DfID, EC/EU accepts fully that the WB leads all coordination on decentralisation.

Ind 4.1.2

No records exist of EUD solving problems of inconsistencies between EU member states support programmes.

Ind 4.1.3

EC/EU has not taken a leading role instead cooperation has been established with the only other major donor in decentralisation from (WB, DfID) and UNDP.

⁶ In spite of the fact that the CSP is a joint document both parties have their individual implementation plan.

Furthermore, the EC/EU has adjusted fully to the WB approach in the IRCBP and has left the leading role for decentralisation and programme management to the WB.

Ind 4.1.4

The alignment with the WB programme shows a high level of flexibility for reducing transactions costs and improves efficiency and willingness to lose control of the programme's implementation.

However, the EC/EU could not adjust fully as three ROM reports have been produced for monitoring of the DCBP during the implementation of the IRCBP although aide memoires are produced after each of the implementation support missions reports for the IRCBP and quarterly progress report from IRCBP including a results framework with indicators (see Annex 6 for the latest).

According to the EUD, the ROM reports are, however, still useful and they complement information from the other reports. Furthermore, the monitoring with ROM reports is seen as a standard procedure for all EC/EU programmes by the EUD staff members – procedures that cannot be changed easily.

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finances decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1

During the programming of the CSP 2008 to 2013, the EC/EU had regular contacts with the DfID and this ended up with a joint CSP: *"The Joint Country Strategy (JCS) for Sierra Leone (SL) has been drafted jointly by the government of Sierra Leone (GoSL), the European Commission (EC) and the United Kingdom (UK) Department for International Development (DfID) with inputs from in-country EU Member States. The joint exercise in Sierra Leone sets a unique example of joint programming and marks an important step towards fulfilling the EU's commitments on harmonisation of donors' activities, as expressed in the Paris Declaration on Aid Effectiveness in March 2005"*⁷.

Coordination for decentralisation with other EU donors is minimal.

Ind 4.2.2

Within decentralisation only a limited number of development partners are active and therefore the coordination is not complicated. Three donors have agreed to support the reform process with the IRCBP and other donors (JICA, GTZ, UNCDF etc) work with district programmes. This is not an organised division tasks but more a result of different interests by the donors.

Ind 4.2.3

The IRCBP and the new DSDP are financed jointly with DfID and the WB. This has maximised coordination between the EC/EU and other donors – minor overlaps exist with activities in some districts funded by JICA and UNDP/UNCDF.

Ind 4.2.4

From the interviews held, it appears that that the EUD since 2010 has had limited participations in activities and meetings about decentralisation in MLG&RD, while presence was larger up to early 2010, i.e. during coordination meetings and missions of the IRCBP. Many in MLG&RD encouraged the EUD to be more active in the activities of the MLG&RD.

The EUD staff has only participated in a limited way in the semi-annual/annual implementation support missions for the IRCBP. The staff member responsible for decentralisation from 2005 to 2010 participated normally in the wrap up meetings by the end of the mission and sometimes also in a few other meetings during the mission.

⁷ Country Strategy Paper and National Indicative Programme 2008 to 2013, EUD (introduction).

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1.

Apart from decentralisation EC/EU mainly supports sectors i.e. agriculture in SL. The team has not come across larger inconsistency between different EC/EU programmes in sector and decentralisation areas. A recent example is the new EC/EU agriculture programme, where the mission did not observe inconsistencies based on an interview with the responsible in the EUD, who informed that the new agriculture programme is coordinated with the EC/EU intervention in decentralisation.

Ind 4.3.2

A gender strategy has been developed by the MLG&RD (IRCBP RF indicator 2.3). EUD has not promoted any specific EC/EU priorities during revisions of the IRCBP. According to the MLG&RD, DfID has promoted some DfID priorities occasionally.

Ind 4.3.3

For 2008 and 2010 an indicator for decentralisation is included for the GBS i.e. the size of government transfers. However, this has been eliminated in 2011 as it was difficult to provide reliable statistics for this, e.g. due to delays in the transfers it was difficult to track the transfers to the correct year. The indicator for decentralisation is in 2011 the increase in the government's expenditure for health and education, which is a rather indirect measure as it depends on central government funding. The indicators for the GBS for decentralisation from 2008 to 2011 are presented below:

Table 4 Indicators for Decentralisation in the Assessment Framework for General Budget Support 2008 to 2011

Year	Indicators
2008	i) "The budgetary funds actually transferred to local councils in 2007 expressed as a share of total discretionary non-salary, non-interest recurrent spending, will be within 4 percentage points of the budgeted share for 2007" and ii) "Actual spending as a share of budgeted allocations for health and education will meet or exceed the benchmarks set for each year".
2009	"Percentage of textbooks transferred from local councils to schools in scholastic year 2007/2008 increases on 2004/2005 results (>89%)"
2010	i) "Transfers to Local Councils in fiscal year (FY) 10 adhere to the quarterly disbursement schedule published in the beginning of each fiscal year"; and ii) "The variance between available resources and executed LC budgets should not be more than 10 percent in FY 2010"
2011	i) "Actual non-salary non-interest spending for health as a share of budgeted allocations in fiscal year 2010 will exceed the benchmark of 94.08% for fiscal year 2009 by at least 2%." ii) "Actual non-salary non-interest spending for education as a share of budgeted allocations in fiscal year 2010 will exceed the benchmark of 95.64% set for fiscal year 2009 by at least 2%"

Source: EUD

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1

The Cabinet approved the National Decentralisation Policy (NDP) in 2010 after a long process supported by the UNDP and also the EC/EU through the IRCBP (IRCBP FR indicator 2.1). The NDP is now a national document to be disseminated. It is agreed among the stakeholders that the policy has been lacking, that the document is of high quality and that it should have been prepared before the local government act (LGA) in 2004.

Ind 5.1.2

An inter-ministerial committee (IMC) headed by the vice-president was set up in 2004 to coordinate the decentralisation process. The IMC has, however, lacked a technical support unit as a secretariat and decision making and coordination have therefore been impossible.

Instead, the DecSec, supported by EC/EU and the IRCBP, has taken care of the coordination of the decentralisation process with sector ministries. As the support to DecSec will end by June 2011, the coordination is in jeopardy unless the IMC is revitalised or MLG&RD takes up the responsibility.

While national government institutions (sector ministries and their departments and agencies, MoFED, MLG&RD) are likely capable of continuing the reform process a key issue by mid 2011 is the institutionalisation of the IRCBP and LGFD into the MLG&RD and MoFED respectively. In the latter, the ministry has assumed the expenditures for salaries and office costs for the LGFD – but a budget for its activities in the field does not exist. For the DecSec the MLG&RD had not yet taken serious actions – only a draft organisational chart with two departments.

In synthesis the inter-governmental system is not yet capable to carry out a reform process without support from development partners.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1

The LGA was prepared in 2003 mainly with the support of UNDP and before the EC/EU entered into support to decentralisation. It has however been clear – almost since its approval - that the LGA includes contradictions with sector laws and also with the law and regulations on the chiefdoms e.g. on the collection and distribution of the local tax and marked dues. The revision has however awaited the approval of the National Decentralisation Policy and it is now under revision supported by the IRCBP.

Ind 5.2.2

Some inconsistencies exist between sector laws and the LGA. This was noticed by some EUD staff i.e. the inconsistency between some of GoSL's interventions in sectors and decentralisation during the devolution process, e.g. for health and for maintenance of feeder roads, where ministries on one hand support sector ministries, while MLR&RD supports councils' management of the same functions. These inconsistent actions are even sometimes supported by different donor programmes.

3.5.3 JC5.3. Local governments' fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

Ind 5.3.1

Before 2004 district administrations did not exist and today all councils are now staffed with minimum eight core staff (chief administrator, finance officer, accountant, planning officer, procurement officer, monitoring and evaluation officer, engineer etc.), which all respond to the local councils. The core local council staff members mentioned above are, however, still paid by the central government, although they should have been devolved fully during the devolution process. As their location is within the councils' premises, they are primarily accountable to the councils and to a lesser extent their line ministries, which is completely opposite to the situation in 2004.

The IRCBP has been highly involved with setting up the structures and guidelines for human resource development (HRD) in local councils.

Ind 5.3.2

Below is presented the actual and real development in the collection of local revenues from 2005 to 2009. The table shows that the amount increased three fold from 2005 to 2007 to decline again, so the real increase from 2005 to 2009 is 106 percent.

Table 5 *Local councils' collection of revenues from 2005 to 2009*

Year	2005	2006	2007	2008	2009
Actual, Le millions	5,109	6,326	18,110	15,476	16,170
Actual, Le millions, 2009 prices	7,834	8,861	22,720	16,908	16,170
Index 2005=100	100	113	290	216	206

Source: LGFD and www.ecostat.com

According to the IRCBP, 50% of all council collected in 2010 more than Le 2,000 or Euro 0.4 per inhabitant (districts) and Le 3,000 per inhabitant (towns) (IRCDP RF indicator 5.1). These figures and the data in table 5 above show that the amount collected is still very limited and progress is not satisfactory.

The councils' revenue collection is a serious problem for the sustainability of their activities and the whole decentralisation process. Certain systems (e.g. within cadastre, registration of local taxpayers etc.) have been set up supported by IRCBP and UNDP/UNCDF, but revenue collection is still low in particular in the district councils, while some progress has been seen for the city councils. The main reasons for the low revenue collection are: Political interference, lack of will and incentives as funds are transferred from the centre and conflicts between the traditional paramount chief system and the local councils in the districts about collection and right to the local tax and marked dues.

For all revenues, i.e. local revenues and transfers from the central government, a steady increase since 2005 has occurred with a real increase of 150 percent from 2005 to 2010.

Table 6 *Local councils' total revenues 2005 to 2009*

Year	Local Council total revenues 2005 to 2009				
	2005	2006	2007	2008	2009
Actual, Le millions	17,959	28,748	32,427	46,370	68,362
Actual, Le millions, 2009 prices	27,556	40,267	40,681	50,657	68,362
Index 2005=100	100	146	148	184	248

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in HRM: the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local government's degree of autonomy is well described in legislation.*

Main findings from the field mission:Ind 5.4.1

The local councils are empowered to raise local revenues by the LGA (2004) and also to prepare their own budgets with the functions given by the LGA. The budget is prepared following guidelines from the LGFD. The IRCBP has supported the development of manuals for revenue collection and management and also the guidelines for budgeting, which are used by the LCs.

Ind 5.4.2

The Guidelines for human resource management/development (HRM/D) in the local councils (2006) have not been implemented yet. They specify the LCs right to manage, hire and fire their own staff and the guidelines gives LCs high autonomy for HRM/D at the decentralised levels. The IRCBP supported the development of the guidelines for HRM/D.

Ind 5.4.3

Generally, the system for local government is well defined and structured; however, some unclearness exists on the division of responsibilities for functions between LCs and ministries. During the devolution process sharing of information has also been a problem as ministries were not always informed about the devolution of their functions to LCs e.g. when maintenance of feeder roads were transferred to LCs.

Furthermore, some ministries have been against the devolvement of functions to LCs. According to the LGA and the regulation on devolution from 2005, 80 functions should have been devolved from ministries to local councils by 2008 but by 2011 only 46 functions have been devolved (IRCBP RF indicator 3.1)⁸. The LGA and the phased devolution plan were prepared before the EC/EU started its support to decentralisation.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)**Indicators:**

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (local government - LG & civil society organisation - CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of monitoring and evaluation (M&E) system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:Ind 6.1.1

The key ministry for decentralisation reform, the MLG&RD, is still dependent on external assistance for policy formulation and reform implementation, but during the recent formulation of the National Decentralisation Policy (NDP), it has had a larger importance than previous (in 2003 during the formulation of the LGA) because of the institutional building by the IRCBP, but also support from UNDP to the formulation of the policy.

Ind 6.1.2

Mayors and officials met from two LCs agreed that the policy framework and implementation for decentralisation have improved, but there are still many issues left in particular for transfers of remaining functions and finances to LCs.

Ind 6.1.3

At national level MLG&RD has implemented a functional performance assessment system for all local councils (CLoGPAS) measuring their performance in key areas e.g. councils meetings following the

⁸ Compared with devolution processes in other developing countries, 46 functions devolved in 7 years is actually an impressive result.

LGA, functioning of planning with proper participation of the citizens, financial management, project management, procurement procedures and followed etc. Assessments exist for 2006 and 2008, but the progress was very limited. The assessment for 2010 will be published approximately August 2011.

The system is however focused on processes in the LC administration and the MLG&RD with support from UNCDF intends to establish a system with focus on results of the decentralisation process.

Ind 6.1.4.

The IMC for coordination of the decentralisation headed by the Vice President established in 2005 has not been functional and the inter-ministerial coordination is still very weak.

Instead the decentralisation has been coordinated by the DecSec in the MLG&RD and the fiscal part by the LGFD in MoFED. As the DecSec will be mainstreamed in the ministry until mid 2011, no strong coordination unit will exist unless the inter-ministerial body takes up its role. The IRCBP has supported the coordination function of the decentralisation secretariat in MLG&RD included its ability to encourage the functioning of the IMC. The IMC has not been supported directly as it is headed by the vice-president.

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local councils*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

The IRCBP has worked intensively with capacity building for the LCs in particular with financial management and revenue collection. The IRCBP has a staff member (coach) in each LC, who is also supporting the councils in the planning process and on M&E. Further the programme has occasionally financed staff in the LCs e.g. procurement officers,

Ind 6.2.1

By 2010-2011 all 19 local councils fulfil the LGAs requirement for financial accountability and transparency compared to none in 2004 (IRCBP RF indicator 0.1).

All councils are able to implement investment projects with satisfactory financial and contractual management compared to 14 in 2008 and only app. five in 2005 (IRCBP RF indicator 6.1).

Ind 6.2.2

Most councils were in 2010 able to prepare their 3 years development plan following the official guidelines and with involvements of councils and wards development committees (WDCs). Before 2004 local development plans did not exist as district councils were not established and cities were managed with centrally appointed management committees.

Ind 6.2.3

The core staff of local governments (chief administrator, finance officer, accountant, planning officer, procurement officer, monitoring and evaluation officer, engineer, etc.) are still paid by the central government ministries, but they are now accountable to the councils instead of the line-ministries they responded to before the devolution.

Ind 6.2.4

An M&E system for the local councils planning system exists and training is ongoing but it has not yet been implemented with data and for information use.

According to the Decentralisation Secretariat (DecSec) the technical part of the monitoring of project implementation in local councils is not working well in some local councils. This is shown by slow implementation of investments projects and sometimes a low quality of the final works.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1

The Local Council Association Sierra Leone (LoCASL) was founded in 2004 and supported by the IRCBP in 2005. The local councils are represented by the councils' chairmen and the mayor of Freetown. The chairman for LoCASL is elected for a two years period and is from 2011 to 2012 the chairman of Porto Loko.

The LoCASL is supposed to meet monthly but the frequency of meetings with all chairmen present has been irregular depending on funding and events (funded by other organisations or the government). Most interviewed staff agreed that it seems like the LoCASL has been addressing the interest of the chairmen more than the councils.

"It (LoCASL) has turned into a Mayors Club" (development partner)

Some councillors started to establish the councillors' association as well as some chief administrators. The LoCASL is now working on how to integrate councillors and chief administrators (CAs) as well and set up different sections within the organisation.

The IRCBP supported the drafting of the LoCASL's constitution and financed some meetings of the LoCASL.

Ind 6.3.2

It is certain that a large number of NGOs are active in the districts/cities working and running health clinics and other services within the local councils' functions. The activities are to a large extent uncoordinated with the councils and their development plans although the government encourages all NGOs to coordinate with the councils. IRCBP has not been active in this area.

Ind 6.3.3

No research in local government issues takes place and no independent organisations carry out research in this area. EC/EU support has not focused on this issue, nor was it included in the IRCBP.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1

The second local council election in 2008 was carried out without any irregularities and the candidates were better prepared than in 2004. According to stakeholders met, citizens are now more active in local decision making and are also critical to councillors' actions. IRCBP was not directly involved in the election process, but its focus on planning processes and local accountability has certainly helped improving the set-up for elections.

Ind 7.2.1

The local government planning system is of a bottom-up type with full involvement of the ward level, where councillors are elected⁹. Almost all councils have prepared development plans following the national guidelines in 2010 according to the DecSec in MRD&LG. This is a result of the efforts of the IRCBP capacity development activities and the direct support with a staff member from the IRCBP (coach) located in each council administration. A large number of actors, including NGOs, GTZ, JICA and UNCDF are also active at district level to support planning and public participation.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards, etc.)*

Main findings from the field mission:

Ind 7.2.1

⁹ The ward is the constituency of each councillor and he/she is the chairperson of the WDC.

The WDC headed by a councillor function as the inter-link between the council and the grass root level. Democracy has spread out and citizens are much more active and involved according to most people meet. The IRCBP has activities in planning and public participation and supported this together with other development partners (see also indicator 7.1.2 above).

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

Ind 7.3.1

As part of the IRCBP, the LGFD has developed formulae for tied sector grants to local councils and a council development grant. Grants are conditional and no flexibility exists for their sector allocation locally. The development of grants for sectors started in 2005 when the first functions were devolved from ministries to LCs. The principle is that the same finance formerly used at central level shall be transferred to the LC- followed transparent and fair formulae. The system is generally well accepted by stakeholders.

Ind 7.3.2

The councillors are informed of all grants for devolved functions and the development grant, and the councillors are supposed to inform their constituencies (the wards) on the allocation. Encouraged by NGOs and district programmes, the allocation of grants are sometimes also published in the national papers, other media and notice boards. EC/EU has not supported this part.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

Ind 8.1.1

As shown in table 6, the total revenues of the local councils have increased in real terms with 148 % from 2005 to 2009 to 68,4 bill Le (app. 13,4 mEuro), and the expenditures follow the same pattern according to LGFD. The figure shows clearly a substantial increase in LCs expenditure, which indicate more services provided¹⁰.

Ind 8.1.2

The economic principle behind the devolution process is that local councils should be given the amount that the centre formerly has allocated for the functions (vertical distribution) and the amount should be divided between the councils (horizontal distribution) following need based formulae based on population, age distribution, number of installation, enrolment rates, etc. This has already taken place since 2005 and should imply a better use of resources, more targeting and more local involvement.

The IRCBP has supported the development of the formulae for transfers and also their size by financing the development grant.

Ind 8.1.3

Public-private partnerships related to the delivery of social services have not been developed according to the stakeholders met during the mission. The IRCBP has not supported this.

¹⁰ The exact figures for service delivery can however not be presented due to limitations in the statistics from MoFED.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc.)*

Main findings from the field mission:

Ind 8.2.1

According to the LGFD, MLG&RD and some LCs budgets revised in 2010 by the team, the amounts in the councils' budgets for maintenance are very small and local revenues are for districts mainly used for administrative purposes while cities have implemented a few investments in infrastructure. The phenomenon of preferring new constructions instead of maintenance of the existing¹¹ is still prevailing. IRCBP has supported councils' financial management and budgeting.

Ind 8.2.2

MLG&RD staff report of a few examples of councils' allocating more resources for operation of services - an example is Freetown City Council's additional spending for wage management¹².

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- *8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)*
- *8.3.2. Evidence of qualitative improvements to locally delivered services*

Main findings from the field mission:

Ind 8.3.1

No separate data exist for access to services for vulnerable groups – only the more general indicators below. Improvement for vulnerable has however been identified and confirmed by interviews with development partners and government officials during the mission as well as field visits carried out by the mission team in 2010 and 2011, The implementation of investments are now more spread more out at the district level to cater for infrastructure for less favoured groups at ward level e.g. water and local markets and even a pre-schools (Kenema city). Some of these investments have been financed by the development grant from the IRCBP.

Ind 8.3.2

Below is presented some data for outcome indicators from the IRCBP result framework relating to both improved access and quality of locally provided services (see full matrix in Annex 6). The matrix has been updated regularly during the course of the programme and latest in March 2011. As the National Public Service Survey was last carried out in 2006 for some variables and in 2008 for others, the data only provides the information that citizens' perception of public services has improved from 2007 to 2008.

¹¹ Kenema City allocated Le 12.5 millions for maintenance in the budget from 2010 to 2012, while Kenema district did not allocate any fund for this. .

¹² This was mentioned by the Mayor of Freetown, although the need for additional funding is still urgent.

Table 7 Outcome indicators in the Result Framework for the IRCBP

	<i>Indicator</i>	<i>Baseline</i>	<i>Latest</i>
Ind 8.3.1	Primary schools having at least one textbook	35.5 % (2005)	NA
	Health clinics having essential drugs	32 % (2005)	NA
Ind 8.3.2	Percent of population seeing improvements in health service	56 % (2007)	84 % (2008)
	Percent of population seeing improvements in education service	65 % (2007)	90 % (2008)

Source: IRCBP result framework

It is evident that many investments in local councils' infrastructure have taken place from 2005 to 2011 but the total number of different installations, e.g. health clinics, schools, roads, water systems is presently not known.

The quality of the investments in terms of service delivered is also not known and it is also clear that while new constructions have been established others have been demolished or been given up.

Stakeholders agree that the available data is inconclusive on improved service delivery. All interviewees met share the view that some improvements are seen and good foundations have been laid now for the local council system.

EU's contribution to this is the general support through the IRCBP and all its activities and the support to some particular projects in 3 councils.

The real results will likely not be seen before the DSDP has been in implementation for some years, which will work directly with local councils' service provision.

4 Conclusion concerning the hypotheses to be tested in the field phase and main challenges to be discussed in the synthesis phase

The **first hypothesis** developed during the desk phase for Sierra Leone is:

1. *The EC/EU support to decentralisation as a joint agreement with the other donors (WB and DfID) may have restricted the EU's influence on programme development and policy dialogue with the government. In particular as staff with responsibility for decentralisation is limited in the delegation.*

The hypothesis has been confirmed by the findings during the field trip as the WB has managed the EC/EU support in the IRCBP and the WB has led almost all discussions with the government on decentralisation.

It is also clear that the **second hypothesis** has been confirmed:

2. *A joint programme may have increased efficiency of programme resource as transaction costs are smaller and EU, WB and DfID communication with the government is easier.*

As transaction costs a lower, decision making easier and the coordination on support actions takes place within programme.

The **third hypothesis** is confirmed partly by the findings during the field trip:

3. *Policy dialogue with the government can be clearer and more effective in a set-up with single donor programme.*

As, it may be that the policy dialogue could have been more effective if the EC/EU had been more active between the programme implementation missions of the WB.

Other key findings from the field visit in Sierra Leone are presented below following the 8 EQs.

EQ 1 Clarity of EC policy/strategies on decentralisation.

The EC/EU policy documents and guidelines on decentralisation are unknown by EUD staff, ministries and development partners. Almost all stakeholders assume that EU's policy is the same as the WB.

EQ2 The institutional capacity for decentralisation in the EUD

The institutional knowledge about decentralisation is limited in the EUD and no institutional system has been set up to increase the capacity for decentralisation.

It is possible that a reason for the limited capacity is that the support modality through the WB trust fund does not encourage learning about decentralisation within the EUD.

EQ3: EC support to decentralisation processes' responsiveness to national contexts and aligned with national regulations and policies

The EUD's support to decentralisation has been aligned to the national context following the analysis in the CSP 2002-2007 and 2008 to 2013 and the approach to decentralisation developed by the WB.

EQ 4 Coordination, Complementarity and Coherence

Coordination within the EUD is done during staff meetings (formal and informal). The coordination with other donors in decentralisation is done by the IRCBP and the decentralisation secretariat in MLG&RD and EUD has not taken an active role for coordination of decentralisation. Likewise it is assumed by the EUD staff members that line ministries will coordinate they actions and programmes with the development in decentralisation.

EQ5 Programme results on transfer of functions to local councils (EQ5).

The IRCBP has been successful in establishing the overall framework (legal) for decentralisation with reasonable clearness of functions of LCs and the devolution process from ministries to councils. The fiscal part is also on track, with formula based transfers, while the local revenue is still limited although local revenue sources exist. When the EC/EU support to the IRCBP started the legal framework was already established but the further analysis of the legal framework and the development of formulae has taken place after the EC/EU joint the programme.

EQ6 Programme result for capacity of stakeholders

Stakeholders from DPs and officials from MLG&RD and others agree that the capacity of stakeholders (MLG&RD, LGFD and local councils) have increased, but they are still dependent on support from programmes. An example is the new Decentralisation Policy, where MLG&RD has been leading but with substantial support from the DecSec and UNCDF/UNDP. IRCBD has supported the capacity development of all stakeholders in the decentralisation process intensively.

EQ7 Programme results on local governance

All stakeholders agree that local governance has improved. There is more participation in decision making in the councils, more actions to keep councillors' accountability, and the bottom-up planning system down to grass root level (ward) is functioning. The IRCBP has contributed to this, together with district projects funded by other development partners (JICA, UNDP/UNCDF, GIZ, etc.). The EUD has also contributed to this with the financing of three projects with LCs as implementers.

EQ8 Programme result on service delivery

For service delivery, results cannot be demonstrated clearly as national surveys on service delivery have been postponed since 2005/2008 depending on the data. However, it is the perception of most stakeholders met during the mission that service delivery has improved or a least a good foundation has been laid for the new Decentralised Service Delivery Programme (EU, WB, likely DfID), which was launched in July 2010.

5 Annexes

5.1 Annex 1: List of people interviewed

<i>Last name</i>	<i>First Name</i>	<i>Organisation</i>	<i>Designations</i>	<i>Date of interview</i>
1.Durieux	Luc	EUD	Ag. Head of Delegation	17 th May 2011
2. Hemberger	Mathis	EUD	International Aid/Cooperation Officer	17 th May 2011
3.Conteh	Bockarie	EUD	Project Officer, Governance & Social Services	17 TH May 2011
4.Kanu	Alhassan	DecSec, MLG&RD	Director	18 th May 2011
5.Kalokoh	Hadiru	MLG&RD	Deputy Minister of Local Government and Rural Development	18 th May 2011
6.Lebbie	Aiah	MLG&RD	Director, Local Government	18 th May 2011
7.George-Williams	Herbert	Freetown City Council	Mayor	18 th May 2011
8.Boweson	Philips	Freetown City Council	Chief Administrator	18 th May 2011
9.Kanu	Gibril	Freetown City Council	Deputy Mayor	18 th May 2011
10.Carew	Arthur	National Authorising Office (NAO)	Social & Economic Department Head	18 th May 2011
11.Kargbo	Adams	Local Government Finance Department (LGFD)	Director	19 th May 2011
12.Fofana	Munirr	Port Loko District Council/Local Council Association, Sierra Leone (LOCASL)	Chairman	19 th May 2011
13.Rogers	Sheku	DecSec, MLG&RD	M&E Unit Manager	19 th May 2011
14 LADWIG	Achim	EUD	Head of Section Rural Development.	19 th May 2011
14.Bockarie	Pious	UNDP/Kenema District Economic Recovery Programme (KDERP)	Project Manager	20 th May 2011
15.Sunderland	Alison	Commonwealth, MLG&RD	Local Government Adviser	20 th May 2011
16. Welham	Bryn	DfID	Government adviser	25th May 2011 (Skype)
17. Bellini	Chiara	EUD (Sierra Leone 2005-2010)	Governance section	E-mail
18. Zhou	Yongmei	WB	Former Team Leader for IRCBP Implementation Support Missions	E-mail

EU Debriefing – Participants				
Last name	First Name	Organisation	Designations	Date of de-briefing
1.Durieux	Luc	EUD	Ag. Head – EUD	23 rd May 2011
2.Hemberger	Mathis	EUD	International Aid/Cooperation Officer	23 rd May 2011
3. Audaz	Gerald	EUD	Head of Section, Economic and Trade	23 rd May 2011
4. Ramey	Virginie	EUD	Governance Officer	23 rd May 2011
5. Priddy	Michael	EUD	Project Officer Infrastructure	23 rd May 2011
6.Conteh	Bockarie	EUD	Project Officer, Governance & Social Services	23 rd May 2011
7.Dubois	Mia	EUD	Project Officer Infrastructure	23 rd May 2011
8.Peignaux	Quentin	EUD	Project Officer Infrastructure	23 rd May 2011

5.2 Annex 2: List of documents consulted

NAO/EU (16 September 2010); Financial Agreement between the European Commission and the Republic of Sierra Leone for the Decentralised Service Delivery Programme

NAO/EU (3 November 2005); Financial Agreement between the European Commission and the Republic of Sierra Leone for the Decentralised Capacity Building Programme

EU (2007); Country Strategy Paper and National Indicative programme; 2008 to 2013.

EU (2005); Decentralisation Capacity Building Programme; Financial Agreement

EU (2006); 2007, 2009) Monitoring Reports Decentralisation Capacity Building Programme

EU (2005); Project Synopsis, Decentralisation Capacity Building Programme

EU (2005); Project Summary Decentralisation Capacity Building Programme

DP/GoSL/World Bank; (Dec. 2010) Aide Memoires for the IRCBP Implementation Support mission.

DP/GoSL/World Bank; (Dec. 2009) Aide Memoires for the IRCBP Implementation Support mission.

WB (2005 and 2006); Sierra Leone Institutional Reform and Capacity Building (IRCBP) & GoBifo Projects Joint Implementation Support Missions Nov. 28-Dec. 18, 2005, Jan. 16-29 and Feb 6-26 2006 - Aide Mémoire

Integrated Project Management Unit (2011); Quarterly Progress Reports the IRCBP.

Integrated Project Management Unit (Mach 2010); Sierra Leone – Institutional Reform and Capacity Building Project, Multi Donor Trust Fund. Report to DfID and EU

DecSec (2011); Development Partner Support to Decentralisation: Multi-Donor (MDTF) Arrangement – The IRCBP Experience, Sierra Leone

DecSec (2010); Progress Made in M&E since 2004

UNCDF/UNDP 2010; Mid Term Review, Kenema District Economic Recovery Programme, Sierra Leone

WB (2009); Decentralisation, Democracy and Development – Recent Experience from Sierra Leone

MLG&RD/GoSL (2010); National Decentralisation Policy

MLR&RD (2206 and 2008); Local Councils Performance Assessment, CLoGPAS

GoSL (2008); the Agenda for Change, Speech of the President

OEDC/DAC (2004); Lessons Learned from Donor Support to Decentralisation and Local Governance, Development Assistance Committee, Organisation for Economic Development and Cooperation, Network on Development Evaluation.

5.3 Annex 3: Detailed list of EC-funded interventions

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Decentralisation Capacity Building Programme	2006 - 2011	9,1		17038/194632	Top-Down	N	Multi Donor Trust Fund - MDTF (WB)	Dvpt Bank
<i>Indirect interventions</i>								

Current Projects supported by the European Union in Sierra Leone under the Thematic Budget Lines with NGOs and Local Authorities

All Projects			
Distribution by thematic areas	No. of Contracts	Section in Charge	Total (Euro)
Sub Total Agriculture Projects	10	Rural Development	28.120.916
Sub Total Health Projects	27	Governance	26.399.028
Sub Total Human Rights Projects	9	Governance	2.836.568
Sub Total Education Projects	4	Governance	4.029.000
Grand Total	50		61.385.513

Project	NGO Name & Address	Dates of implementation	Amount
Agriculture Projects			
Sustainable Agriculture Development in Koinadugu District (SADev)	Stichting Care Nederlands,	03/12/2008 - 01/01/2015	1.342.545
Food Security and Economic Development in the Bo, Pujehun and Kenema Districts (FoSED)	Deutsche Welthungerhilfe eV-	03/12/08 -01/02/14	2.000.000
Bonthe Food Security Project	Christain Aid.	02/12/08 - 01/04/13	1.500.000
Peri and Urban Community Action for Food Security Programme (PUCAFS)	Concern Worldwide	02/12/2008 - 01/02/2014	1.499.484

Enhancing Food Security and Development Opportunities for Disadvantaged groups in Freetown by supporting technological, organizational and institutional innovations in Urban Agriculture	Associazione Cooperazione Internazionale (COOPI)	05/12/2008 - 01/01/2013	1.415.139
Urban and Peri-Urban Safety Net interventions in response to high food prices	World Food Programme	19/10/2009 - 01/05/2011	2.700.000
Response to high Food Prices - Food Crisis	Food and Agriculture Organization (FAO)	15/05/2009 - 01/08/2011	10.263.748
Response to high Food Prices - Food Crisis	World Food Programme	26/05/2009 - 01/08/2011	5.400.000
Food Security	Concern Worldwide	2011-2013	1.000.000
Building Resilience and Community Engagement (BRACE)	Concern Worldwide	2011-2013	1.000.000
Sub totals			28.120.916
Health Projects			
Enhancing Livelihood in Serabu Axis	Arch Diocesan Development Organisation (ADDO)	2008 - 2012	906.036
An Integrated Approach to Health System Strengthening with a Primary focus on Reproductive and Child Health	International Rescue Committee	2008 - 2012	771.400
Kailahun Child Survival and Development Project	Plan International UK	2008 - 2012	750.000
Bonthe District Community Watsan and Health Development Project	Jersey African Support Services	2008 - 2012	497.577

Capacity Building of the Bo District and City Councils for Good Governance, Effective Aid Delivery, Health, Water and Sanitation Services	Bo District Council, Bo	2008 - 2012	450.000
Support to Maternal and Child Health Care	CORDAID	2008 - 2012	783.660
Reducing Maternal Mortality and Morbidity in the Port Loko District	St. John of God Catholic Hospital	2009 - 2012	477.023
Working Together for Sustainable Health, Water and Sanitation in Pujehun	CHRISTIAN AID LBG	2009 - 2012	574.690
Strengthen the capacity of Civil Society Organisations to participate in defining and implementing poverty reduction and sustainable strategies in Health, Water and Sanitation	ActionAid International Sierra Leone	2009 - 2012	753.233
Strengthening Local Governance for Sustained and Equitable Water and Sanitation Services for the Benefit of Vulnerable People in Koinadugu District	OXFAM GB LBG	2009 - 2012	395.043
Access to Life: Social support and treatment of Tuberculosis and HIV affected people in Sierra Leone	Bread for the World	2006 - 2011	750.000

Promoting Behaviour Change and Building Capacity for Malaria Prevention and Treatment in Moyamba and Port Loko Districts in Sierra Leone	Plan International UK	2006 - 2012	750.000
Child health and development in Moyamba District, Sierra Leone	Plan International UK	2006 - 2011	714.471
Improving the sexual and reproductive health of uprooted communities in 6 district of Sierra Leone	Marie Stopes International	2007-2012	2.069.677
A project to enable and empower women, men and young people in four districts of Sierra Leone to achieve sustained improvements in their sexual and reproductive health status	Marie Stopes International - Email: Sebastien.Baurand@mariestopes.org.uk	2006-2010	749.547
Strengthening health sector governance for effective service delivery in Kailahun District.	Christian Aid		965.236
Service delivery and system strengthening – a two pronged approach to support free health care in Kenema district.	International Rescue Committee		958.548
Improving health outcomes through strengthening public and non governmental sector sexual and reproductive health services and education in 5 districts in SL	Marie Stopes Society Sierra Leone		897.872
Sustaining rehabilitation services	Handicap International		577.582

Empowerment of rural communities in Bombali District	Inter Aide		627.226
Sustainable health actions through people's empowerment (shape)	Concern Worldwide		951.432
Sustained monitoring of Government of SL's new free health care programme	Bombali District Council		443.327
Preventing substance abuse among young people in Freetown	GOAL		330.675
Building capacity of PHUs	Kailahun District Council		449.933
Enabling access to mental health in Sierra Leone	Global Initiative on Psychiatry		764.836
Strengthening the capacities SRH services and the communities of the Koinadugu District to improve the infant and maternal health and respond o gender based violence.	Medicos Del Mundo		1.440.000
European Commission Humanitarian Office (ECHO) project with United Nations Children's Fund (UNICEF) on Nutrition and procurement of drugs for the Free Health Care	UNICEF	2010 - 2012	6.600.000
Sub totals			26.399.028
Human Rights Projects (EIDHR)			
Human Rights Society Organisations and Communications in Sierra Leone (HRSOC) Association	Institut Panos Afrique de l'Ouest	2006-2011	240.000
Strengthening civil society actors to work in greater cohesion with Government in implementing the Child Rights act	The Save the Children Fund	2008-2011	236.500

Community - based prevention and response to women's and children's rights violations in Kono and Western Area Districts	Associazione Cooperazione Internazionale (COOPI)	2009-2013	309.127
Breaking the Silence for Girls' and Women's Rights	Plan International Deutschland	16/12/2008 - 01/04/2012	300.000
Strengthening civil society actors to work in greater cohesion with Government in implementing the Child Rights act	Save the Children Fund UK	11/12/2008- 01/01/2011	236.500
Community-based prevention and response to women's and children's rights violations in Kono and Western Area Districts	Associazione Cooperazione Internazionale (COOPI)	17/12/2009- 22/11/2013	309.127
Bringing the UNCRPD to life in Sierra Leone - Supporting young disabled people in Sierra Leone to be involved in and impact on the implementation and monitoring of the UN Convention of the Rights of Persons with Disabilities	Leonard Cheshire Disabilities	30/12/2009 - 01/02/2013	174.102
Opening political space	Search for Common Ground	2011-2013	564.960
A National Conversation on Human Rights, Governance and Democracy	British Broadcasting Corporation (BBC) World Service Trust	2011-2013	466.252
Sub totals			2.836.568
Education, Livelihood and Training (investing in People)			

Unblocking the Cocoa Value Chain through Informal and Formal Pathways to Learning in Eastern Sierra Leone	BBC Wold Service Trust		960.000
Advancing Technical and Vocational Capacities for Employment and Enterprise Development in Sierra Leone	Hands Empowering the Less Privileged in Sierra Leone (HELP)		514.000
From economic nuisance to economic empowerment; improving the livelihoods of vulnerable populations, including persons with disabilities, in Sierra Leone, using an inclusive approach.	Handicap International		655.000
Improve social inclusion and increase employment opportunities for disabled people in Sierra Leone, Tanzania and Uganda	Leonard Cheshire Disabilities		1.900.000
Sub totals			4.029.000

5.4 Annex 4: Description of major interventions

5.4.1 Main Intervention

Title: Decentralisation Capacity Building Programme
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Budget: 9.100.000 EUR

Start date: 2006

Objectives and expected results:

Overall objective:

The overall objective of the project is to provide efficient, transparent and accountable delivery of services to the poor through the establishment of local governance.

Project purpose:

The project purpose is to facilitate the devolution of functions and enable the local councils to carry out their mandate in accordance with the LGA and other applicable regulatory framework.

Expected results:

The strategy is to complement the capacity building activities kick-started by the IRCBP under the umbrella provided by the Administrative Decentralisation Framework, the Legal and Regulatory Framework, the Fiscal Decentralisation Framework, the Monitoring and Evaluation Framework and the Capacity Building Strategy

1. Major inconsistencies between exiting laws and the LGA are resolved including clarification of roles and responsibilities between local councils and chiefdom authorities. The principle of decentralised governance is entrenched in the Constitution
2. Policy-making and implementation, monitoring capacity, information management and communication at central level is strengthened for Decentralisation
3. Local Councils are provided with the adequate infrastructure and equipment means to carry out their mandate
4. Councillors and LC professional staff have acquired the competencies for the LC to assume the delivery of core local responsibilities.
5. National and Regional Training Service Providers progressively able to formulate and implement training to Local Councils
6. Local Councils have at their disposal discretionary development transfers enabling them to acquire and "practise by doing" their planning, budgeting, and management skills.
7. Progress and impact of the Decentralisation process are monitored and evaluated.
8. The trust fund is managed in accordance with applicable procedures and guidelines

5.5 Annex 5: Detailed country context

5.5.1 INTRODUCTION

Sierra Leone gained independence from British Colonial rule in 1961 and celebrated its 50 years anniversary in April 2011 as an independent state.

Its recent history is marked by the armed conflict, which started in March 1991 and ended in January 2002. At least seven accords were signed by the GoSL and the anti-government forces comprising the Armed Forces Revolutionary Council (AFRC) and the Revolutionary United Front (RUF) rebels. Other parties involved in the restoration of peace in Sierra Leone included international organisations. The United Nations had seventeen thousand (17,000) United Nations Forces in Sierra Leone at the time to restore and enforce peace. The UN successfully brought together the government represented by the National Committee for Disarmament, Demobilisation and Reintegration (NCDDR), Revolutionary United Front (RUF) and the Civil Defence Forces (CDFs) to establish peace in round table conferences all around the country. The war was finally declared over in January 2002.

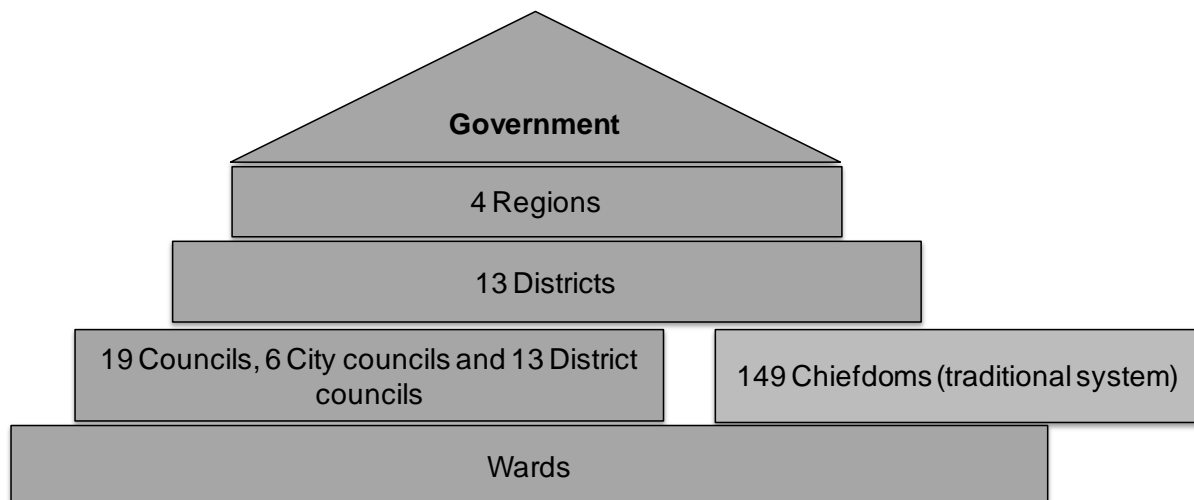
Since then, Sierra Leone has been pursuing progress towards development and stability. Efforts towards development and stability were initiated through the disarmament, demobilisation, and reintegration (DDR) programme for ex-combatants. 72,000 ex-combatants including child ex-combatants were discharged in demobilisation centres country wide going through the NCDDR Programme. Some discharged ex-combatants preferred to return to their communities of origin, others preferred to return to communities of their choices for fear of reprisals if they returned to their communities of origin. Socio-economic reintegration options for discharged ex-combatants included counselling and short-term vocational training after which ex-combatants received start-up kits or were enrolled in apprenticeship workshops. The NCDDR Programme finally ended in February 2004.

The country still faces many challenges and deep poverty remains throughout much of Sierra Leone. The 2003/2004 household survey shows that 70 % of the population lives below the poverty line of Le 2000 (about Euro 0.5) per day and 26 % of the population lives in extreme poverty. Poverty manifests itself through different indicators: generalised hunger, life expectancy is 42 years (the second lowest in the world), adult illiteracy rate is at 79 % (among the highest in Africa), infant mortality is one of the highest recorded in the world.

5.5.2 GOVERNMENT STRUCTURE

Sierra Leone is composed of four regions: The three provinces (Northern, Southern and Eastern) and the Western Area. The provinces are further divided into 13 districts, to which correspond 19 local councils (6 urban and 13 district councils) LCs constitute the main elected bodies at the decentralised level, having been re-established through the LGA (2004), and are required to operate under democratic principles. Local elections are held every four years for councils (since the new 2004 LGA: in 2004 and 2008) and functions and tasks are the same for all councils.

Figure 1 Government structure of Sierra Leone



Parallel to local councils, districts are sub-divided into chiefdoms (a total of 149) – each of them headed by an unelected paramount chief who is also represented in the competent local council – which constitutes a traditional, highly recognised and often competing source of authority in rural areas. ‘The relation – interaction and engagement between the new LCs system and the chieftaincy

system is one the least understood dimensions of local governance in Sierra Leone as [...] the initial design and implementation of the decentralised local government left many of the questions unanswered as to how these two systems would interact¹³. While chiefdoms still rank higher in the communities' perception of legitimate authority, the councils are gaining increasing recognition as important "development" actors at the local level.

Councils are further subdivided into wards, which are led by WDCs. WDCs are a formal (but still partially functioning) variant of the variety of local development committees operating at the chiefdom and sub-chiefdom level through which the government is attempting to bring the development process back to local communities. The chairman of a WDC is also councillor in the city/district council to assure the link between the WDC and the council.

The central level of government consists of Parliament, Government, Ministries, Departments and Agencies (MDAs), which have decentralised branches at each district level. The Ministry of Internal Affairs, Local Government and Rural Development (MIALGRD) are responsible for local councils and related legislation.

5.5.3 THE 2004 LOCAL GOVERNMENT ACT

In 2004, the government re-established local councils and started an ambitious decentralisation reform programme, which aimed at reversing the long period of centralisation and rural deprivation, as well as empowering the rural population. The decentralisation process has made gradual progress since its taking off in 2004.

The cornerstone of the reform is the LGA (2004), which was approved and enacted into law by Parliament in March 2004. The act aims to consolidate and streamline the law on local government to give effect to decentralisation and devolution of powers, functions and resources. It provides for local elections, the political and administrative set-up of local councils, local council financing and decentralised decision making to ensure good governance, democratic participation and control of decision making by the people.

This LGA was passed to ensure that local governance and the decentralisation process were politically recognised. The act defines "local government" and "local council" as a unit of governance that should consider the highest political authority in the designated locality".

The act addresses:

- Election and composition of local councils as well as term of each local council (four years).
- Qualifications for becoming a councillor, which focuses on being a resident of the locality.
- Procedures for electing a mayor (Freetown) and chairperson (all other councils) as well as removal from office.
- Procedures and processes to conduct the first business of councils after its constitution (post elections)
- Convening and conduct of meetings with regard to the relevance and use of standing orders.
- Powers of local councils to make and execute byelaws.
- Facilitation, mediation, and co-ordinating roles and responsibilities of the Ministry of Local Government and Rural Development and of the Ministry of Finance and Economic Development, which must be consulted on all fiscal decentralisation matters.

The LGA 2004 specified the first four years as the transition period for implementing the new relationships between central and local governments. During this time, authority and corresponding resources for a defined set of functions were to be transferred to local councils.

The local governance and decentralisation process was piloted by the GoSL through the former MIALGRD now MLG&RD.

5.5.4 THE DEVOLUTION OF FUNCTIONS

Apart from the central ministries of defence and finance, all others are essentially devolving the administration of infrastructure and services provision to local councils. This encompasses a broad range of issues from almost all central line MDAs including road maintenance, community

¹³ "Decentralisation, democracy and development: recent experience from Sierra Leone", the World Bank, 2009. The LGA did not fully address the relationship between these two levels of local governance, simply affirming that they would work in parallel. The authority to fix local tax rates and define shares of revenues, for example, theoretically belongs to local councils, actual tax administration remains in the hands of chiefs. Land management and local courts do also pertain to the chiefs' administration.

development, enterprise development, local level planning, and most agricultural development functions.

Despite challenges emerging from the decentralisation process and the LGA, the devolution of all MDA functions started in 2005 and has continued since. Below are presented what have been devolved up to 2010.

The Ministry of Health and Sanitation devolved the following main functions:

1. Registration of births and deaths.
2. Public Health Information, education and communication.
3. Environmental health care.
4. Maintenance of non-technical equipment.
5. Primary health care.
6. Facilities management.
7. Procurement of equipment and medicines.
8. Secondary Health Care.

Most important functions devolved by the Ministry of Gender, Social Welfare and Gender Affairs include:

- Family case work.
- Probation.
- Disability issues.
- Child welfare.
- Community-based organisations
- Gender issues.

The Sierra Leone Roads Authority devolved maintenance of primary feeder roads and maintenance of chiefdom roads/tracks while the Ministry of Information and Communication devolved Information Services and sale of Gazettes and Receipts. Other devolution activities executed by the Ministry of Mineral Resources include the establishment of management of Community Development Funds, the ordination of mining licenses and rehabilitation of mined-out areas. For the Ministry of Fisheries and Marine Resources, the licensing of small canoes and attendant fishing gears and the establishment and management of fish ponds and inland lakes were devolved.

Other MDAs that have devolved their functions include the Administrator General's Department, the Ministries of Youths and Sports, Works, Housing and Technical Maintenance, Lands, Country Planning and the Environment, Education, Science and Technology, Tourism and Culture, Energy and Power, Labour, Social Security and Industrial Relations, Development and Economic Planning, Agriculture, Forestry and Food Security.

As of early 2011, the MLG&RD estimated that app. 34 of 80 functions have not yet been devolved from the central government. Among the MDAs, that have not yet devolved their central functions are:

1. The Ministry of Social Welfare, Gender and Children's Affairs.
2. Sierra Leone Roads Authority.
3. Ministry of Mineral Resources.
4. Administrator Generals Department.
5. Ministry of Works, Housing and Technical Maintenance.
6. Ministry of Lands, Country Planning and the Environment.
7. Ministry of Tourism and Culture.
8. Ministry of Energy and Power.
9. Ministry of Labour, Social Security and Industrial Relations.
10. Ministry of Finance and Economic Development.

5.5.5 THE DECENTRALISATION POLICY (2010)

When decentralisation was enacted in 2004 by the Local Government Act and its regulation with the devolution plan 2004 to 2008, no policy framework was formulated and this serious oversight has caused some set-backs in the decentralisation process. This issue is now being addressed with the decentralisation policy. Extensive consultations with major stakeholders and the lessons gained from the implementation of the system since 2004 served as useful tools in the formulation of the policy.

After Parliamentary approval in 2010, the Decentralisation Policy was printed and launched in September 2010. The document was afterwards distributed amongst different stakeholders including NGOs, MDAs and the development partners.

According to the NDP, the Government is committed to a policy of decentralisation by devolution, characterised by the following principles:

1. The transfer of power, authority and resources from the centre to the democratically elected local councils anchored within the national Constitution and articulated in law, promoting autonomy without prejudice to the sovereignty of the national Government;
2. Bringing political, administrative and fiscal control and responsibility over services closer to the people where they are actually delivered, in line with the principle of subsidiarity;
3. Engendering people's ownership of their local development agenda;
4. Ensuring that holders of public offices locally are held accountable for their actions to the public;
5. Guaranteeing transparency and openness in the conduct of local council affairs;
6. Creating an environment for participatory democracy that will enable greater involvement of the people and their representatives in planning, implementing, monitoring and evaluation of development projects and local economic development in their localities;
7. Stimulating economic growth in local communities, including public-private partnerships; and,
8. Promoting inclusiveness and equality of all citizens within any locality regardless of gender, origin, religion or political persuasion.

Goal and objectives

The goal of Sierra Leone's decentralisation is to ensure that the local people and their communities are empowered and fully involved in political and socio-economic development processes and actually formulate and implement development plans, while governments working in collaboration with the private sector and civil society provide the enabling environment, oversight and effective management of national and local development.

Policy objectives

To achieve the above goal, the following objectives will be pursued:

- To firmly establish the legal and regulatory framework for embedding the policy of decentralisation by devolution while defining roles, responsibilities and functional relationships therein;
- To improve local governance by shifting political, administrative and fiscal responsibilities closest to the areas where services are delivered;
- To devolve service delivery functions to local councils systematically and in a coordinated fashion together with the MDAs;
- To strengthen capacities of key stakeholders involved in the decentralisation process, especially the local councils, to be able to carry out their mandates effectively and efficiently;
- To build local ownership and operational efficiency of the decentralisation process through effective development planning and budgeting, financial management, monitoring and evaluation, and other managerial functions, and to provide an effective link between national development priorities and local level development initiatives;
- To strengthen local councils to effectively harness local revenue potentials to complement other revenue sources, including inter-governmental fiscal transfers for the funding of their development and administrative programmes;
- To mainstream gender perspectives in the entire decentralisation process especially in the operations of the local councils and to promote inclusiveness for all societal groups;
- To effectively sensitise the citizens about decentralisation, mobilising solid support for its growth and emphasising good stewardship;
- To promote transparency and accountability in local governance by making local councils directly accountable for their actions to their citizens and nationally, while adhering to the best practices of open government;
- To devolve local economic development promotion functions and their related resources to local councils in a systematic and coordinated manner with the MDAs;
- To devolve the required functions and resources to enable local councils to explore all opportunities to promote equitable local economic growth and service delivery through the mobilisation of local resources in tandem with the private sector and civil society; and

- To harmonise donor support towards strengthening the decentralisation process avoiding unnecessary duplications and overlaps.

5.5.6 CHALLENGES TO THE DECENTRALISATION PROCESS IN SIERRA LEONE- 2011

As of May 2011 when the IRCBP is coming to an end, the decentralisation process faces some challenges for its continuation and stability some of these are presented below:

Coherence between LGA and sector laws

From an early stage after 2004 it became clear that the LGA conflicts with other laws that were in existence before its enactment. This means that there is a duplication of some functions or in other words unclearness on the division of functions between MDAs and local councils. For instance, the LGA provides for councils to raise their own revenues through taxation, issue of licenses etc, but there are other laws in existence which empowered other institutions to collect these revenues like the National Revenue Authority Act, 2002. Other laws which conflict with the LGA are:

- The Administrator of Estates Act, 1960 (Cap. 45)
- The Education Act, 2004 (Act No. 2 of 2004)
- The Hospital Boards Act, 2003 (Act No. 6 of 2003)
- The Development of Tourism Act 1990(Act No. 11 of 1990)
- The Minerals Act 1994 (Act No. 5 of 1994)

Therefore, the government is now in a process of reviewing the LGA to straighten out inconsistencies with other laws and foster a smoother implementation of the decentralisation process.

Timely transfer of funds

Under the LGA, the central government transfers administrative and development grants to local councils periodically so that the work of the council can be financed. However, the disbursement of the grants is sometimes delayed which make implementation at the council level difficult.

Local revenues

As stipulated in the LGA and the financial regulation, LCs are also responsible for collecting their own revenue, i.e. the local tax, property taxes, licenses, fees and different dues. Only very limited progress has, however, been registered in this area and LCs still rely heavily on funding from the government and development partners.

The challenges for local revenue collection are several:

- Political will of councillors to collect revenues
- Interference from central government politicians and citizens who e.g. question LCs right to collect taxes.
- A dispute between local councils and chiefdoms on effective collection of revenues and the division of the revenues collected between the chiefdoms and the LCs for in particular the local tax and market fees. .
- Understanding of the legal framework for local revenue of councillors and LC staff
- Registration, system and procedures to collect revenues e.g. property register, register of business, taxpayers for local tax etc.
- Finally, there is a need for continued sensitisations of citizens about revenue collection and associated development projects. Citizens' interest in local government affairs is inadequate, partly because information and education about the decentralisation process is equally inadequate.

Human resource management

One major function of the local council is to recruit its own human resource. The urban councils were forced to maintain staff, which before 2004 worked in the management committees. This has led to friction between such workers and the urban local councils. Paying these workers out is costly and the councils lack fund for this as well as funds for recruit and retain competent core council personnel. The approximately 8 core staff members in the councils are also still finance by the MDAs in contrast to what was planned for in 2004.

Sustainability of the decentralisation process

Finally, sustainability of some of the institutional achievement since 2004 is a concern as the Institutional Reform and Capacity Building Programme, which finances the reform secretariat in MLG&RD: DecSec and LGFD in MoFED, is coming to an end by 30 June 2011. The MoLGRD has so far not been able to mainstream the decentralisation process into the Ministry and it has not yet shown

the ability to retain and maintain the staff of the DecSec. MoFED has absorbed the LGFD, but financial resources for the departments' are very limited compared to the normal activities of the department.

5.6 Annex 6: Result framework for the IRCBP, March 2011

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
0.1 All 19 elected local councils continue to meet the transparency and the financial management accountability requirement as per Local Government Act 2004 (Section 107, 81, 105) (RECAST)	2004: None	19	19	Condition Met: Achievement of this indicator has been sustained for the past two years according to the LGFD assessments for 2009 and 2010.	19	19	Condition Met: Achievement of this indicator has been sustained for the past two years according to the LGFD assessments for 2009 and 2010.	LGFD
0.2 Number of Local Councils meeting all minimum conditions on CLoGPAS (NEW)	2006: None	15	CLoGPAS 2011 has been conducted and data entry complete. Summary tables on the results will be available in early May. (Actual was 12 in 2009)	Likely to be Met: According to the 2008 assessment which data was used to update the 2009 targets, the target of all 12 Local Councils meeting all MCs was achieved. The reasons for the 7(seven) LCs not meeting the MCs were treated as capacity gaps for which capacity building activities were designed and implemented by the Capacity Building Unit of DecSec during the 2010 implementation period. It is anticipated that the target will be exceeded owing to the positive impact of the activities.	N/A			DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
0.3 Number of Local Councils meeting the threshold 70 % of the total for the performance measures bonus of CLoGPAS. (NEW)	2006: None	18	CLoGPAS 2011 has been conducted and data entry completed. Summary tables on the results will be available in early May. (Actual was 12 in 2009)	Likely to be Met: According to the 2008 assessment which data was used to update the 2009 targets, the target of 16 Local Councils meeting the threshold 70 % was achieved. The reasons for the 3(Three) LCs not meeting the threshold 70 % were also treated as capacity gaps for which capacity building activities were designed and implemented by the Capacity Building Unit of DecSec during the 2010 implementation period. It is anticipated that the target will be exceeded owing to the positive impact of the activities.	N/A			DecSec
0.4 Percent of general population seeing improvements in health and education services (NEW)	National Public Services Survey 2007 (Health : 56% and Education : 65%)	Health : 84 %; Education : 90 %	INPS Survey instrument is being revised and the PHU mapping is on-going. This will be immediately followed by a piloting of the revised instrument using personal data assistants (PDAs). Actual field work is expected to commence in May. (In 2008, Health: 65 % and Education: 75 %)	Likely to be Met: This judgment is based on the updates for 2008 where targets were achieved way above the 2007 baseline results. In 2009 data was not available due to the non conduct of the survey	N/A			DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
Intermediate Outcome Indicators	Baseline	Target	Actual	Remark	Target	Actual	Remark	Responsibility for Data Collection
1.1 Number of primary schools having at least one core textbook per child (NEW)	National Public Services Survey (NPS) 2005(35.5%)	65 %	INPS Survey instrument is being revised and the PHU mapping is on-going. This will be immediately followed by a piloting of the revised instrument using PDAs. Actual field work is expected to commence in May.	This cannot be determined now until after the conduct of the INPSS particularly due to the unavailability of data for both 2008 and 2009.				DecSec
1.2 Percent of clinics having essential drugs.	Primary Health Care Survey 2005 (32.0%)	50 %	INPS Survey instrument is being revised and the PHU mapping is on-going. This will be immediately followed by a piloting of the revised instrument using PDAs. Actual field work is expected to commence in May.	This cannot be determined now until after the conduct of the INPSS particularly due to the unavailability of data for both 2008 and 2009.				DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
2.1 Decentralisation policy is formulated and submitted to Cabinet. (NEW)	2008: No Policy elaborated	Submission of draft Decentralisation Policy to Cabinet	Policy approved by Cabinet in September 2010 and launched by the Vice President in February 2011. Dissemination of the policy to key stakeholders is on-going. Sensitisation by the print and electronic media at the regional level is in progress.	Condition Met: The Policy has been adopted by Cabinet as a national document				DecSec
2.2 The LGA 2004 is amended in line with Decentralisation Policy and sections of the Education Act, Hospitals Board Act, SALWACO Act and Local Tax Act that are in conflict with the LGA 04 are repealed. (RECAST)	2009 : Contradictions in legislation	LGA and other Acts amended.	A Task Force has been set up by the Ministry of Local Government and Rural Development for the assignment. The Task Force has met four times and has prepared an issues paper. Regional level consultations as the next step are scheduled to commence in May.	Not Met: The achievement of this target was hinged on the achievement of IOI 2.1 which was not achieved until towards the end of the year. This has now been rolled over to 2011.	Enactment of legislation			DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
2.3 A Gender Strategy and Policy developed in support of decentralisation. (NEW)	2008: No Policy	Gender Strategy in support of decentralisation developed and implemented	The strategy has been developed and submitted to Minister of Local Government and Rural Development. Sensitisation of LCs on the strategy is far advanced.	Condition Met: The strategy was developed and plans and provisions made for popularizing the strategy and build capacities in its implementation in 2011.	N/A			DecSec
3.1 Number of outstanding functions fully devolved according to revised Statutory Instrument (RECAST)	2004: Devolution pending on basis of Statutory Instrument	70 functions	So far 46 functions have been devolved	Partially Met: Only more than half the target was devolved.	80 functions	46 functions devolved so far.	Partially Met: Functions devolved so far are over the half mark by just 15 %	DecSec
4.1 Number of LCs with fit-for-purpose constructed/renovated office buildings (RECAST)	2004: Freetown and Bo Cities only	12 more LCs (including rehabilitation of FCC)	9 more LC office buildings completed and handed over (excluding FCC as the date of completion of the rehabilitation has been deferred to March 2011)	Partially Met: The target was not achieved, the actual was less 3 completed buildings and the rehabilitation of the FCC.	All 19 LCs	9 more LC office buildings completed and handed over. Office buildings for Koinadugu, Bombali and Koidu/New Sembehun City Council (KNSCC) are almost 100 % complete awaiting final inspection before handing over. Office buildings for the two Bonthe councils are the finishing stage whereas those of Bo, Kenema and Kambia District Councils are at the roofing stage.	Targets Will be Met: All indications are that these structures will be completed before the June 30 deadline	DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
						Rehabilitation work at the FCC is at the finishing stage		
5.1 Number of Local Councils meeting own revenue generation targets (Le 2000 per capita per year for rural councils and Le 3000 per capita per year for urban councils). (RECAST)	2004 : None	8	10	Condition Met: According to the LGFD 2010 assessment, the target was exceeded by two more LCs.	12	LGFD to assess the performance of LCs by mid to end July for the 6 months programme implementation period for the 2011 FY	Likely to be Met: 2010 targets were exceeded by 2 and this trend is expected to continue.	LGFD
6.1 Number of LCs complete projects included in LGDG work plan with satisfactory financial and contract management. (RECAST)	2008 : 14 LCs	19	19	Condition Met: According to the LGFD 2010 assessment, all 19 LCs completed projects included in LGDG work plan with satisfactory financial and contract management.	19	LGFD to assess the performance of LCs by mid to end July for the 6 months programme implementation period for the 2011 FY	Likely to be Met: 2010 targets were achieved and this trend is expected to continue.	LGFD

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
7.1 Number of Local Councils with elected and trained Ward Committees (NEW)	2008 : All ward committees elected	Training in final six LCs	Training completed in final six LCs since May 2010. These are: FCC, Bo District, Bo City, Tonkolili, Port Loko, Kenema District Councils. All Ward Committees of the 19 LCs have now been trained with top-up training in M&E and development planning provided. Additional support includes the provision of bicycles to aid their work.	Condition Met: For 2010, all LCs had elected and trained Ward Committees.	N/A			DecSec
7.2 IEC Strategy for Decentralisation is in place. (NEW)	2008:None	Merging of the two strategies to constitute a National IEC for Decentralisation Strategy	Excerpts from strategy prepared under IRCBP merged into UNDP funded strategy for the ministry. The merged strategy has been validated but is yet to become official and effectively implemented.	Partially Met: The validated version of the merged strategy is now available. Implementation of the strategy is not effective.	N/A			MIALG&RD; DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
8.1 Assessment from available sources (e.g., GoBifo), of the extent to which decentralisation has rekindled social cohesion and addressed the needs of marginalised groups. (RECAST)		Measurable improvements identified	INPS Survey instrument is being revised and the PHU mapping is on-going. This will be immediately followed by a piloting of the revised instrument using PDAs. Actual field work is expected to commence in May.	This cannot be determined until after the conduct of the INPSS particularly due to the unavailability of data for both 2008 and 2009.	Measurable improvements identified			Gobifo
8.2 Number of LCs with regular (including random) audits of financial management, procurement, and contract management. (RECAST)	2007: Sample audits only up to 2004 completed by Audit Service Sierra Leone.	LCs submit their final statements of Accounts for FY 2009 to Audit Service not later than 31 March, 2010.	2009 final statements of accounts for LCs were submitted to Audit Service on time. Audit of the accounts has been completed and management letters issued to all LCs to be responded to within thirty (30) days from the date of receipt which has now expired. Opinions are now being finalised to be issued by end of week of Monday 20 th Dec, 2010.	Condition Met: The achievement exceeded the target. Beyond submission by the statutory date, audits were also completed and Management Letters issued by the Audit Service Sierra Leone.				
8.3 Develop guidelines for integrated Sector and Local Councils planning and monitoring and evaluation. (NEW)	2005: None	Guidelines for integration of District M&E into Local Council M&E	Terms of Reference for consultant prepared and submitted to IPAU. Consultant to be engaged to support review. Rolled over to 2011	Condition Not Met: The process for selecting the consultant in accordance with World Bank guidelines is still in progress. RFPs sent out to short-listed candidates.	N/A			

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
9.1 Respective organisational charts reflect new disposition as identified in Management & Functional reviews. (NEW)	2009: No Action	Agreed approach effected	Organisational chart developed and submitted to Public Sector Reform Unit for review and approval. Ministry is yet to receive feedback from the PSRU.	Condition Not Met: As noted in the December 2010 ISM Aide Memoire, none of the substantive actions included in the 2010 work plan under Sub-Component 1.6 was achieved. However, preliminary meeting on the organisational chart held with the Permanent Secretary of the Ministry.	N/A			MIALG&RD ;DecSec
9.2 Appropriate staff recruitment/deployment of civil servants effected. (NEW)	2009: No Action	Agreed approach effected	Not done	Condition Not Met: As noted in the December 2010 ISM Aide Memoire, none of the substantive actions included in the 2010 work plan under Sub-Component 1.6 was achieved. The Ministry has contacted the Human Resource Management Office (HRMO) to explore ways of expediting the process.	N/A			MIALG&RD ;DecSec
9.3 Staff/systems development programme elaborated (NEW)	2009: No Action	Agreed approach effected	Not done. Ad-hoc system in place	Condition Not Met: As noted in the December 2010 ISM Aide Memoire, none of the substantive actions included in the 2010 work plan under Sub-Component 1.6 was achieved. The ministry is currently in discussion with the UNDP for TA to strengthen the systems in the Ministry.	N/A			MIALG&RD ;DecSec

Outcome Indicators	Baseline	2010			2011			Data Collection
		Target	Actual	Remarks	Target	Actual	Remarks	
9.4 DecSec/LGFD coaching and mentoring of identified Ministry staff conducted in accordance with schedule. (NEW)	2009: No Action	Agreed approach effected	Not done	Condition Not Met: As noted in the December 2010, ISM Aide Memoire, none of the substantive actions included in the 2010 work plan under Sub-Component 1.6 was achieved. Counterpart staff members are yet to be identified by the Ministry.	N/A			MIALG&RD ;DecSec

Source: Ministry of Finance and Development, Institutional Reform and Capacity Building Project, Quarterly progress Report January to Mid April 2011.



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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
South Africa**

Prepared by: Hans Olsen

July 2011

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

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List of Abbreviations

AAA	Accra Agenda for Action
ABM	Area Based Management
ABMDP	Area Based Management and Development Programme
AIDCO	EuropeAid Co-operation Office
AIDS	Acquired immune deficiency syndrome
ANC	African National Congress
BEF	Business Enabling Fund
BS	Budget Support
CBG	Capacity Building Grant
CBP	Community Based Participation
COGTA	Department of Cooperative Governance and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DED	Department of Economic Development
DfID	Department for International Development
DLG	Decentralisation and Local Governance
DLGH	Department of Local Government and Housing
DMTP	Consolidated Municipal Transformation Programme
DP	Development Partner
DPLG	Department of Provincial and Local Government
EAMR	External Assistance Monitoring Report
EC	European Commission (Commission of the European Union)
EMA	Ethikwini Municipality Area
EQ	Evaluation Question
ETU	Education and Training Unit
EU	European Union
EUD	Delegation of the European Union
FFC	Financial and Fiscal Commission
FIF	Financial Innovation Fund
GBS	General Budget Support
GDP	Gross Domestic Product
GIZ	German Development Assistance
GoSA	Government of South Africa
HIV	Human immunodeficiency virus
HRM	Human Resource Management
IDP	Integrated Development Planning
IEC	Independent Elections Commission
IMESA	Institution of Municipal Engineering of Southern Africa
ISRDP	Integrated Sustainable Rural Development Programme
JC	Judgement Criterion
KZN	KwaZulu-Natal – Province of South Africa
LCF	Local Competitiveness Fund
LED	Local Economic Development
LEDF	LED Fund
LG	Local Government
LGSF	Local Government Support Fund
M&E	Monitoring and Evaluation
MCF	Marginalised Community Fund
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MIP	Multi-Year Investment Plan
MIS	Management Information System

MLRF	Monitoring, Learning, and Research Facility
MTEF	Medium Term Expenditure Framework
MTR	Mid-Term Review
NP	Northern Province
OECD DAC	The Development Assistance Committee of the Organisation for Economic Cooperation & Development
OMS	Operational Management support
PACA	Participatory Appraisal of Competitive Advantages
PCU	Project Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PGDP	Provincial Growth and Development Plan
PIMS	Planning and Implementation Management Support
RSA	Republic of South Africa
S&T	Science and Technology
SA	South Africa
SALGA	South African Local Government Association
SBS	Sector Budget Support
SGLP	Strengthening Local Governance Programme
SMME	Small and Medium Enterprises
SNG	Sub National Government
SURUDEC	Sustainable Rural Development in the Eastern Cape
TA	Technical Assistance
TB	Tuberculosis
TLR	Training, Learning and Research
ToR	Terms of Reference
UN	United Nations
URP	Urban Renewal Programme
WB	World Bank

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

The purpose of the evaluation is to gain key relevant lessons learnt and to provide recommendations for future support to decentralisation processes; it covers aid delivery over the period 2000-2009 taking into account the different entry points used by the European Commission (EC)/ European Union (EU) to deliver its support to decentralisation processes. The overall thematic evaluation is partly based on a number of country case studies to be carried out during the field phase and the present report is a summary of findings from a field visit to South Africa.¹

The field visit to South Africa had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. This note should by no means be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered foremost at the single country level, but have been formulated for use at the global level and are a subset of the findings using the full set of collected data from the desk study and the different field phase country case studies.

The reasons for selecting South Africa as one of the field studies were:

- The decentralisation support has increased in importance over the evaluation period.
- Considerable amounts of funds have been given to Local Economic Development (LED), which has had as key targets to enhance local governance and job creation at local levels.
- South Africa figures as one of the top recipients of Decentralisation and Local Governance (DLG) support over the evaluation period.

The field visit was undertaken between 01/06-09/06/2011. The evaluation team was composed of Hans Olsen and Paul Forsyth.

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to *South Africa* has specifically looked into the following aspects:

Table 1 *Research focus*

<i>Research focus</i>	<i>Mainly related to EQ</i>
Area based programmes – policy dialogue with central government	1
Local Economic Development as key entry point	5
Coherence between major sector interventions and decentralisation support	5-6
Capacity building as key aspect of area based programme	6-8

The main questions to pursue during the field visit are:

- 1) What have been the main reasons for the specific EC/EU choice of entry points and support modalities (in support of decentralisation) in South Africa? Why doesn't EC/EU support mainstream decentralisation reform issues?
- 2) Has the focus on LED outcomes been consistent with decentralisation and local governance issues and has it led to enhancement of local development planning and improved service delivery?

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

Working hypotheses

- An overview of donors reveals the **widespread presence of EU partners in nearly all economic and social areas** relevant to development. Major donors are found side by side in key sectors such as education, health, including the fight against the HIV/AIDS pandemic, and economic development. A serious challenge for bilateral programmes faced by donors and the host country is that they have been too fragmented and not always well coordinated thereby reducing the potential impact of projects. This situation has led the EU to focus on local economic development and not decentralisation per se.
- The key reform issue for the Government of South Africa is economic development and especially local economic development in terms of a strategy of combating the relatively high youth unemployment in rural areas.

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a **desk review** of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in the country. This review concentrated on the various LED support programmes and the Ethikwini Municipal project in Durban.

In addition to studying the documentation, the team also interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country. A host of government and donor partners were interviewed (see full list of people met in Annex 1). The Team also had the chance to travel to Kwazulu Natal Province and meet key project and programme stakeholders in Durban and Pietermaritzburg.

The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency. Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with informants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation and local governance portfolio of the EC/EU. Rather it is an attempt to learn from the *South Africa* experience and to encourage wider reflections on how best to structure and focus EC/EU assistance to decentralisation processes.

2 Short description of the country context and EC/EU support to decentralisation

2.1 Short description of decentralisation process in the country

The South African Constitution adopted in 1996 established three levels of government: a national government, nine provincial governments and 284 local governments. The main aim of decentralisation in South Africa is to improve the efficiency of service delivery by aligning sub-national government expenditure with regional and local priorities.

The Constitution defines the major functions and powers of various levels of government. Major functions of the national government include protection services, higher education, national roads, public works, water affairs, foreign and home affairs and policy functions. Provincial governments are responsible for school education, health, social welfare, housing and provincial roads. However, while provincial governments are responsible for implementation of these functions, the national government is responsible for policy. Moreover, with the exception of roads provinces do not have significant exclusive budgetary functions. Local government receives significant grant funding directly from central government through funds such as the Municipal Infrastructure Grant (MIG) and other instruments. Local authorities' functions consist mainly of user fee-based services such as electricity, water and sanitation besides provision of other public goods like municipal and household infrastructure, streetlights and garbage collection.

It is important to note that the South African Constitution obliges the three levels of government to work cooperatively. Accordingly, numerous intergovernmental bodies, such as the Budget Council and the Budget Forum, have been established in order to facilitate consultation and cooperation in the budget process. It is also worth noting that all the public servants employed by the national and provincial governments have uniform terms of services and that they are highly unionized. A timeline of major policies and legislation is given below:

1993	Local Government Transition Act
1994	Democratic Elections
1996	New Constitution
1998	White Paper on Local Government
1999	LED fund
2000	Municipal Systems Act, LED Guidelines
2002	Draft LED Policy
2005	Policy Guidelines for Implementing LED
2006	National Framework for LED (2006-2011)
2007	Project Consolidate
2009	State of Local Government in South Africa Report, Local Government Turnaround Strategy
2011	Jobs Fund

According to the analysis carried out by the Government itself in the 2009 State of Local Government Report there have been a number of other government initiatives and programmes to advance service delivery and institutional support. These include the former Planning and Implementation Management Support (PIMS) Centres, the Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP) nodal programmes, the Integrated Development Planning (IDP) analysis and training weeks, the Bucket Eradication Programme, Siyenza Manje, the Ilima project (Old Mutual), and the donor supported Consolidated Municipal Transformation Programme (CMTP) as well as LED programmes. The Government also undertook a Policy Review on Provincial and Local Government. Numerous other smaller programmes and projects have also taken place, largely in the local sphere of government.

According to the same report whilst all of the support programmes have assisted in specific ways, it is still clear that a number of stubborn service delivery and governance problems have been identified in municipalities over a number of years. These remain consistently at the forefront of government's developmental challenges. These priority areas include:

- Huge service delivery and backlog challenges, e.g. housing, water and sanitation;

- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;
- Poor financial management, e.g. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra- and inter-political party issues negatively affecting governance and delivery;
- Insufficient municipal capacity due to lack of scarce skills.

The Local Government White Paper (1998) defined some of the challenges facing municipalities and provided the mandate to local municipalities to deal with these challenges such as distorted settlement patterns, backlogs in service delivery and spatial segregation. The White Paper introduced the concept of “developmental local government”, defining it as: “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives. [...] The powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities – in particular meeting the basic needs of the poor – and on the growth of the local economy”.

The Local Government Transition Act of 1993 provided some direction to municipalities in dealing with these challenges by introducing the IDP process that promotes economic development and addresses spatial and transport planning, infrastructure development and regulation with appropriate funding mechanisms.

Under the Municipal Systems Act of 2000, which replaced the Local Government Transition Act, all local authorities are required to prepare annual and five year Integrated Development Plans that set out the development targets with detailed projects and programmes.

In 1999, the Department of Provincial and Local Government (DPLG) launched the LED Fund (LEDF) as part of government’s overall poverty alleviation strategy. The Fund provided support to municipalities for up to Rand 1,5 million for projects that would lead to poverty alleviation and job creation within their localities. Municipalities would apply to the DPLG for funding of projects such as provision of business facilities, promotion of agro-industry, tourism initiatives, and human resource development programmes. The Fund failed to deliver long-term sustainable LED and resulted in a number of small, unsustainable projects scattered around the country. Main reasons of this failure have reportedly been a diffused lack of understanding of what LED was about, and some conditions set out in the Fund, were not conducive to sustainable economic development. Moreover, poor support was provided in terms of strategic guidance, interaction, monitoring and evaluation of the projects. This resulted in poorly thought out business plans and lack of feasibility assessments in most projects. It has been observed that instead of creating long-term sustainable LED, the approach often resulted in poorly managed projects, dependent on funds to secure a future.

2.2 List of the major EC-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC-funded interventions considered in the analysis.

Table 2 List of the major EC-funded interventions

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
SA/1003/000 - Local Economic Develop. In Northern Province	29,5	AFS/2001/004-712	This was the first intervention in support of LED. Sustaining capacity within the provincial government after the programme appears to have been an issue.
SA/1007/00 - Urban Dvp Support To The Ethikwini Municipality	35	AFS/2002/004-555	Started as project support, this later became sector support which enabled the intervention to achieve some sustained impact
SA/1009/00 Local Economic Dvp Support Programme In Kwazulu Natal	33,72	AFS/2002/004-557	This has resulted in the development of capacity within provincial government. The intervention is now sustained and funded by the province
Local Economic Development Support Programme in the Eastern Cape Province	27,35	AFS/2006/018-372	
Transparent Local Governance - A Toolkit	1,2	DCI-NSAPVD/2007/019-413	
Local Leadership for Growth	0,9	DCI-NSAPVD/2007/019-413	

The main support from the EU in terms of local governance and decentralisation during the evaluation period has been the KwaZulu-Natal (KZN) LED support programme, which was a six-year programme designed to support the provincial Department of Economic Development (DED) and a broad range of other stakeholders to more effectively implement LED that achieves equitable economic growth in the Province. Furthermore three larger interventions, namely the LED in Northern Province, the Urban Development Support to the Ethekwini Municipality, 2003-2008 and support to Urban Renewal Programme in Eastern Cape are the main support to decentralisation and local governance. Other minor support also focuses on local economic development and capacity building at ward level.

A synopsis of some of the main interventions is provided below. With the exception of the Ethikwini Area Based Management project (which received sector support), all experienced significant problems in implementation because of the inflexibility of the project modalities applied by the EU².

Local Economic Development in Northern Province

This was the first of the local economic development interventions directed at local level and coordinated and managed by the Limpopo Provincial Government. Its impacts may not have been sustained coherently within provincial government. However it has resulted in the creation of the Development Facilitation and Training Institute at the University of Limpopo, which conducts research and training and capacity building around local economic development.

Local Economic Development Support Programme in Kwazulu-Natal (Gijima KZN)

This appears to have been implemented and sustained relatively effectively by the provincial Department of Economic Development and Tourism. The programme generated some 4.500 jobs and created partnerships with the private sector (particularly in the sugar industry), and with the main

² EC Evaluation: LED Support in Limpopo Province: Final Evaluation, July 2010 and several interviews with LED stakeholders in KwaZulu Natal Provincial Administration in Pitermaritzburg and in Durban Municipal Council and Durban Chamber of Commerce.

financial institutions. The entire project management structure was replicated within provincial government, and provincial government now funds the continuation of the project. Measures to develop sustainable LED capacity are reflected in the diploma and postgraduate courses for officials developed with the University of KwaZulu-Natal. The Learning, Monitoring and Research Facility component of the project was not deemed to have been successful.

Local Economic Development Support Programme in the Eastern Cape Province (Thina Sinako)

The programme in the Eastern Cape has generally been seen as efficiently and rapidly implemented. The project was coordinated by the Office of the Premier in partnership with the provincial Department of Economic Development & Environmental Affairs, the Eastern Cape Development Corporation, the Department of Local Government & Traditional Affairs, and the Department of Agriculture and Rural Development.

Urban Development Support to the Ethikwini Municipality (Area Based Management)

The EU support to the Ethikwini municipality arose out of support it provided to the Cato Manor informal settlement project spanning a period of about 10 years. This led to thinking around an Area Based Management approach for the provision of services, infrastructure, the development of capacity, and the deepening of democracy. It was started as a typical EU project, but later became a sector support to the Ethikwini (Durban) Municipality. The project was seen as successful and that Area Based Management interventions had made significant impact in providing access to services. The experience of the project was such that the city has internalized the approach.

Expanding and Strengthening Community Based Participation in Local Government (CBP) – Development of Ward Committees

The project was aimed at developing Ward Committees in all 283 municipalities in the country. It entailed capacity building of Ward Committees in 3,895 wards resulting in the training of some 42,000 people on the functioning of local government and making the voice of communities heard at local level. The national Department of Cooperative Governance and Traditional Affairs (COGTA) implemented the project. Training was aligned with national accredited qualifications standards.

A detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporates decentralisation in its cooperation with third countries

N/A for the field visit.

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

N/A for the field visit.

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

Indicators:

- *Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries*
- *Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors*
- *Ind 1.3.3. EC policy framework relative to decentralisation provide clear guidance to its interventions in support of decentralisation processes according to EC policy and operational staffs*

Main findings from the field mission:

Ind 1.3.1:

The staff of the EUD stated that EU policy statement and documents are clear on support areas within decentralisation and local governance but have not necessarily been actively used in the SA context. This is due to the Government of South Africa (GoSA) that does not support decentralisation as a development term but rather use local government development in the context of a unitary state where the central government retains greater leverage over service delivery. The current staff at the EUD dealing with LED are either specialists in LED or private sector specialists and therefore not necessarily with much experience or knowledge of DLG issues also within the EC system. However, Sector Budget Support (SBS) to decentralisation through the Area Based Management and Development Programme (ABMDP) in Durban has been used successfully and also for LED in line with GoSA policies has been extensively supported.

Ind 1.3.2:

The Team discussed the issue with several donor representatives also having experience from other countries. It was generally found that the EU approach to decentralisation and local governance has developed rapidly over the past 10 years and that policy documents are clear enough.

Ind 1.3.3:

The EU policy guidance has supported decentralisation through its various programmes, whether through sector support or through individual projects. Between 2000 and around 2006 this was mainly because there was a natural harmony between the policies of the South African government and the EU. The 1998 White Paper of Local Government was explicit in its policy on decentralisation and used the term clearly and explicitly to define the role of local government which resonated well with the EU's concept of decentralization of support. However, by around 2006 it was becoming increasingly clear that local government was in crisis. At the political level and at national government there were increasingly assertive interventions at local level by central government. By 2009 the National Framework for Local Economic Development in South Africa 2006 – 2011 appears to have been all but abandoned. Apartheid local government consisted of over 1.200 racially based local authorities. Local government was transformed in two phases: In 1995, 843 transitional municipalities were created. The second phase, in 2000, was characterized by the incorporation of urban and rural areas, reducing the number of local municipalities to 284 (47 Districts, 6 Metros, 231 Local Municipalities). Each municipality has to develop a 5-year IDP, which guides all investments at local level.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

Ind 2.1.1:

In the context of classical projects, the very limited flexibility of some procedures and rules for contracting continues to seriously hamper the quality of overall reform implementation, detracting from a results-oriented approach. To avoid micro-management, an appropriate balance needs to be found between procedures that safeguard the EC's financial interests/fair competition and the need to facilitate the smooth implementation of projects with the necessary flexibility. In particular, the rigidity of Financing Agreements (often drafted some years before the implementation actually starts) prevents EUD staff from adapting implementation modalities to field realities and focusing on results. This was a constant theme in discussions with partner organisations.

Ind 2.1.2:

The Mission was informed that frequent meetings internally in the EUD coordinates and exchanges information from various sectors.

Ind 2.1.3:

There is no specific unit for decentralisation in the South African EUD. The Government is not keen on the word decentralisation for historical reasons and therefore the EUD has focused on LED activities. However, up to 3 programme staff deal with LED projects/programmes and attend various donor meetings on behalf of EUD in both the economic and governance clusters.

Ind 2.1.4:

N/A

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

Ind 2.2.1:

As mentioned above the EUD has had a number of staff dealing with LED and local development over the period – maybe 2-3 at any given time. The turnover of EUD staffs every two or three years means that institutional knowledge is not always retained.

Ind 2.2.2:

There seems to be good knowledge and understanding of local development issues with the staff met. During the evaluation period a number of staff in the EUD has been occupied with rural development projects, area based municipal projects, LED projects and capacity building projects all focusing on the local levels. However, the Government has never had an overall support programme for decentralisation, as it is a sensitive area and one jealously guarded from too much donor influence. This means that the EUD has first and foremost concentrated on LED as a vehicle for local development.

Ind 2.2.3:

None of the staff met had had any training in DLG issues and they had no information on this issue of the staff pre-2008/9 when they joined the EUD in South Africa.

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Ind 2.3.1:

Engagement with other donors has been frequent and at times more in-depth than at the moment; however, not in the Decentralisation Working Group but rather under the Governance Working Group. Therefore very little, if any, joint Monitoring and Evaluation (M&E) systems have been implemented, and mainly M&E linked to individual donor supported projects/programmes. However, under the General Budget Support (GBS) there is a common results framework and indicators.

Ind 2.3.2:

Sharing of information across the various sectors is often done at the weekly management meetings and also during frequent evaluation, assessment and review mission from headquarters or through missions.

Ind 2.3.3:

There was no evidence at all of any "drivers of change" agents in the EUD fro DLG issues. The LED focal points were however very active and knowledgeable on the issue in South Africa.

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant Country Strategy Paper (CSP) sections on decentralisation and local governance*

Main findings from the field mission:

Ind 3.1.1:

There is no evidence of EC/EU documentation from the period in question regarding deeper analysis of the DLG area. However, this can also be explained from the mere fact that the Government itself has good documentation and analysis of the situation throughout this period, and the decision to put a lot of funds into LED was and is based on it being a top priority of the Government.

Ind 3.1.2:

The choice of entry points and aid delivery methods have been appropriate to national contexts and have developed over time from project to programme and now in the form of SBS also (ABM, LED and Employment etc), and these are therefore increasingly aligned to national procedures and transfer mechanism. Especially the experience with SBS in Durban Municipal Council was a positive one, which gave the Council the funds for implementing local development in their strategic areas in a flexible way and very much aligned to their own IDP. This was done after the programme had started in a very traditional project modality, and with lots of implementation problems especially with EC/EU demands for constant reporting and auditing in its own formats. It took quite some changing to rewrite the programme mid-term and introduce SBS into the programme.

Ind 3.1.3:

All indications are that the quality of dialogue between the EUD and Government and beneficiaries is intense and of high quality when it comes to LED. However, since decentralisation is NOT considered a discussion point this is also not taken up with the GoSA in policy discussion forums by EUD staff.

Ind 3.1.4:

There are references in the CSP to local development and especially LED issues but also in general to local governance issues.

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as “How should existing interventions best evolve?” are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Ind 3.2.1:

As mentioned above, the approaches and entry points have changed over time according to the national context and increasingly been driven by the need for national implementing agents to have more flexibility and control over the funding and results.

Ind 3.2.2:

There was no evidence found of this in the documentation reviewed.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*
- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as “When and how to use sector budget support?” or “what are the risks related to the”) are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

Ind 3.3.1:

The following is an extract from an External Assistance Monitoring Report (EAMR) report of 2006: *In 2005 all disbursement targets on SBS were fulfilled. This modality certainly increases the efficiency of the work of the Delegation. However, new skills not previously required by Delegation project officers will need to be acquired. Furthermore, the learning process in many South African (SA) departments is slow and considerable effort needs to be made in the initial stages to come to a common understanding. Close contact with the thematic support unit on budget support (BS) in EuropeAid Co-operation Office (AIDCO) is therefore necessary.* This clearly demonstrates that the EUD is constantly trying to adapt its approaches to the national context and the problems faced.

Ind 3.3.2:

No examples of this were found during the mission.

Ind 3.3.3:

Same as 3.3.1 above.

Ind 3.3.4:

These kinds of assessments are made continuously in the EAMR reports.

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:Ind 3.4.1:

The EC/EU response strategies in the area of local government/DLG have been aligned with national policies but not a very significant support in terms of DLG per se but more in LED. The partners are responding to Governments' priorities / activities under the various GoSA policies and strategies and Public Financial Management (PFM) capacity building all of which EUD support to some degree. The focus is on service delivery and job creation at local level and this challenge is what the EUD has responded to. The various actors and their relative capacity is analysed and presented in the various documents.

Ind 3.4.2:

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

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:Ind 4.1.1:

To set the ground for the conceptual discussion among stakeholders, the EUD launched a number of preparatory studies in areas likely to become "focal" in 2005/6: the economic cluster, the social cluster, and human rights/governance, the latter two including the burning issues of service delivery capacity at local level. The first one of these studies, on the economic cluster, was delivered in November 2005, and the other ones were delivered during the first quarter of 2006. All studies were validated during workshops with Development Partners (DPs), GoSA and others partners including non-state actors. This is just an example of the analytical work carried out by the EUD but there seems to be frequent exchange and interaction between key stakeholders.

Ind 4.1.2:

N/A

Ind 4.1.3:

The six EU+ Working groups (S&T, health, education, employment, governance, housing) have ensured a platform for exchange of information and sharing of good practices between main partners (EU and non EU incl. UN system, World Bank etc). The EUD has encouraged regular participation of lead departments in those groups. This means that the EUD has often taken the lead in coordination and complementarities of donor interventions also in the DLG field, which has fallen under the Governance working group.

Ind 4.1.4:

N/A

3.4.2 JC4.2. There is complementarities between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finance decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

Ind 4.2.1:

Donor coordination and division of labour is there but no specific sector-working group on decentralisation/local governance. It falls under both Governance and Economic Cluster groups. GoSA is not keen on usage of decentralisation as concept – it prefers local government and the 3 spheres of government (Unity principal). On aid effectiveness, the dialogue between Government and donors on the follow up to the Accra Agenda for Action (AAA) has continued with several meetings in 2009. Development partners are encouraging Government to take forward the AAA through a national action plan for 2010 onwards. South Africa has been co-chairing (together with Germany) the Cluster C working group on aid effectiveness in the OECD DAC. A recent Mid-Term Review (MTR) of CSP/MIP examined aid effectiveness and EU coordination issues and concluded that there is good complementarity and improving division of labour between EC/EU and member states programmes. It was also in this connection recommended that donors should maintain a judicious mix of budget support and project based approaches at EU level, seeking stronger dialogue at EU level on poverty reduction, in particular with the new Government.

Ind 4.2.2-4:

N/A

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Ind 4.3.1:

Sector budget support programmes receive more and more attention due to their increasing dominance within the portfolio of the development programme. In South Africa, these need to be designed and implemented in an innovative and tailor-made manner. In general, the Government of South Africa provides sound sector policies and a public finance management level that certainly fulfils criteria normally set for sector budget support. Challenges lay in policy dialogue, additionality and donor co-operation. All the newer SBS programmes follow fully the EC/EU guidelines and foresee fixed and variable, performance based tranches. EUD support to local development processes is generally coherent with other (sector and GBS) activities, and is given more prominence in support to LED and employment creation but challenges exist. The harmonisation of donor activities is now more clearly prominent but still long way to go in terms of joint action plans and linkages between sectors and local economic development.

Ind 4.3.2:

Since there is no decentralisation support programme, it obviously doesn't address these issues but the LED programmes do encourage that project proposals for LED support submitted by local governments do contain gender specific information as well as an assessment of the environmental impacts of the economic activity being proposed.

Ind 4.3.3:

National Treasury maintains indicators aligned on GBS aligned to national policy

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

Ind 5.1.1:

There is no doubt about the quality of the national policies and strategies in the DLG field and that the GoSA has its own strategies in this field. The Government has ample capacity to formulate these. What is lacking is the capacity and will to implement certain key policies throughout the country. The EC/EU has not contributed any substantive analysis.

Ind 5.1.2:

The national governmental systems are there in the unity government set-up – national, provincial and local government levels and while capacities at local government level often are relatively weak, there is no lack of capacity at provincial and central government levels. The EC/EU supported **Strengthening Local Governments in Mpumalanga and Northern Province**. This programme came to an end in September 2005. The evaluation showed that the programme delivered tangible results at the level of municipalities but it was not sufficiently integrated into the implementing department (dept of local government and housing). This programme is an example of the challenge to find good implementation structures in the crucial area of local government through central departments.

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

Ind 5.2.1:

The national constitution provides a very clear framework for the decentralisation of powers and provides a development mandate for local government. The Municipal Systems Act of 2000 provides the legislative framework for oversight, control and accountability for local government. The 2006 national framework for local economic development provides sound and clear policy and guidelines in respect of the role of local government. The constitution, legislation, policy frameworks and guidelines provide clear guidance and supporting mechanisms for the decentralisation process. The issue is not the lack of legislation or policy frameworks in support of decentralisation, but rather the capacity at provincial, and particularly at local level, to give effect to the framework. Provincial government is not always able to provide the bridge between national policy and local level implementation. There may be a role for institutional support outside of government that bridges this divide in respect of implementation. The South African Local Government Association (SALGA) does provide this role to a certain extent, but in other ways is constrained by its direct accountability to national government. No major support in this area from the EC.

Ind 5.2.2:

South Africa is strong on legislation and policy in respect of local development / decentralisation. The overall framework is clear and coherent. There is a high level of alignment between national and provincial government. As noted above, the ability of local government to implement in terms of the legislative and policy frameworks is constrained. The EC/EU has not been active in supporting the development of the policy framework.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

Ind 5.3.1:

Local government has developed significantly since 2000. The Municipal Systems Act of 2000 provided clear guidelines to local government. This saw the appointment of staff at local government level to planning functions around the mandatory IDPs, and to local economic development through the appointment of LED managers and officers in most municipalities. The issue is not always that human resources are available, but that these resources are sufficiently competent and skilled, and that they have the material resources to effect implementation of plans. The EC/EU contribution has been indirect through mainly the LED programmes and the focus on enhancing the numbers and skills of the human resources at local level.

Ind 5.3.2:

The Division of Revenue Act provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. The Municipal Infrastructure Grant supplements the funding of infrastructure programmes funded from municipal budgets to enable municipalities to address backlogs in municipal infrastructure required for the provision of basic services. Other instruments include the Integrated Housing and Human Settlement Development Grant, the Integrated National Electrification Programme Grant, and others. All transfer is worked out according to a formula, and all allocations made must be included in municipal Integrated Development Plans. The Development Bank of Southern Africa provides loan and development financing to local government. In respect of financial sustainability, key challenges faced by municipalities often relate to the size of the tax base and their ability to collect revenue. In rural areas the tax base is usually very low. A number of municipalities have negligible revenue bases and are not sustainable without direct transfers. The EC/EU supported Local Government Toolkit explains the functioning of local government and provides tools for community members to help them engage substantively with local government. Likewise the Ward Capacity Building Project trained Ward Committee members around the functioning of local government in an effort to stimulate bottom-up participation.

Box 1 *Fiscal Decentralisation*

South Africa compares well with other developing economies regarding expenditure responsibilities and autonomy of Sub National Governments (SNGs). Sub-national expenditure in developing countries rose from 12.7 per cent of total public expenditure in 1980 to 19.6 percent in 1998 (Shah and Thompson 2004). Similarly, education spending by SNGs increased from 21 per cent of total public sector education expenditure in 1980 to 40 percent in 2000 while health expenditure increased from 22 per cent in 1980 to 57 percent in 1999. Although the trends vary widely across countries, there are areas of shared responsibilities among central and sub-national governments in almost all countries. On average expenditure autonomy, i.e. percentage of sub-national expenditure financed from own-source revenue, in developing countries was 58 per cent in 2000.

Provincial governments' revenue amounts to about 50 per cent of total public sector revenue in South Africa. But on average 96 per cent of provincial revenue is in the form of transfers from the national government to provinces. Approximately 70 per cent of the transfers (in 2002-2004) are in the form of equitable share and the rest conditional grants. Tax receipts represented on average 49 per cent of own-source (and 2 per cent of total) provincial revenue during 2001-2004. Main taxes include Casino taxes, motor vehicles licenses and horseracing. Other sources of own revenue include sale of goods and services, sales of capital assets, fines, penalties and forfeits, interest and dividends and financial transactions in assets and liabilities.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in human resource management (HRM): the extent to which LGs can hire and fire or otherwise manage personnel.*

- *Ind 5.4.3. The role of various layers of government is clearly defined and the local governments degree of autonomy is well described in legislation.*

Main findings from the field mission:

Ind 5.4.1:

In principle, the local governments only have limited autonomy on local revenue as these only constitute about 3-4% of local budgets and the rest being transfers from central government. EC/EU has not contributed to enhancing powers and functions of LGs but to some degree to increased resources for local governance, services and infrastructure investments. Some smaller municipality structures still weak but improvements have been seen from the administrative reform onwards.

Ind 5.4.2:

The right to hire and fire rests with LGs in South Africa and HRM is the responsibility of the various levels of government.

Ind 5.4.3:

The various levels of government are clearly spelt out in the Constitution and other legislation and the principle is the unitary form of government with clear top-down approach to governance and less devolution.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & civil society organisation - CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

Main findings from the field mission:

Ind 6.1.1:

There is no doubt that sufficient capacities exist within the government but the EC/EU has not worked on this level with these issues during the evaluation period.

Ind 6.1.2:

The perception is that the central government is capable and has resources for policy formulation. The big issue in South Africa is the service delivery in marginalised local governments and the apparent non-success of the African National Congress (ANC) government to effectively reduce the service delivery gaps that exist not only between urban and rural municipalities but also the inherited income disparities.

Ind 6.1.3:

Generally speaking the M&E situation in LGs is much weaker than within the central and provincial governments. However, PFM has improved both centrally and locally over the past 10 years and central government M&E of LGs has also strengthened. This work has been supported by the EC/EU but mainly under the PFM support to the National Treasury.

Ind 6.1.4:

N/A

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*

- *Ind 6.2.2. Evidence of improved planning in local*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Main findings from the field mission:

Ind 6.2.1:

The Delegation (with support of an international team of experts) initiated and implemented jointly with National Treasury a Public Expenditure and Financial Accountability assessment for South Africa. Using the internationally agreed methodology this assignment was conducted in 2008. This was the first Public Expenditure and Financial Accountability (PEFA) assessment undertaken in the country, which focused on the current status of the PFM system on national / central government level. The SA PFM system was found on the whole to be approaching best international practice. Weaknesses were identified in relation to public procurement, accounting for tax arrears and reporting from front-line service providers and especially at LG levels. In addition, the report highlighted the poor predictability of donor flows and weaknesses in mutual accountability. The PEFA initiative furthermore served as a platform for the re-launch of focused dialogue between the Government and donors going beyond PFM. High quality PFM is a key determinant in delivery of cost-effective social services. A MTR of the ongoing PFM Improvement programme found that the programme is delivering good results in terms of the development of diagnostic tools and capacity building in areas such as budgeting, internal control and risk management. Pilots have also been conducted with a view to rolling out PFM improvements in provinces and municipalities. Human resource capacity weaknesses particularly at the lower levels of Government present a formidable challenge. Government has now embarked on a 'clean audit 2014' campaign so as to focus attention on the task ahead. The mid-term review of the Water and Sanitation Programme known as Masibambane III concluded that EC/EU support had been highly effective in assisting Government to reduce the backlog of water and sanitation service provision at local government level. Some 90% of poor households now benefit from free basic water provision.

Ind 6.2.2:

The EC/EU and other donors have focused a lot of attention on increased capacity at local level in planning and especially through the LED programmes. Municipalities are required by law to produce annual IDPs. Release of funding is contingent on these plans. These now include local economic development plans. These are subject to review and evaluation by central government. The EC/EU has supported the development of this planning capacity through the Education and Training Unit (ETU) Local Government Toolkit, the Capacity Building Grant (CBP) Ward Committee capacity development. The three provincial LED programmes provided support for the development of IDPs, LED plans, and other planning initiatives at local government level.

Ind 6.2.3:

The availability of suitable skilled and qualified personnel at local level is a continuing problem. There are HR systems, procedures and guidelines. Annual Auditor-General audits monitor HR appointments as well as financial matters. The effectiveness of HRM may not be monitored. While the EC/EU has not worked directly with HRM issues at local government level there has been support to HR issues both through training of councillors at ward level and through larger sector programmes, which were not reviewed during the mission. EC/EU support has meant training at LG level for planning, LED and other issues – concepts and procedures in terms of participation, planning and management of the collective and individual initiatives. EC/EU focused on PFM training through Treasury. EC/EU support ABM and LED has had significant impact on capacities at municipal levels but often the capacity building was not sustainable due to usage of contract based staff who leave when contract terminated.

Ind 6.2.4:

Municipal IQ is a national monitoring system for local government which provides high level indicators of municipal performance and flags vulnerable municipalities. At local level the collection and analysis of data for monitoring and evaluation purposes is often weak. Such systems exist in the metropolitan areas and in some of the larger municipalities. Within the smaller and rural municipalities such systems are often entirely lacking. No EC/EU support on this subject was found.

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*

- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Main findings from the field mission:

Ind 6.3.1:

SALGA is a well functioning and quite large association with capacity to work in a unified and concerted way to advocate for DLG issues. It is however dominated by ANC and therefore doesn't have a clear independent profile in political terms. EC/EU has been working with SALGA in terms of the LED strategy and implementation issues but not through a formalised support programme. SALGA has technical assistance (TA) from German Development Assistance (GIZ) among others.

Ind 6.3.2:

Governance is a very broad description of a number of different sub-sectors – human rights and democracy, legislatures and representation justice, safety and security. Current EC/EU programmes focus on the first areas, involving government/state institutions as well as civil society actors. For the future it is intended to continue in these fields and to this end the modalities and methods of working are under discussion. In the 2009 the EUD itself noted: *“Negative sentiments about EC aid were provoked as a consequence of major recovery orders against both public entities (critical press coverage) and CSO’s (EC procedures perceived as anti-developmental). While it should be said that the major recovery orders have in the main been issued against older projects designed pre-2000 and to a lesser extent pre-2005, it is becoming urgent to restore the EC’s image notably with civil society. The Delegation will devise capacity building initiatives for, inter alia, civil society organizations and engage in more regular coaching of partners, for example, on procurement and financial reporting issues, as soon as the Finance and Contract section of the Delegation has been strengthened.”*³

Ind 6.3.3:

South Africa has a very active and vibrant research community (especially a number of first class universities) also supported by the EC. Historically, much of the findings based on local research have been directed at national level in an effort to influence national policy.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Main findings from the field mission:

Ind 7.1.1:

Local government elections have existed since 1994 and supported by EC/EU through overall election support. The most recent elections in May 2011 highlighted service delivery problems. Elections are held under the jurisdiction of the Independent Elections Commission (IEC) and have been deemed to be free and fair.

Ind 7.1.2:

The EC/EU has been supporting a ward capacity building project over the recent years focusing on increased transparency, accountability and participatory planning processes. EC/EU support to increased local participation in local development planning was clearly an aim of ABMDP support and to some degree achieved as the priority to further develop capacities at local level. There is often a tension between planning on the part of officials, and participation. Political interference in the part of elected (and paid) party councillors is a feature of municipal life. The fact that Ward Committee members are paid a stipend in an environment where resources are scarce may also contribute to the maintenance of a party patronage system.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards etc)*

³ External Assistance Management Report (EAMR) 2009.

Main findings from the field mission:Ind 7.2.1:

South Africa experiments with all these service delivery and accountability mechanisms such as citizen report cards and Service Charters. Obviously the press in South Africa is more free and fair than in many other parts of Africa, and an active reporting on service delivery riots and misuse of local funds is reported and analysed.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation**Indicators:**

- Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.
- Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens

Main findings from the field mission:Ind 7.3.1:

The emphasis on enhancing PFM capacity of national, regional and local level is a priority of EUD support within the governance sectors (PFM capacity remains weak at local level). Local accountability of local governments still weak – involvement in this area is very weak as most are focused on service delivery and not advocacy. Increased transparency in fund allocation is evident in terms of SBS and contributions to local budgets. How much the larger population shares this is not clear. Fund utilisation and accounting of these has increased considerably over the evaluation period also driven by EC/EU rules and regulations. The National Treasury is a very strong and powerful organisation that – supported by Department for International Development (DFID) and EC/EU – is very active in setting formula for transfers to provincial and local governments.

Ind 7.3.2:

There is a clear system for the division and allocation of revenue from national Treasury to local government. The Division of Revenue Act, and the Municipal Systems Act, guide this division. Annual audits by the Auditor-General are mandatory. The performance of municipalities is reflected upon within national parliament and within provincial parliaments. Data in respect of financial transfers allocations and use are publically available at local government council meetings, online on government websites, and through the media. The extent to which the public at large is aware of or able to analyse this information is however unclear. The EC/EU has been active in giving TA to the National Treasury but mainly for PFM issues.

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision**Indicators:**

- Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments
- Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations
- Ind 8.1.3. Existence of public-private partnerships in the delivery of social service

Main findings from the field mission:Ind 8.1.1:

Eliminating backlogs in basic service and infrastructure delivery is a South African national priority. While much has been achieved, many remain without basic municipal services in water and sanitation, solid waste removal, electricity connection, and provision of housing. Improved governance has increased the availability of government and donor funding. There are three broad streams of national transfers to local government: the equitable share as well as infrastructure and current transfers (conditional grants). According to Treasury's 2005 Medium Term Budget Policy Statement the equitable share in 2005/06 comprised R10578 million, infrastructure grants R6130 million and capacity building and restructuring grants R749 million (see Table 5). The percentage of transfers in total municipal budgets (or rather: the dependency rates) varies enormously: from 92% in Bohlabela/Bushbuckridge (Limpopo) to 3% in Cape Town (Western Cape).

Ind 8.1.2:

During the period 2000 to 2009 considerable thought and application has been devoted on how to provide services to deprived communities and to address the backlogs that exist. The overall approach has been to target and direct service delivery by decentralising responsibilities to local government. A variety of instruments have been developed including the Municipal Systems Act, the Integrated Development Plan, the Municipal Infrastructure Grant, etc. The purpose of IDP is to foster more appropriate service delivery by providing the framework for all public resources of the three spheres of government behind common goals and within a framework of municipal support. While the framework is in place, getting it work effectively and efficiently remains a challenge. Interventions such as Project Consolidate in 2006/7 that targeted specific ailing and failing municipalities are evidence of persistent and pervasive capacity weaknesses at local level despite targeted interventions and support. Provincial budgets totalled R 215,2 billion in 2005/06, comprising national transfers of R 209,3 billion (97,3% of total provincial revenue) and own revenue of R 5,9 billion. The equitable share allocation is divided among provinces using a redistributive formula. The current structure of the formula contains an education share (51%, based on the size of the school-age population (5-17) and the average number of learners (grade R to 12) enrolled in public ordinary schools for the past three years), a health share (26%, based on the proportion of the population with and without access to medical aid), a basic share (14%, derived from each province's share of the total population of the country), an institutional component (5%, divided equally among the provinces), a poverty component (3%, reinforcing redistribution in the formula) and an economic output component (1%) or proxy for revenue raising capacity based on Gross Domestic Product (GDP) by region data. The formula is reviewed and updated every year with new data, taking into account the recommendations of the Financial and Fiscal Commission (FFC).

Ind 8.1.3:

National Treasury produced details guidelines and procedures for the establishment of Public-Private Partnerships. These were aimed at large partnerships, were onerous and meant that such partnerships were slow to emerge. At local level the concept of public-private partnerships is a relatively new concept. The EUD support local economic development programmes in Limpopo, KwaZulu-Natal and the Eastern Cape made funding available contingent on the establishment of partnerships. Partnerships were imposed on beneficiaries. Often these proved to be flags of convenience to secure funding, while the weaker partner did not always benefit. It has not been possible to quantify the extent to which weaker partners have been empowered. Many partnerships did not appear sustainable. However, in the instances where such partnerships were established (e.g. with the sugar industry in KwaZulu-Natal), they have yielded positive results, mainly in job creation and the sustaining of small enterprises.⁴

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc)*

Main findings from the field mission:

Ind 8.2.1:

In 2002 the Institution of Municipal Engineering of Southern Africa (IMESA) undertook a survey of municipal infrastructure maintenance and found that South African authorities compare unfavourably with the international benchmarks in respect of strategic planning, asset accounting, and planning and making financial provision for improvement of infrastructure. A 2007 report by the Council for Scientific and Industrial Research (CSIR) found that in respect of financial planning and management many municipalities do not have even the basics in place, and there are gross shortcomings in maintenance policies and practice; and that there is a wide range of capacity and competence between these two extremes can be found in municipalities.

Table 3 Municipalities capital projects vs. operations in 2003/2004

Municipalities	Percentage of total budgets	
	Operating	Capital
Metros	84,4%	15,6%
Local and district	75,1%	24,9%

⁴ Interview with key LED focal points in KwaZulu Natal Province.

All municipalities	80,6%	19,4%
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The report asserted that for the typical impoverished municipality, basic levels of water services have been provided, "subsequent lack of maintenance coupled with no control over the high levels of informal connections means that the majority of these schemes are no longer capable of providing a consistent daily basic water supply". It concluded that "at least 90" of these municipalities are not going to be able to provide services to their indigent communities without considerable financial support from national government.

Ind 8.2.2:

In many municipalities knowledge of even the extent and capacity of the infrastructure assets they possess can be patchy and unreliable. Many municipalities are not conforming to the requirements of the Municipal Finance Management Act (MFMA), Municipal Systems Act and other legislation that requires them to ensure that adequate provision is made for the long-term maintenance of their infrastructure assets. For example, in respect of electricity, no comprehensive national data on the condition and age of infrastructure exists. This makes maintenance at municipal level difficult. Similarly in respect of water reticulation it is estimated that losses due to lack of maintenance amount to about 30% of supply. Much of the finance for municipal infrastructure is provided by national government through the Municipal Infrastructure Grants. Trends indicate that between 2000 and 2008 municipalities have not shown any marked progress in construction, maintenance and repairs of basic infrastructure⁵.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)
- 8.3.2 Evidence of qualitative improvements to locally delivered services

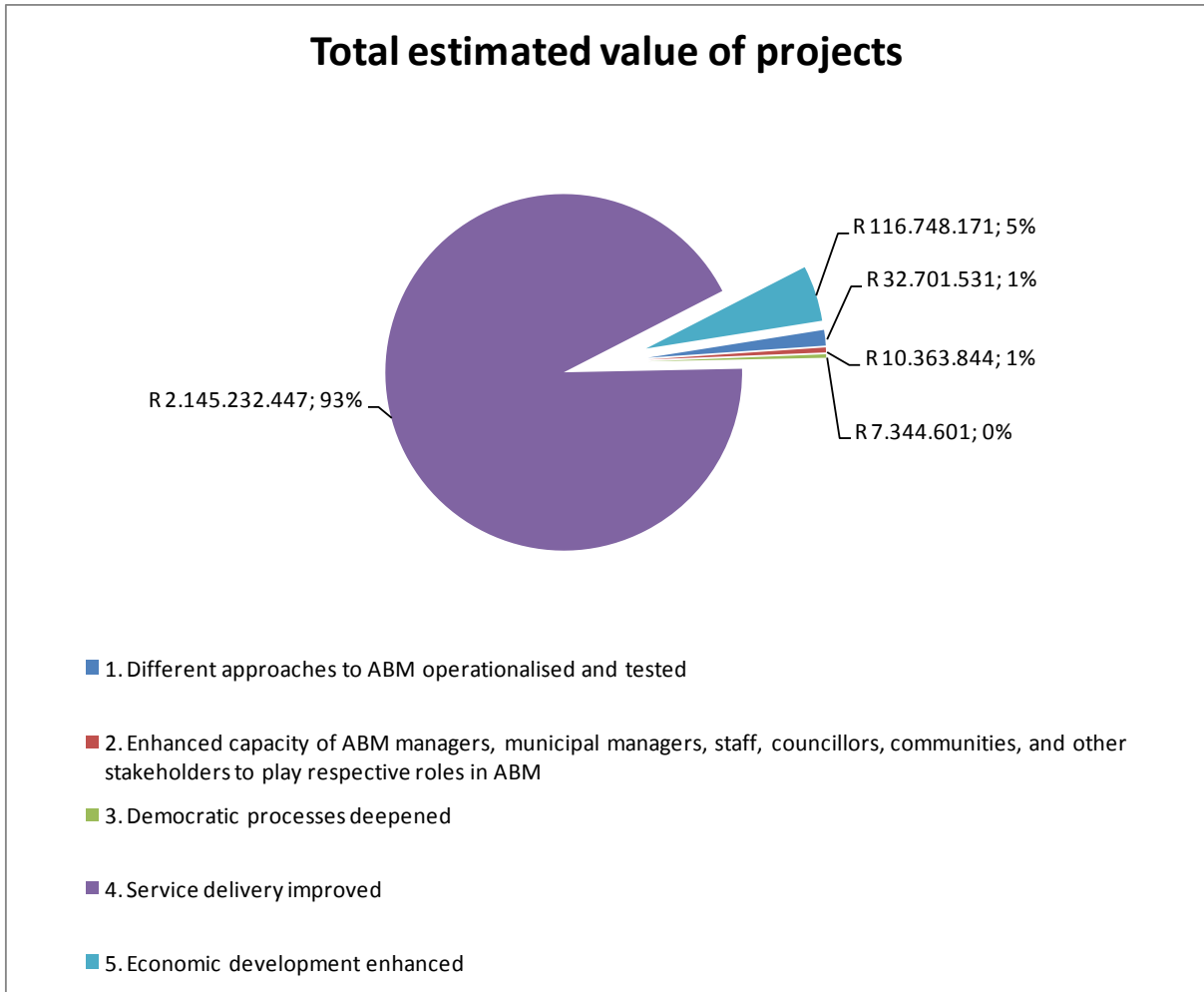
Main findings from the field mission:

Ind 8.3.1:

Service delivery improvements at LG level more centrally driven than locally – earmarking and programme approach in sectors. However, KZN visit shows some considerable improvements in serviced delivery through EC/EU supported ABMDP and LED initiatives (see the slides below for details). Figure 2 below gives details of the EUD supported LED programme in KwaZulu Natal and that over 90% of the projects have targeted improved service delivery. Table 4 also shows a strong link between LED investments and economic development in terms of multiplier effects on the local economy and a possible value added in economic terms for both rural and urban areas.

⁵ Jaya Josie, The Intergovernmental Context of Municipal Infrastructure Grants in South Africa (School of Government University of the Western Cape April 2008)

Figure 1 Total Estimated Value of LED Projects per Target



Source: P Forsyth, Analysis of expenditure for the EU funded eThekweni Municipality Area Based Management Programme 2003-2008 (2009)

Table 4 Gijima Programme Outcomes

Gijima investment through direct grants	Notional 'strong' multiplier effect	Expected economic leakage out of rural areas	Possible economic value added
R129 million	2.5	40%	R65 million

Source: Gijima KZN, Report on the Performance of Gijima KZN against the Logical Framework 2005 to 2010 (July 2010) – www.gijimakzn.org.za

Ind 8.3.2:

Since the provision of basic services is a main responsibility of sub-national government in South Africa, public finances emphasize budget spending towards the provision of these services. The national 2005 Medium Term Expenditure Framework (MTEF) states that sub-national governments play a key role in the progressive realization of rights and the addressing of vulnerability and inequality through the improved delivery of basic social services. Public spending on education, health, welfare, housing and other social services now makes up about 60% of consolidated non-interest expenditure, which means an increase of 7% within one decade. On the provincial and local level, service provision is mainly financed through the equitable share allocations. The formulas for both, provincial and local equitable share take into account poverty aspects. Provinces spend nearly 82% of their total expenditure on social services, in particular in the fields of education, health, welfare, housing and community development as well as public works, roads and transport. The key priorities for local government include the provision of free basic services (water, sanitation, electricity, refuse removal) to households not able to pay user charges, tackling backlogs in municipal infrastructure, job creation

via the Expanded Public Works Programme and the improvement of service delivery and sustainable financial management⁶.

⁶ Anka Derichs, Christiane Einfeldt: World bank Seminar – Fiscal Decentralisation and Intergovernmental Relations in South Africa, January 2006

4 Conclusions concerning the hypotheses to be tested in the field phase and main challenges to be discussed in the synthesis phase

- **What have been the main reasons for the specific EC/EU choice of entry points and support modalities (in support of decentralisation) in South Africa? Why doesn't EC/EU support mainstream decentralisation reform issues?**

South Africa is in the process of administrative restructuring in the post-apartheid period, as the severe levels of inequality remain one of the archetypical characteristics. Local government development is the preferred term as decentralisation is seen as too politically loaded an expression (meaning that ANC guards its central powers and sees stronger opposition held municipalities as a long term threat to that power base). Regarding LED, South Africa has an advanced legal and policy context and nearly 15 years of experience in that field. Indeed, LED has a very high profile in the country. In retrospect, the contribution of all those projects is – as broadly agreed by the stakeholders interviewed – not that impressive but with some impact seen especially in the KwaZulu Natal programme.

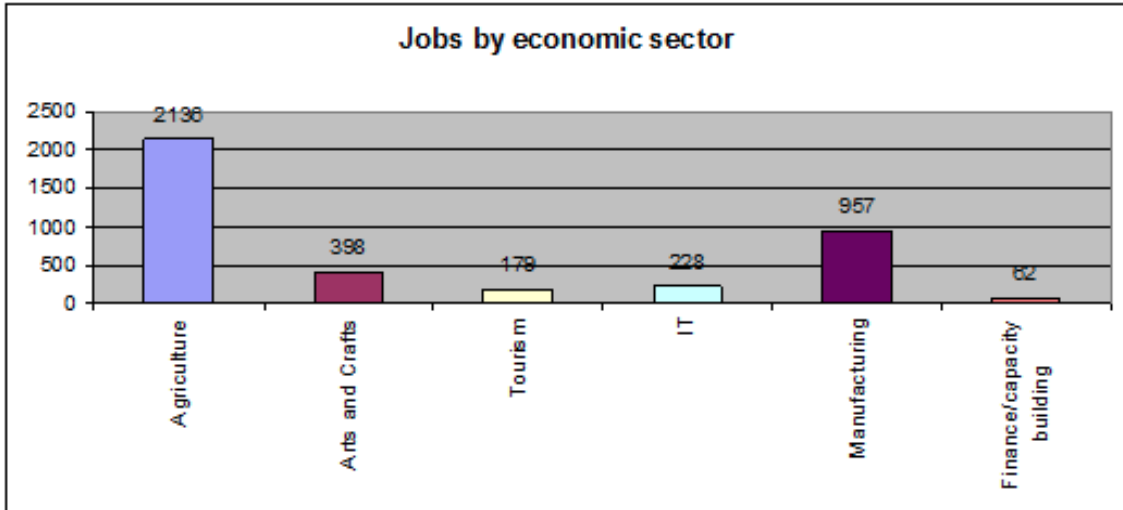
The strategy for national planning is just being designed at the top political level. Until now there has not been a coherent framework overarching the sectoral approaches in the country and this has to some degree hampered e.g. initiatives like LED. There is a large variety of planning mechanisms and sectoral policies, most of them of high quality, but they lack synergies and a clear vision of what should regional/local-planning lead to if properly done and integrated.

EC/EU interventions in 3 provinces is clearly oriented to Local Economic Development (using a grant approach) as an instrument for development and management. The EC/EU is currently financing many projects related to regional development in the country. The programmes aim at improving service delivery and access to economic opportunities, capacity building and governance of different stakeholders. They combine programme-led infrastructure development, both communications (roads) and facilities, and service provision improvements. In Eastern Cape, the focus is on LED together with civil participation through the empowerment of rural stakeholders to use the Integrated Development Planning process to select programmes that address their priorities.

At first sight the description of the LED programmes financed by the EC/EU is striking in terms of the similarities they share with the overall objectives pursued by EC/EU Regional Policy in terms of trying to reconcile growth, cohesion, competitiveness and employment, but also in terms of the decentralisation policies and the subsidiarity principle. Their big question arises in terms of how far you can go as a donor (to promote an impact in national policies) if those local interventions are not transcending their limited policy sphere. There seems to be a political debate now, which emphasises the need for greater coherence between various administrative levels and sector policies and development.

One issue, which was pointed out, is that there is a need to institutionalize LED approaches, tools and instruments, which are, for the moment, far too much inward looking, isolated, not sustainable and not integrated within regional development plans. This would enable a move away from the more isolated project focus to programme focus on a longer time perspective, and to focus on key lessons learned in the more successful regions.

Figure 2 Jobs Created by Economic Sector in KwaZulu Natal LED Programme



Source: Gijima KZN, Report on the Performance of Gijima KZN against the Logical Framework 2005 to 2010 (July 2010) – www.gijimakzn.org.za

- **Has the focus on LED outcomes been consistent with decentralisation and local governance issues and has it led to enhancement of local development planning and improved service delivery?**

A national LED framework has been put in place but remains theoretical and does not provide either accurate guidelines concerning the projected minimum contents of a LED strategy for local municipalities nor adequate policy documents. LED was never designed to be the vehicle for overall improvement of LGs' functioning nor for regional development or planning innovations. However, it has been a consistent reply from the EUD to the economic and developmental challenges facing South African local governments. This raises questions in regard to the expected role of LG: should municipalities become the implementing agents of projects associated with a LED framework or should they rather create the enabling environment through planning tools at their disposal (such as incentives, land use rights, specific services)?

The figure above shows that jobs have been created under the LED Programme in KwaZulu Natal and therefore that this has contributed to increased service delivery and also planning as this is a key aspect of the LED approach.

The experience of the field visit shows that virtually none of the interventions analyzed have either scaled up into national level or expanded into other parts of the country articulating better the economic possibilities of different (even neighbouring) areas. The LED programmes apparently vary in outputs and outcomes and some success can be seen in places but not an overall positive trend.

They have grown in isolation responding to specific local needs or plans. While a few may have maintained the activity at the level it was designed for, many of them have actually led to very little or disappeared. Connection between LED projects and national policymaking remains very poor (isolated projects on a territory even if very well designed). In South Africa, it is particularly striking how there is an insufficient linkage between local projects and the construction of national policies. The sectoral approach remains the rule, both at national and cooperation level, and this creates a significant barrier to design a long-term consistent process of change through the different levels of territorial governance. And the duration of the projects on LED is one of the most evident barriers to the sustainability of what they are intending to achieve. The low rate of success of LED projects must lead to a serious re-think of the value of the current approach.

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Last name</i>	<i>First name(s)</i>	<i>Organisation</i>	<i>Date of the interview</i>
Pienaar	Gerhard	LED Advisor, Delegation of the European Union to South Africa	1 June 2011
Mgangira	Catherine	LED, Delegation of the European Union to South Africa	1 June 2011
Chesire	Milly	Private Sector Development, Delegation of the European Union to South Africa	1 June 2011
Carrim	Yunus	Deputy Minister, Cooperative Government and Traditional Affairs, COGTA	2 June 2011
Malada	Brutus	Programme Officer, Ministry COGTA	2 June 2011
Madurai	David	Chief Director, Development Planning & LED Department COGTA	2 June 2011
Diala	Boitemelo	Manager, Expanding and Strengthening Community Based Participation in Local Government (CBP) – Development of Ward Committees, COGTA	2 June 2011
Fritz	Joachim	GIZ Programme Manager Strengthening Local Governance Programme (SGLP)	3 June 2011
Naidoo	Loshnee	Senior LED Manager: Agency Development and Support Department, Industrial Development Corporation	3 June 2011
Cohen	Douglas	Programme Officer, South African Local Government Association (SALGA)	3 June 2011
Ziemann	Britta	International Advisor Local Economic Development, South African LED Network (SALGA)	3 June 2011
Laymann	Andrew	CEO, Durban Chamber of Commerce and Industry	6 June 2011
Moonsammy	S. T.	Head, Ethikwini Municipality Development Planning Environment and Management (included whole dept. and about 10 senior staff)	6 June 2011
Robbins	Glen	Researcher, Department of Development Studies,	6 June 2011

		University of University of KwaZulu-Natal	
Smith	Dudley	LED Manager, Ingwe Municipality	7 June 2011
Mgutshini	Barbara	Manager, Special Initiatives Business Unit Department of Local Government and Traditional Affairs, KZN	7 June 2011
Persad	Ranveer	General Manager Local Economic Development, Department of Economic Development and Tourism, KZN	8 June 2011

5.2 Annex 2: The list of documents consulted

Anne Stanton - Decentralisation and Municipalities in South Africa: An Analysis of The Mandate to Deliver Basic Services, PhD Thesis 2009

EC Country Strategy Paper 2003 – 2006

EC Country Strategy Paper 2007-2013

Local Government Transition Act, No. 209 of 1993

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Department of Provincial and Local Government (DPLG) – Stimulating and Developing Sustainable Local Economies, National Framework for LED 2006-2011.

DPLG, The White Paper on Local Government, 9 March 1998

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C Patterson, Country Report, Local Economic Development in South Africa March (GTZ, 2008)

G Smith, [The role of a province in the new local government dispensation: a Western Cape case study \(LLM thesis, 2002\)](#)

Christian M Rogerson, Input paper for the DPLG Review of Local Government (Isandla Institute, 2007)

Christian Rogerson - Strategic Review of Local Economic Development in South Africa, Final Report Submitted to Minister Sicelo Shiceka (DPLG) Commissioned by the DPLG and AHI

Chris Albertyn & Associates - Finding new pathways on familiar ground: Effecting Transformation Through Area Based Initiatives in eThekweni, An independent review of the first five years' of the Area Based Management Development Programme, Final Report March 2009

Anka Derichs, Christiane Einfeldt: World bank Seminar – Fiscal Decentralisation and Intergovernmental Relations in South Africa, January 2006

EC - Mid-Term Review of The GIJIMA KZN LED Support Programme Local Economic Development Support Programme in KwaZulu Natal (SA/73000-02-04), May 2007

SALGA LED Position Paper - Key Issues in Local Economic Development in South Africa and a Potential Role for SALGA, March 2010

EC - LED support in the Limpopo Province: final evaluation, Final Report, 18 July 2010, Kevin Lyonette and Gregory Pearson, AGMIN Italy

EC - "Review of the national framework for local economic development in South Africa (2006-2011)", Evaluation report December 2010, Agriconsulting Consortium

Web links visited

EU External Action: http://ec.europa.eu/europeaid/where/acp/country-cooperation/south-africa/south-africa_en.htm

EU Delegation in RSA: <http://www.eusa.org.za/en/index.htm>

Local Economic Development Support Programme to Limpopo Province – www.limpopoled.com

Local Economic Development Support Programme to KwaZulu-Natal - <http://www.gijimakzn.org.za/home.aspx>

Local Economic Development Support Programme to Eastern Cape - <http://www.thinasinako.co.za/home>

Sustainable Rural Development Programme (SURUDEK) - <http://www.ruliv.org.za/surudec/>

The Department of Cooperative Governance

http://www.dplg.gov.za/index.php/documents/cat_view/202-Igtas.html See the State of Local Government Overview Report and the various briefings regarding the Local Government Turnaround Strategy

The **South African Local Government Association**: <http://www.salga.net>

The SA LED Network: <http://www.led.co.za>

5.3 Annex 3: Detailed list of EC-funded interventions

Table 5 Detailed list of EC-funded interventions related to decentralisation in the Country

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
SA/1003/000 - Local Economic Develop. In Northern Province	2002 - 2008/2009	29,5	27,26	AFS/2001/004-712	Bottom-up	L	Grant to the Northern Province	Government, Republiek Van Suid-Afrika
SA/1007/00 - Urban Dvp Support To The Ethikwini Municipality	2003 - 2010	35	35	AFS/2002/004-555	Bottom-up	L	Grant & Budget support to GoSA/ eThikwini Municipality Authority	Government, Republiek Van Suid-Afrika
SA/1009/00 Local Economic Dvp Support Programme In Kwazulu Natal	2003 - 2010	33,72	30,25	AFS/2002/004-557	Bottom-up	L	Grant to GoSA	Government, Republiek Van Suid-Afrika
Local Economic Development Support Programme in the Eastern Cape Province	2007 - 2009	27,35	18,95	AFS/2006/018-372	Bottom-up	L	Grant to Eastern Cape	Government, Republiek Van Suid-Afrika
Transparent Local Governance - A Toolkit	2008-2011	1,2	0,36	DCI-NSAPVD/2007/019-413	Bottom-up	N	Grant to a Consulting firm ⁷	Other, Sveriges Kommuner Och Landsting Ideella Foreningar
Local Leadership for Growth	2008-2011	0,9	0,25	DCI-NSAPVD/2007/019-413	Bottom-up	N	Grant to a Consulting firm	Other, Sveriges Kommuner Och Landsting Ideella Foreningar

The EC also financed a number of interventions indirectly supporting decentralisation:

⁷ SKL International – the Swedish company works on this project with local authorities association in 3 countries: South Africa, Botswana and Namibia.

<i>Indirect interventions</i>	<i>Start year</i>	<i>Planned amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>
Provision of consultancy services to assist with the development of an Overseas Development Assistance Framework in the sphere of Local Government	2000	0,18	AFS/2000/000-704
Feasibility and Design Study on EC Support to Public Participation in Local Government in South Africa	2002	0,13	AFS/2002/002-492
Sustainable Rural Development in the Eastern Cape (SURUDEC)	2006	10,01	AFS/2006/018-372
Standard Chart of Accounts specific to Local Government	2006	0,14	AFS/2006/018-367
Expanding and Strengthening Community Based Participation in Local Government (CBP)	2006	5,31	AFS/2006/018-379
Support to Urban Renewal Programme in the Eastern Cape	2006	29,62	AFS/2005/017-636
Water for Growth and Development	2008	107	DCI-AFS/2007/018-884

5.4 Annex 4: Description of major interventions

Intervention 1

Title: SA/1003/000 - Local Economic Develop. In Northern Province

Budget: 29.497.820 EUR

Start date: 2002

Objectives and expected results:

Overall Objective:

To reduce poverty through pro-poor economic growth, Lower poverty levels, higher employment levels, income growth, higher human development index, greater participation, gender equity, reduced social inequalities, greater economic engagement of marginalised groups

Project Purpose:

To stimulate job creation and income generation in the Northern Province

- Stakeholders engaged in LED process and capacitated to develop effective strategies and projects;
- LED environment strengthened;
- Enterprise growth facilitated and pro-poor investment increased;
- Local government has become increasingly developmental;
- Mechanisms for learning, knowledge exchange and replication have been established and are working;
- Sound operational management established

Expected results:

1. Sustainable community economic development.
2. Business development, retention and expansion.
3. Enhance LED-enabling environment appropriate planning policy environment
4. Increased capacity of institutions to facilitate LED outcomes.
5. Effective management and coordination of the program

Activities

For result 1:

- Supplement existing LED Fund for disbursement in NP;
- District LED Fund desk officers (X6)
- M&E of LED Fund projects to evaluate project developmental impact;
- M&E capacity building in DPLG; and
- Facilitate access to existing budget lines to finance additional projects

For result 2:

- Establish non -financial business support:
 - "mentoring" service between established and emerging entrepreneurs
 - Other business support services (funding existing LBSCs or new LED Units)
 - Support local business organizations
- Project "Facilitation Fund" provides technical and financial support to enterprise:
 - "winning" initiatives
 - Linkage program around formal enterprises
 - Encourage socially beneficial initiatives from established enterprises
- Analysis of investment criteria, constraints and perceptions of national partners (NP) in financial institutions
- Facilitate access to other existing financing opportunities

For result 3:

- Financial support to implementation of LED strategy (i.e. economic infrastructure, other funding sources)
- Technical support to LED aspects of IDP planning through PIMS centers in two pilot areas
- Technical support fund to enhance enabling environment in local areas; and
- Place marketing initiatives

For result 4:

- Support to national LED Unit at DPLG sphere
- Support to the Provincial LED Unit
- Support to two pilot District LED Units

For result 5:

- Establish provincial LED Unit;
- Carry out feasibility studies for each result area;
- Based on feasibility studies, establish a detailed implementation plan and a precise methodology (including M&E) for each result area
- Implement the project.

Intervention 2

Title: SA/1007/00 - Urban Dvp Support To The Ethikwini Municipality

Budget: 35.000.000 EUR

Start date: 2003

Objectives and expected results:

Overall objective:

The overall objective of this programme is to contribute to the achievement of the EMA's goal of improving the quality of life of all its people and to contribute to the further development of the national urban development strategy.

Programme purpose:

The purpose of the programme is to strengthen EMA's capacity to provide basic services and to stimulate job creation and income generation by introducing Area Based Management and Development practices in five selected learning areas. To achieve this purpose the programme has been designed to:

- strengthen EMA.'s capacity to introduce ABMD
- improve urban management practices within EMA
- improve urban governance practices within EMA
- introduce innovative ways of delivering services to poor people in EMA
- introduce innovative ways to stimulate local economic development in EMA

It is important to stress that the programme is not the EMA's comprehensive program for Area Based Management, It is instead a support programme - designed specifically to support the conceptualisation and implementation of the EMA's programme.

Expected results:

1. Different approaches to ABMD operationalised and tested

This result area includes the successful implementation and testing of a variety of different approaches to ABMD in a variety of different contexts with a view to helping the city learn about ABMD and facilitate its incremental implementation. The result area also seeks, through learning gained via practical implementation, to clarify the relationship between the EMA's transformation process and ABMD. A further sub-result is the strengthening, ABMD, of social capital in the areas.

2. Capacity of ABMD managers, ward councillors, communities, and other stakeholders to play their respective roles in ABMD is enhanced

This result area deals with the building of capacity of all pertinent role players to play a meaningful role in the ABMD programme (including ABMD managers, other EMA staff, councillors, ward councillors, communities and other stakeholders). Moreover a key sub-result is the design and implementation of

a Training, Learning and Research (TLR) facility and an operational Management support (OMS) facility to provide the capacity building and management support for the EMA's ABMD programme. .

3. Democratic processes deepened

This result area is focused on counteracting some of the alienating impacts of centralization by focusing on mobilization of communities and improving transparency via improved communication. Bottom-up civil society mobilisation area partnerships introduction of more participatory planning approaches and enhanced area based communication between the Municipality and the communities are the main expected outcomes

4. Service delivery improved

Besides addressing service backlogs this result area focuses on the improvement of customer sensitivity in service delivery (often by better integration) as well as the formation of partnerships in such delivery. Also covered here is deriving lessons about how to improve customer access to city services via one-stop shops.

5. Economic development enhanced

This result area incorporates the role of ABDM in promoting economic development, and particularly its role in assisting the urban poor. It includes lessons on the role of ABMD in promoting regeneration, in promoting opportunity for those involved in informal micro-I activities, in utilizing pro-poor area strategies to simultaneously promote the external positioning of the city. It also includes the promotion of linkages between areas and labour and commodity markets.

Activities:

For result 1:

- build and support ABM structures in each learning area:
- examine and clarify the relationship between ABMD and emerging transformation policies and practices;
- examine and test different institutional arrangements for ABMD areas and sub-areas of various sizes ;
- identify and clarify roles of various players within the ABMD process ;
- facilitate and strengthen networks with shared norms and values.

For result 2:

- establish training and management support facilities;
- design and provide on the job ABMD training to a cadre of area managers and key personnel of the municipality ;
- design and provide ABMD training and support to municipal councillors and community leaders
- design and provide ABMD training to other programme stakeholders.

For result 3:

- facilitate the mobilization of area and city wide partnership;
- provide seed funding for partnerships;
- stimulate wider use of participatory project planning techniques;
- improve communication between municipalities, communities and others.

For result 4:

- test customer-sensitive and partnership based service delivery approaches;
- devise and implement innovative and area-based service delivery projects;
- improve access to EMA service delivery information and pay points;
- demonstrate the possibilities for integration of service delivery via ABMD

For result 5:

- • devise and implement economic regeneration projects for key economic areas
- • design and implement support projects for survivalist enterprises,
- • establish two job shops to strengthen labour market linkages
- • strengthen linkage between the learning areas and commodity markets.
- • develop and implement skills development programmes tailored to labour market trends
- • develop a "corridor of excellence" along Victoria Street.

- design and implement a revitalisation strategy for the fashion industry in EMA .

Intervention 3

Title: SA/1009/00 Local Economic Dvp Support Programme In Kwazulu Natal

Budget: 33.715.456 EUR

Start date: 2003

Objectives and expected results:

Overall objective:

An improved quality of life for the people of KwaZulu-Natal

Project purpose:

To achieve equitable economic growth starting initially in selected "learning areas" and replicating LED across the province.

Expected results:

1. Stakeholders combine in partnership to develop and implement sustainable employment generating investment and enterprise growth plans with pro poor outcomes
2. Grants enable public sector stakeholders engaged in LED related processes to create and operate an enabling environment for LED and pro-poor development.
3. Sustainable mechanism for learning, knowledge exchange, information dissemination training and replication have been established and are working.
4. Effective LED management functions established and operational at provincial and area levels
5. Support to DPLG at national level for strengthening of the LED environment through operationalising the national LED.

Activities:

For result 1:

- LCF promotion, preliminary and development
- Develop a coherent LED approach, and strategy, for the learning areas
- Identification and development of additional funding resources
- Develop and implement strategy to ensure that economic growth takes place in area ROP5
- Identify and train LCF evaluation committee
- Implement LCF stage 1: pilot phase
- Review of first round of LCF projects and evidence lessons learnt by project and by local partnership
- Implement LCF stage 1: second call
- Implement LCF stage 1: third call
- Implement LCF stage 2: first call
- Implement LCF stage 2: second permanent call
- Training in strategic review and partnership development introduced as part of the review and update of LED strategies
- Review existing initiatives in the prevention & treatment of HIV/Aids and tuberculosis (TB) in the workplace
- Development of policies to combat HIV/Aids in the workplace and along the business supply chain

For result 2:

- Design development an promotion of the Business Enabling Fund (BEF) grant system
- Implementation of the BEF pilot phase
- Formal review of the first round of BEF applications specifically examines lessons for local government

- Implementation of the BEF phase 2
- BEF third call
- BEF fourth call
- Training and mentoring for the development & review of LED strategies for the learning areas
- Review and evaluate existing provision of business support services and finance
- Technical assistance on best way to improve enabling environment for business at district and local municipality level

For result 3:

- Terms of Reference (ToRs) develop for Monitoring, Learning, and Research Facility (MLRF) and contra let
- ID LED stakeholders and assess capacity and training needs
- Establish and implement measures to monitor the LED programme
- Develop and establish document best practice and lessons learnt
- Establish provincial LED forum to exchange best practice from within Republic of South Africa (RSA) and internationally to capture international best practice in LED
- Establish knowledge sharing network at provincial level, by month 12, initially bringing together stakeholders from the learning areas and later to all areas of the province.
- Training needs analysis of local government LED staff executed
- Development of capacity building plan and programme for LED personnel (mentoring partnership development, networking between LED groups strategic development and so on)
- Focused study tours within South Africa an overseas, arranged as part of the capacity building
- Agree and implement marketing and communication strategy to ensure activities and achievements of the programme are widely understood throughout KZN
- Database of constraints to LED established and updated

For result 4:

- Establish programme office
- Brief and train PCU staff
- Establish finance administration and logistics
- Evaluate availability of additional funding
- Development of additional funding from other sources
- Establishment & development of Programme Steering Committee
- Establish and capacitate programme offices in learning areas 1,2,3,4
- Establish capacity and systems for the rest of the province
- Establishment of the MIS - including a programme monitoring and evaluation system - across all learning areas and central office
- Training for PCU an DED staff on MIS
- Plan mobilise and train counterpart staff at head office and regional levels
- Capacity building - including Participatory Appraisal of Competitive Advantages (PACA) training - completed in ROP5

For result 5:

- Appoint long-term experts
- Identifying and testing feasible approaches, concepts and instruments
- Enhancing institutional and human capacities
- Information processing, co-ordination and dissemination
- Policy development

5.5 Annex 5: Detailed country context

Local government transition, 1993

The Local Government Transition Act of 1993 envisaged the restructuring and transformation of local government. It provided for the replacement of white councils by democratically elected ones. It provided a period for stability, and a regulated transition from authoritarian to democratic regimes at local level.

New constitution, 1996, and the White Paper on Local Government, 1998

The new constitution of 1996 clearly defined three separate but inter-connected spheres of government. This was followed by the White Paper on Local Government in 1998. This envisaged greater decentralisation and local government as 'a sphere of government in its own right and no longer a function of national or provincial government.' Local government was given a distinctive status and role in building democracy and promoting socio-economic development.⁸

The White Paper was an expression of the government belief decentralisation of a special type in the context of three spheres of government, which were required to govern in a cooperative manner.⁹

The concept of Developmental Local Government put forward a vision of local government, which worked with local communities to find sustainable ways to meet their needs and improve the quality life. Four characteristics of developmental local government were described:

1. It exercised municipal powers and functions in a manner which maximised impact on social development and economic growth
2. It played an integrating and coordinating role to ensure alignment between public and private investment within the municipal area
3. It built social capital by providing community leadership and vision,
4. It sought to empower marginalised and excluded groups within the community.¹⁰

Local government capacity at local level outside the metropolitan areas, particularly in rural areas was weak. Given such constraints, the vision for developmental local government was ambitious.

The LED fund, 1999

The LED Fund was launched in 1999 in order to direct support to municipal projects intended to address poverty. This created the impression with many local officials that LED was simply about poverty alleviation and community-based projects. The proven un-sustainability of many of the projects and the subsequent abandonment of the LED Fund damaged perceptions of LED and of what it could achieve. Following an adverse evaluation on its effectiveness the fund was closed.

New dispensation for local government, 2000

The elections of 2000 saw the creation of what was referred to as a new democratic municipal dispensation. An emphasis was placed on providing people with better access to basic services and more opportunities for participation in the economy at local level.

The role of provinces was defined as monitoring the financial status of municipalities in terms of the Municipal Finance Management Act. This provided a monitoring, management and oversight role to the provincial treasury, and provided substance to the linkages between two of the three spheres of government. It stressed the principle that "Although competencies are divided among National, Provincial and Local Government, it is important for all three spheres to realise that they serve the same customer, the South African citizen. Situations still exist whereby national government will, for example, implement a project without understanding the plans of provincial and local government. This creates confusion and sometimes duplication and wastage... We need to realise that all development is, in the end, local"¹¹

Local Economic Development Guidelines, 2005, LED framework 2006

Growing within national government was a greater emphasis upon the strategic national coordination of LED as part of long-term economic development. However, analysts noted with concern that LED was still not well embedded in municipal practice in many localities and that results were not being seen on the ground.

⁸ Mohammed Valli Moosa, Minister for provincial affairs and constitutional development, Forward to White Paper on Local Government, 1998.

⁹ Pravin Gordhan, Forward to White Paper on Local Government, 1998.

¹⁰ See Executive Summary to White Paper on Local Government, 1998.

¹¹ G Smith, The role of a province in the new local government dispensation: a Western Cape case study (LLM thesis, 2002)

On the ground the results of LED remained mixed and there were no monitoring mechanisms for evaluating it. Other concerns were made about the seemingly undefined role of provincial governments as agents in LED. Academic observers were highly critical of the limited successes associated with national LED policy. In the view of some, the absence of clear 'success stories' was a reflection of national government's failure to introduce clear guidelines for municipalities as to what LED meant and how it was to be undertaken.¹²

The 2006 DPLG Framework stated that 'it needs to be recognised that in large areas of the country many communities have very limited capacity to contribute in a conventional manner to the alleviation of poverty in general and to solve their own immediate socio-economic challenges.' Research showed that 28% of municipalities required basic institutional and administrative infrastructure to be established before they would be ready to undertake, manage and drive a proper IDP, let alone be the agent for local economic development.¹³

Project Consolidate, 2007

The growing crisis in local government led to Project Consolidate. This was a bold and high profile central government intervention aimed at rescuing ailing and failing municipalities. It intended to intensify support to municipalities by deploying support personnel from within government, State Owned Enterprises, and the private sector to render infrastructure investment, financial management and other technical support to municipalities. This was intended to complement the Project Management Units established under the MIG programme. Project consolidate saw municipalities being placed under administration, or having officials deployed by national government. It reflected an increasing impatience on the part of national government in the performance of local government under the decentralized framework of government.

Local Government Turnaround Strategy, 2009

The 2009 Government Programme of Action committed to build a developmental state, improve public services and strengthen democratic institutions. Project Consolidate may have some limited impact, but the fact of the matter was that local government continued to show signs of distress, dysfunction and lack of basic capacity. This was manifest in:

- Huge service delivery and backlog challenges, e.g. housing, water and sanitation;
- Poor communication and accountability relationships with communities;
- Problems with the political administrative interface;
- Corruption and fraud;
- Poor financial management, e.g. negative audit opinions;
- Number of (violent) service delivery protests;
- Weak civil society formations;
- Intra - and inter-political party issues negatively affecting governance and delivery;
- Insufficient municipal capacity due to lack of scarce skills¹⁴

The Local Government Turnaround Strategy has been acknowledged not have worked well. Indeed, it appears that national government perceives the process of decentralization, so strongly promoted since 1994, has led to inertia on the part of both national and provincial governments.¹⁵

The realisation that there was a crisis in local government led to increasingly 'top-down' interventions from central government and the effective abandonment of the 2006 – 2011 strategy.

Jobs Fund, 2011

The poor performance and what appears to be increasing dysfunctionality at local government level has become a matter of grave concern. The 2011 local government elections saw a reduced majority for the ruling ANC, and a mandate to rule which some saw as conditional and grudgingly given. Continued dysfunction is now being seen as a threat to democracy¹⁶. Interventions by central government under the banner of 'state led development' appear to be increasingly favoured.

In the face of 26% unemployment government launched the Jobs Fund in February 2011. This provided R9 billion in grants from direct from central government to individual private sector enterprises in order to create jobs. Provinces and the entire local government sector were apparently

¹² See C. M. Rogerson, Input paper for the DPLG Review of Local Government (Isandla Institute, 2007)

¹³ DPLG, National Framework for Local Economic Development (LED) in South Africa (2006 – 2011)

¹⁴ COGTA, State of Local Government in South Africa: Overview Report National State of Local Government Assessments (Working Documents, COGTA 2009).

¹⁵ Interview, Yunus Carrim, Deputy Minister, COGTA, 2/6/2011.

¹⁶ Ibid.

completely excluded from the process. Significantly, the grant-making concept used was based on the EU supported Gijima KZN local economic development project implemented effectively at provincial level.

Within the context describe above, the EU has provided support to local development through the following, mainly project-based initiatives. More recently however, it has allocated €100 million through sector support for skills development and job creation via the national government's economic cluster.

The main entry point for the EU in South Africa in support of decentralization of support has been around local economic development. The main interventions are summarized in chronological order below. The support to Water for growth and Development has been excluded:

<i>Intervention</i>	<i>Start Year</i>	<i>Commitment</i>
Provision of consultancy services to assist with the development of an Overseas Development Assistance Framework in the sphere of Local Government	2000	€ 17 963
Local Economic Development in Northern Province	2001	€ 29 497 820
Feasibility and Design Study on EC Support to Public Participation in Local Government in South Africa	2002	€ 129 105
Urban Development Support To The Ethikwini Municipality (Area Based Management)	2002	€ 35 000 000
Local Economic Development Support Programme In Kwazulu-Natal (Gijima KZN)	2002	€ 33 715 456
Local Economic Development Support Programme in the Eastern Cape Province (Thina Sinako)	2004	€ 27 346 602
Local Leadership for Growth	2008	€ 900
Sustainable Rural Development in the Eastern Cape (SURUDEC)	2006	€ 10 098 019
Standard Chart of Accounts specific to Local Governments	2006	€ 140
Expanding and Strengthening Community Based Participation in Local Government (CBP) – Development of Ward Committees	2006	€ 5 309 081
Support to Urban Renewal Programme in the Eastern Cape	2006	€ 29 620 479
Transparent Local Governance - A Toolkit	2008	€ 1 200 000
Total		€ 171 935 565

The European Union is South Africa's largest source of donor funding. The R1 billion Annual Development Co-operation Budget spans areas as diverse as education, water and sanitation and the entrenchment of a human-rights culture, and Local Economic Development. The EU is a major player in international co-operation and development aid. The EU's support to the South African government in terms of local economic development has been focused on three provinces: KwaZulu Natal, the Eastern Cape and Limpopo Province.

The Gijima KZN Programme is a six-year programme designed to support the provincial DED of KwaZulu Natal and a broad range of stakeholders to more effectively implement LED to achieve equitable economic growth in the province. The programme was initiated in 2003 and will receive funding of Euro 37 million over the six-year period. Gijima KZN particularly focuses on harnessing creativity at a local level through a demand-led approach with the centrality of a partnership approach. The programme objectives are to:

- Promote pro-poor local economic development Build the capacity of local government in managing LED Increase local competitiveness through the building of partnerships

The programme is designed around a number of funds under which applicants can apply for financial assistance. The first fund is the Business Enabling Fund (BEF) that assists provincial and local government to create an enabling environment for local economic development by clarifying the legislative and regulatory requirements and strengthening the enabling role and performance of provincial and local government.

The primary emphasis of the second fund, the Local Competitiveness Fund (LCF), is to encourage partnerships that facilitate private sector investment in sustainable local economic development projects. The LCF provides partnership groups with support to establish integrated projects to encourage a base of infrastructure and services to provide a platform for increased competitiveness

The objectives of the third Fund, the Networking & Co-operation Fund, is primarily to establish a provincial MLRF that is currently in place; as well as to provide LED institutional support and marketing and communications for the programme.

The Limpopo Local Economic Development Programme is being implemented through a partnership between the EU and the Limpopo Department of Local Government and Housing (DLGH). The EU's funding contribution is EUR 34 million and supports a wide range of projects in rural areas of Limpopo. The main objective of the programme is to support pro-poor economic growth through an integrated approach through five core areas of:

- Supporting Sustainable Community Economic Development;
- Strengthening local competitiveness of Small and Medium Enterprises (SMMEs)
- Enhancing the LED environment
- Strengthening LED capacity
- Management, monitoring and coordination

The programme supports LED projects through three funds:

1. The Local Government Support Fund (LGSF) supports local governments by improving the local business environment and developing local capacity around LED.
2. The Marginalised Community Fund (MCF) supports small scale initiatives in poor rural areas and helps to integrate marginalised communities and the mainstream economy
3. The LCF supports a range of competitiveness activities linked to SMME and cluster development (such as business plans and feasibility studies)

In addition to the three funds, the Limpopo LED programme is also undertaking a LED Capacity Building Programme and the establishment of a Limpopo LED Centre with Rand 8,6 million, which will form part of the Turfloop Graduate School of Leadership at the University of Limpopo.

The EU LED Programme in the Eastern Cape, known as the Thina Sinako Programme, is a five-year programme which began in 2005 and is financed by the European Union amounting to €30 million. The programme is a partnership between the EU and four participating departments, which include the Office of the Premier, Treasury, Housing, Local Government and Traditional Affairs, and Economic Development and Environmental Affairs. The Office of the Premier is responsible for the overall programme coordination. The value of this Programme lies in its support of the larger Provincial Growth and Development Plan 2004-2014 (PGDP) to significantly reduce poverty and unemployment In supporting the PGDP. The Thina Sinako Provincial LED Support Programme aims to stimulate innovation in how LED is promoted, facilitated and supported.

The Thina Sinako Programme rests on three key pillars:

- Grant funds for practice-driven demonstration of LED innovation and learning.

- Institutional development and capacity building for long term LED efficiency and sustainability.
- Learning and networking to create awareness and sharing of experiences and best practices.

The Thina Sinako provides financial support through three funds.

1. The LGSF supports municipalities to create an enabling environment for enterprise establishment and growth through initiatives that align with the PGDS as well as national policy. Furthermore the programme aims to improve systems for economic governance and strategic management and improve capacity in local government to understand and manage LED initiatives.
2. The LCF has been designed to help local role players to capitalise on the opportunities identified in the PGDP and the emerging Provincial Industrial Development Strategy. The key principle of the LCF is to support market-led development to ensure the creation of sustainable employment within vibrant local economies. In particular, the focus is on supporting the development of LED initiatives that use the competitiveness of the area of the Eastern Cape within which they are located.
3. The Financial Innovation Fund is divided into two Windows. The first provides support to small and medium enterprises that are part of partnership groups supported under the LCF. The second Window of the Fund is a standard grant fund, that targets financial service providers in South Africa to support the development of innovative lending and borrowing products, processes or services. This part of the FIF is intended to contribute to the implementation of the Financial Sector Charter, by improving access to finance by categories of people who have historically been excluded from such access, improving efficiency and effectiveness in the provision of financial services, and promoting the use of the competitive advantage of areas where such advantage has not yet been tapped

The three EU assisted LED programmes have reached a number of milestones in terms of capacitating the various provincial and local government departments by providing improved institutional arrangements and integration of systems to more effectively lead, facilitate and support local economic development. Through the support of these three programmes, there are a number of examples of successful LED projects on the ground within each province where local stakeholders are engaging in LED across all sectors of the economy.



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

LOT 1

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

Ref.: EuropeAid/122888/C/SER/Multi

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

**Field Phase - Country Note
Tanzania**

***Prepared by:
Per Tidemand***

July 2011

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

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List of Abbreviations

AIDCO	EuropeAid Co-operation Office
AIDS	Acquired Immune Deficiency Syndrome
ALAT	Association of Local Authorities of Tanzania
AMC	Action Management Committee
ASDP	Agriculture Sector Development Programme
CAG	Controller and Auditor General
CBG	Capacity Building Grant
CBO	Community-Based Organisation
CCM	Chama Cha Mapinduzi – The dominant national party in Tanzania
CDG	Capital Development Grant
CRIS	Common Relex Information System
CSE	Country Strategy Evaluation
CSO	Civil Society Organisations
CSP	Country Strategy Paper
CSRP	Civil Service Reform Program
DC	District Commissioner
DP	Development Partner
EBG	Agricultural Extension Block Grant
EC	European Commission (Commission of the European Union)
EDF	European Development Fund (for ACP countries)
EQ	Evaluation Question
ESDP	Education Sector Development Program
ESMIS	Education Sector Management Information System
EU	European Union
EUD	Delegation of the European Union
EUR	Euro
FBO	Faith Based Organisation
FP	Financial Plan
FY	Fiscal Year
GBS	General Budget Support
GoT	Government of Tanzania
HBS	Household Budget Survey
HQ	Head Quarter
HRM	Human Resource Management
INGO	International Non-Governmental Organization
JAR	EC and Partner country's Joint Annual Review
JC	Judgement Criterion
LA	Local Authorities
LG	Local Government
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant System
LGDG	Local Government Development Grant
LGMD	Local Government Monitoring Database
LGR	Local Government Reform
LGRP	Local Government Reform Programme
LGSP	Local Government Support programme
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MKUKUTA	National Strategy for Growth and Reduction of Poverty of Tanzania
MOFEA	Ministry of Finance and Economic Affairs
MOREPEO	Morogoro Elderly Peoples' Organisation
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review

NAO	National Audit Office
NIP	National Indicative Programme
NORAD	Norwegian Agency for Development Co-Operation
NSA	Non-State Actors
NSGRP	National Strategy for Growth and Reduction of Poverty
O&M	Operation and Maintenance
O&OD	Opportunities and Obstacles to Development
OC	Other Charges
OPF	Older People's Forums
OPMG	Older People Monitoring Groups
OPP	Opposition
OVC	Orphans and Vulnerable Children
PAF	Performance Assessment Framework
PE	Personal Emoluments
PE	Public Expenditure
PEDP	Primary Education Development Programme
PFM	Public Financial Management
PIF	Project Identification Fiche
PMO-RALG	Prime Ministers Office – Regional Administration and Local Governments
PO-PSM	President's Office-Public Service Management
PO-RALG	President's Office-Regional Administration and Local Government
PPP	Public private partnerships
PSLE	Primary School Leaving Examination
QSG	Quality Support Group
RAS	regional administrative secretaries
REDET	Research and Education for Democracy in Tanzania
REPOA	Research on Poverty Alleviation
ROM	Results Oriented Monitoring
RS	regional secretariats
RSP	Regional Strategy Paper
RW	Rural Water
RWSS	Rural Water Supply and Sanitation
SBS	Sector Budget Support
SEDP	Secondary Education Development Program Project
SIDA	Swedish International Development Authority
TANU	Tanganyika African National Union
TASAF	Tanzania Social Action Fund
TSH	Tanzanian Shilling
UDEM	Framework For Urban Development And Environmental Management
UN	United Nations
URT	United Republic of Tanzania
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank

Note: The Evaluation uses the common acronym "**EC/EU**" to refer to either the "Commission of the European Union" (post-Lisbon Treaty) or the "European Commission" (pre-Lisbon Treaty), as applicable.

1 Introduction

1.1 Purpose of the evaluation

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 used by the EC/EU to deliver its support to decentralisation processes. This evaluation is partly based on a number of country missions to be carried out during the field phase.¹

The field visit to Tanzania had the following objectives:

- To test hypotheses formulated during the desk phase;
- To collect additional information in order to answer the Evaluation Questions (EQs) and Judgement Criteria (JCs);
- To assess if there is need for further research and interviews to prepare the synthesis report, and in particular the sections on conclusions and recommendations.

The purpose of the note is to summarise the findings from the field visit in order to feed into the synthesis report. By no means, this note should be considered as a country evaluation or a self-standing impact evaluation. The EQs are not answered at the single country level, as they are formulated to be answered on the global level using the whole information collected from the desk study and the different field phase country studies.

The reasons for selecting this country as one of the field studies were:

- Importance of the country portfolio in terms of EC/EU support to decentralisation (the EC/EU disbursed around 23mEUR for direct support to decentralisation over the period 2000-2009);
- The EC/EU supported decentralisation in Tanzania via a mix of entry points, including sector support programme supported in an increasingly decentralised context;
- The EC/EU supported decentralisation in Tanzania via a mix of financing modalities, including General Budget Support.

The field visit was undertaken between 13th and 20th April 2011. The evaluation team was composed of Per Tidemand and Nazar Sola.

1.2 Focus of the analysis and data collection methods

1.2.1 Research foci

Besides collecting additional evidence related to answering the EQs, the field visit to Tanzania has specifically looked into the following aspects:

Table 1 *Research focus*

<i>Research focus</i>	<i>Mainly related to EQ</i>
Clarity of EC/EU policy/strategies on decentralisation according to national stakeholders and other international donors	1
Institutional capacity of EC/EU for support to decentralisation – how were priorities made in the delegation? Did the general EC/EU framework for support to decentralisation facilitate decisions?	2
Appropriateness of GBS as aid modality for decentralisation support; how has policy dialogue been affected? To what extent has decentralisation process and outcomes been affected, what has been the specific EC/EU contribution?	3
Coherence between major sector interventions (such as in education sector) and decentralisation support	4

¹ The field phase is following a desk phase during which the Evaluation Team has drawn preliminary findings from a first set of data collected mainly from interviews, documentary reviews and an on-line survey to the EU Delegations.

Research focus	Mainly related to EQ
Documented results of decentralisation process and the relative importance of EC/EU support (through LGDG, GBS, NGO support and sector (education etc) interventions.	5-8

1.2.2 Data collection methods used

Prior to the field visit the country field team undertook a **desk review** of available literature, both specific to EC/EU supported interventions, as well as broader documentation regarding other development partners, as well as the overall decentralisation process in the country. This included analysis of the specific LGDG documentation (general progress reports, results of the annual assessments since 2005, the Mid Term Review of the LGSP/LGDG in 2007, the Value For Money Audit in 2009 etc), analysis of the wider decentralisation process (e.g. reports from REPOA, the LGRP evaluation in 2007 etc) and broader assessments of development in Tanzania (MKUKUTA Review etc). Additional documents were compiled during the field visit. A full list of documents reviewed is included as Annex 2.

During fieldwork the team interviewed key informants with relevant knowledge on the chosen interventions, as well as informants offering broader insights into the evolution of the decentralisation context in the country. For an evaluation of this sort where an extensive time period is reviewed (2000-2009) it is obviously a challenge to find resource persons who have followed the process throughout, as most EUD and DP staff only stay in-country for typically 3 years at a time. Many central government officials have also been transferred between ministries. However, during the fieldwork in Tanzania, the team managed to interview selected PMO-RALG staff that have followed the reforms since 1995, just as the EUD contact person has been working on-off with decentralisation as an area of responsibility since 2005.

A few focus group meetings were held but otherwise the preferred interview methodology was individual in-depth interviews focused on the relevant EQs and the working hypotheses. A list of people met can be found in "*Annex 1: The list of people interviewed*". The information deemed of critical importance was subjected to a process of triangulation to ensure validity and internal consistency; this typically included review of various types of documentation (official Government reports, internal DP documentation and independent research reports) and interview of different types of stakeholders (representatives from different DPs, different ministries etc) The work in Tanzania was eased by the long time local knowledge of the reforms by the consultant team (where both the international and local consultant has worked with LG reform and decentralisation issues since 2001).

Given the resource envelope (especially time-wise) for the field phase, prioritisation was necessary and the field team thus had no ambition of re-doing evaluations/ reviews/ monitoring missions that had already been undertaken. Rather the team relied extensively on the related reports and attempted to extract more general findings, trends and recurring themes that are of relevance to a broader audience. The dialogue with in-formants also centred around distilling broader lessons and themes, rather than focussing on the minute details of the selected projects. To reiterate, this country note is thus not a judgement of the performance of individual projects, nor of the overall decentralisation and local governance portfolio of the EC/EU. Rather it is an attempt to learn from the Tanzania experience and to encourage wider reflections on how best to structure and focus EU assistance to decentralisation processes.

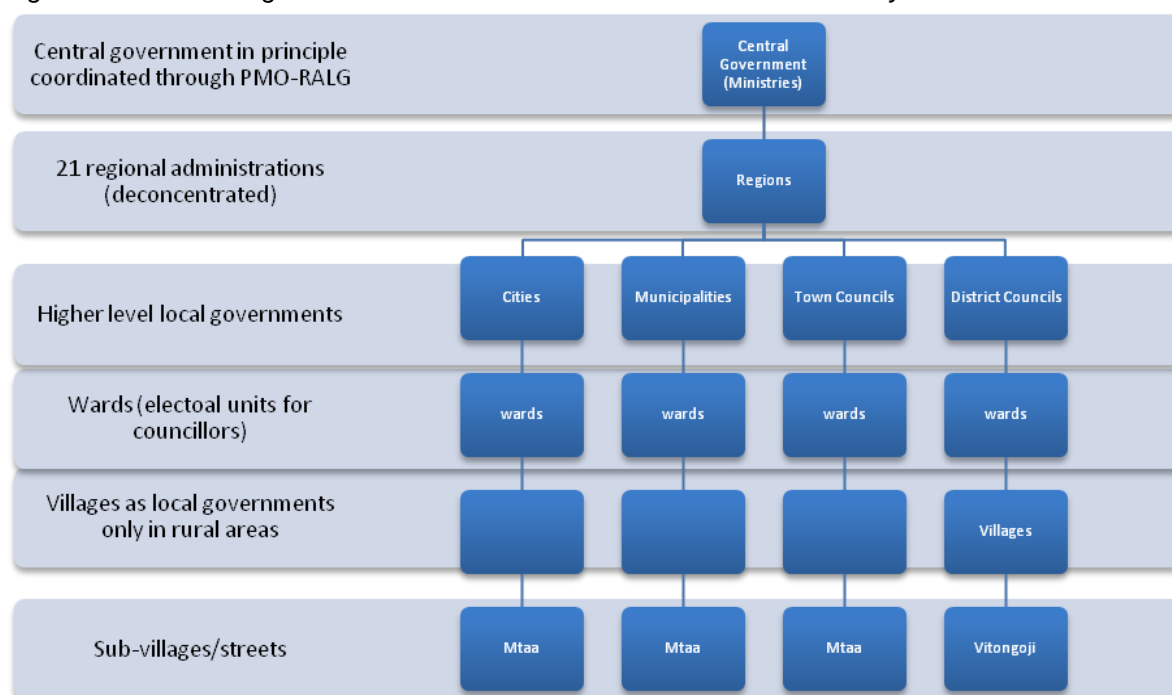
2 Short description of the country context

2.1 Short description decentralisation process in the country

The current phase of local government reforms has been ongoing in Tanzania since 1995; major legal reforms took place around 1997 that significantly reduced the previous all important deconcentrated regional administrations, in subsequent years (1999) legalisation was passed that enabled elected local governments to play a more significant role in local service delivery.

Below is an overview of the governmental system. (Please refer to Appendix 5 for further details).

Figure 1 Intergovernmental Relations and the Local Government System



Source: by authors based on various local government legislation

A major donor funded (joint basket funded) local government reform programme started in 2000 to deepen the reforms through further legislative reviews, capacity building, and establishment of local financing modalities. The main institutional responsibility for implementation of the reforms within the Government of Tanzania has been assigned to the (current) Prime Ministers Office – Regional Administration and Local Government (PMO-RALG) although the office also in periods has worked as independent Ministry and as an office within the President Office. The PMO-RALG has widely been considered as too overburdened and weak to lead the reforms so a dedicated team was established with contract-hired staff within PMO-RALG to lead the reform process. The main results and challenges related to the last ten years of reform programme implementation are further discussed in Annex 5, but briefly it can be concluded:

- Local Governments (LGs) capacities in terms of staffing and fiscal resources have been significantly strengthened – today around 70% of all public employees in Tanzania are employed by approximate 114 Districts and Municipalities and their subunits (village local governments etc),
- The LGs play today a very significant role in local service delivery and the degree of fiscal decentralisation (measured as LG share of total public expenditures) is at around 25% among the highest in Africa,
- The level of local participation in LG affairs has increased significantly over the last ten years,
- The degree of autonomy of LGs has however not changed much over the decade: the central government and ruling political party exercise significant control over LGs – in particular regarding their staff (that effectively is centrally managed) just as central government exercise major controls over local budget priorities.

2.2 List of the major EC/EU-funded interventions

The evaluation team has analysed the EC/EU support to decentralisation in this specific country through a number of interventions. The table below summarises the major EC/EU-funded interventions considered in the analysis.

Table 2 *List of the major EC-funded interventions*

<i>Intervention title</i>	<i>Budget (mEUR)</i>	<i>CRIS Decision Nr.</i>	<i>Comment</i>
Support to the Local Government Grant Scheme	22,70	FED/2007/019-633	Main EC-funded intervention directly supporting decentralisation
Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania	0,75	ONG-PVD/2005/017-215 // Contract 118910	NGO support at LG level.
Support to Education Sector Reform	43,25	FED/2007/018-888	Sector programme implemented in a decentralising context
Poverty Reduction Budget support programme (at least 2 financing decisions during the evaluation period: 2003-2006; 2006-2008)	98,60 80,94	FED/2003/016-313 & FED/2006/017-917	Two main GBS were financed by the EC/EU during the evaluation period.

Note: a detailed list is provided in Annex 3.

3 Findings by EQs and JCs

3.1 EQ1: Policy framework

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

3.1.1 JC1.1. EC incorporate decentralisation in its cooperation with third countries

Main findings from the field mission:

The EC/EU was not part of the original group of DPs supporting the Local Government Reform Programme (LGRP) in Tanzania from 2000, however it was from around 2002 decided to explore opportunities for engagement in support of the reforms through an additional intervention. The particular proposal (formulated in 2003) was later rejected in favour of co-funding of the Local Government Development Grant (LGDG) through the LGRP Basket Fund. This intervention is the main direct EC/EU contribution to local government reforms in Tanzania and direct financial contributions were only made from 2007 to 2008². Since 2008 the EC/EU has not been directly engaged in the “local government sector” except through participation in the wider governance sector group.

The Aid harmonisation agenda has been given very significant attention in Tanzania recent years – this has been reflected in strong Government prioritisation of General Budget Support, efforts for progressing of division of labour among DPs and the establishment of an elaborated institutional aid management architecture.

A number of EU member states have taken a lead among DPs to support and coordinate support to decentralisation and local governance: this has over the evaluation period included foremost the Netherlands, but also Irish, Finnish, German and lately Swedish embassies.

In the 10th EDF significant emphasis has been given to General Budget Support that include some elements of decentralisation reforms in the PAF, but assessment of e.g. progress of decentralisation reforms is largely left to the above mentioned “decentralisation lead” DPs. EC/EU support to decentralisation is therefore deliberately and effectively being phased out as part of the agreed aid harmonisation process.

EC/EU support to NSA includes a number of projects that are “locally” implemented (such as the earlier mentioned “Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania”). However, such support was not in any way strategically linked to decentralisation and “local governance”. Other DPs (notably the Dutch, USAID and SIDA) supported in a more strategic manner NGOs to play a significant role in local governments (enhancing NGOs capacities for local accountability etc). The NGO network, the “Policy Forum” established a dedicated group of NGOs working with decentralisation and local governance issues (<http://www.policyforum-tz.org/groups/lgwg>) - the EC/EU is not among the supporting DPs.

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

N/A for the field visit.

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

Indicators:

- Ind 1.3.1. Clarity of EC policy/ strategies on decentralisation according to national stakeholders in partner countries
- Ind 1.3.2. Clarity of EC policy/strategies on decentralisation according to other international donors

² Annex provides a brief overview of the lengthy formulation process for LGDG support. The financing agreement was signed in 2007 and already in March 2008 last disbursement of 1 million EUR was made. The EUD continued being active in the basket until the end of 2008 and still follow the work of the LGRP Development Partner group but through the wider Governance Working Group. The EUD still has not closed the actual commitment (contract) since the final audit report approved by the Steering committee hasn't been received yet.

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

Main findings from the field mission:

The EC/EU is not seen as a significant player in support to decentralisation in Tanzania – it is among national stakeholders (Government officials and NGOs) as well as other DPs seen as a deliberate choice not to engage directly by EC/EU in local government reforms as other DPs are taking the lead.

EUD staff has not received training in “decentralisation issues” and all expressed to be generally unaware of the various key EC/EU reference and policy documents related to decentralisation such as:

- The **EC/EU Reference Document (no 2, 2007): “Supporting Decentralisation and Local Governance in Third Countries”** is the most comprehensive guidance document on decentralisation,
- The **EC/EU Communication "Local authorities: Actors for Development" (2008)** underlines the paramount importance of Local authorities in the Partner Countries as well as within EU,
- The **“European Charter on development cooperation in support of Local governance” (2008)** sets out principles and modalities for better effectiveness in cooperation in support of local governance and decentralisation in partner countries,
- The recent EC/EU **programming guide for strategy papers** (programming fiche on decentralisation issued January 2009) gives guidance on how to address decentralisation in strategy papers.

3.2 EQ2: Institutional capacity

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

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

Indicators:

- *Ind 2.1.1. Adequacy of EC operational procedures to: pro-active and flexible approach to promoting decentralisation, rapid responses or long-term process support, identification and selection of adequate strategic partners and/or implementing agencies*
- *Ind 2.1.2. Existence of dialogue between staff in charge of decentralisation and those dealing with sectors*
- *Ind 2.1.3. Existence of specialised thematic units/ staff dealing with decentralisation*
- *Ind 2.1.4 Existence of institutional incentives (e.g. space for risk-taking and innovative actions) or disincentives to effective and efficient action in the field of decentralisation (e.g. the possible negative effect of disbursement pressures)*

Main findings from the field mission:

From the fieldwork it is clear that some parts of the institutional environment to a large degree have constrained EC/EU support to decentralisation in Tanzania. This is evident in the way the formulation of direct EC/EU support developed (see annex 6 for details): the EC/EU decided as early as 2004 that the most appropriate entry point for support to the reforms would be contribution to the LGDG but signing of the programme document could only take place in 2007 because of HQ concerns regarding use of basket funding arrangements.

Support to Local Government. *The FP for the support to the decentralization process in Tanzania was submitted in May 2005. It has been pending the approval of the Director of EuropeAid to include Tanzania on the list of pilot countries to allow basket funding for 9th EDF funds. This was confirmed in June and the FP was presented at the September EDF committee. The signing ceremony will take place early February 2007.*

Source: External Assistance Management Report 2006

Within the EUD decentralisation was given rather limited priority from around 2006-7 as it became likely that other DPs were been designated to lead the support. However, it was still recognised that decentralisation reforms in Tanzania were important for the successful implementation of programmes in e.g. education, health, roads, agriculture, and infrastructure sectors at local levels.

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

Indicators:

- *Ind 2.2.1. Availability of adequate human resources in Delegations and Headquarters to deal specifically with decentralisation and local governance*
- *Ind 2.2.2. Overall knowledge and capacity of staff about different dimensions of decentralisation*
- *Ind 2.2.3. Availability and use of training opportunities related to decentralisation issues*

Main findings from the field mission:

The EUD decided around 2005 to assign the responsibility for “decentralisation” to a junior programme officer. Although no formal decision at that time was made to “exit” from direct support to decentralisation it can be seen as a pre-cursor for the later formal decision. The key staffing priorities were from around 2005 onwards given to strengthen the capacity of the EUD in areas related to GBS (expertise in PFM issues).

EUD Staff (including staff working with sectors and GBS) actively engaged in various joint DP-GoT funded analyses of decentralisation issues – but the EUD never takes a lead as “decentralisation” is defined as a sector with specific lead DPs.

Staff had not participated in the EC/EU courses on decentralisation issues – but reform issues in Tanzania were probably also of a more advanced nature than what EC/EU courses could offer (with need for staff for more in-depth exposure to details of e.g. LG fiscal decentralisation issues).

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

Indicators:

- *Ind 2.3.1. Existence and quality of monitoring & evaluation tools and processes in relation to results and impact achieved with decentralised strategies and programmes*
- *Ind 2.3.2. Existence of joint learning systems (across sectors, themes, countries and regions) or systems to ensure an institutional memory (e.g. exchange of information, working groups, issues papers...)*
- *Ind 2.3.3. Existence of "drivers of change" within the EC structures with a mandate to promote the effective implementation of decentralisation strategies and programmes*

Main findings from the field mission:

Because of the nature of the direct support to decentralisation – basket funding of a LG fiscal transfer system, The EUD relied on the common agreed (among all participating DPs and GoT) M&E system that was quite elaborate. This included in relation to the LGDG support:

- An elaborate system for annual benchmarking of all 114 LGs in areas such as PFM, planning, procurement, local accountability, and other “good governance indicators”³ – the results from these assessments were used to reward (and penalise) LGs with adjustments of their LGDG allocations – this provided a major incentive for LGs to improve their performance and gave a thorough overview of progress and challenges in building the capacities of the LGs,
- Quarterly progress meetings held in the field (in one of the 21 regional HQs on a rotating basis) with the joint participation of key ministries (PMO-RALG, Finance, Education, Health, Roads etc), LG officials and DPs,
- Quarterly and annual progress reporting – reporting on progress compared to planned activities, expenditures compared to budgets etc,
- External reviews of overall programme every three years,
- External reviews of selected areas of concerns e.g. the annual assessment procedures, value for money audits, procurement audits etc,

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

There was no ROM reporting found of LGDG support in CRIS.

EUD staff highlighted in particular the positive experiences with the quarterly LGDG progress meetings held in field; they provided a rare opportunity for staff to gain field experience with implementation of local government service delivery in a broad sense (and not only narrowly implementation of LGDG) and therefore relevant for e.g. GBS staff.

³ The manuals and annual results of the assessments is available at <http://www.logintanzania.net/documents.htm>

3.3 EQ3: National context

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

3.3.1 JC3.1. The EC response strategies in the area of decentralisation have been aligned with the partner Governments' policies and procedures

Indicators:

- *Ind 3.1.1. Evidence of EC analysis of Government policies, strategies and operational procedures related to decentralisation reform, including assessment of risks and constraints*
- *Ind 3.1.2. Alignment of EC interventions to national transfer mechanisms in channelling funds to LA*
- *Ind 3.1.3. Quality of dialogue with partner country and beneficiaries*
- *Ind 3.1.4. References in relevant Country Strategy Paper (CSP) sections on decentralisation and local governance*

Main findings from the field mission:

EC/EU support to decentralisation has generally been well aligned with GoT policies and procedures. The decision made by the EC/EU to support the merging national system for LG development funding through the LGDG was made at a critical time when most funding for "local level development" through LGs was undertaken with support from multiple individual project interventions by various DPs.

The support to the LGDG was in the beginning (2005) only support for a largely DP funded discretionary non-sector specific development grant in LGs. However, the system rapidly gained popularity and became the backbone of a general fiscal transfer system for all local development funding. In addition the annual performance systems incentivised LGs' adherence to GoT regulations (in particular in areas of PFM)

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

The later decision by the EC/EU to exit from direct decentralisation support and focus largely on GBS (and Infrastructure and Trade) is fully in line with GoT strategy for aid harmonisation (see further below).

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

Indicators:

- *Ind 3.2.1. Evidence of sequencing of approaches/entry points according to national contexts*
- *Ind 3.2.2. Key questions such as "How should existing interventions best evolve?" are addressed in Programming/ Identification / Formulation phases*

Main findings from the field mission:

Prior to LGDG support, the EC/EU had supported local level interventions (micro projects) with some semblance of "bottom up support" to decentralisation, just as the EC/EU initially (2003) considered an intervention piloting Village level funding rather than supporting the wider national decentralisation reforms (the LGRP) or pilot for national LG development grant system (the LGDG). In the end (around 2004-5) a decision was made that LGDG was the most appropriate.

The decision was largely made as a reaction to the wider developments of the LGRP and other DPs agreement to stop various bilateral interventions in favour of a common supported national system rather than as a deliberate EC/EU strategy.

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

Indicators:

- *Ind 3.3.1. Evidence on the evolution of the type of approaches used to support decentralisation and how they supported national specificities*
- *Ind 3.3.2. Occasions where efficiency has been lost because of the inability of the programme to be adjusted because of changed country circumstances*

- *Ind 3.3.3. Key questions on the choice of the most adequate aid deliver methods (such as “When and how to use sector budget support?” or “what are the risks related to the”) are addressed in project documents*
- *Ind 3.3.4. Assessment by Delegations on relative strength and weaknesses of various aid delivery methods.*

Main findings from the field mission:

In 2004 it was decided by the EC/EU that support to LGDG would be the most appropriate direct support to decentralisation reforms. A Financial Proposal was prepared the same year and submitted June 2005 to HQ, however rejected because of the proposed aid modality (financing the LGDG through LGRP basket funding). Annex 6 provides details on the formulation timeline, where internal EC/EU discussion focused mainly on aid delivery methods with concerns in HQ about basket funding. These problems prevented the EC/EU to take more of a lead role in decentralisation support and delayed funding decisions.

Like other DPs, EC/EU also started increasing GBS while it was commonly agreed that some earmarked funding was required for a number of years to establish the LGDG system before it ultimately would be fully financed by GoT (through GBS and own revenue generation). Most bilaterals preferred to provide such funding through a pooled arrangement using the existing LGRP basket fund mechanism. For the World Bank it was necessary to establish a separate project. In theory it would have been possible to fund the LGDG in an earmarked manner through SBS – but this would have been an added institutional arrangement that couldn't be agreed upon given the earlier engagement by bilaterals and WB. From GoT perspective (and from several of the participating bilateral DPs) the agreed basket funding arrangement was effectively seen as SBS since the funds after pooling in the basket were transferred to Treasury and from there disbursed directly to all 114 LGs using GoT accounting procedures only⁴.

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

Indicators:

- *Ind 3.4.1. EC strategy papers and programmes include a political and institutional analysis of the role of the different actors in decentralisation and governance processes*
- *Ind 3.4.2. Mix of actors that the EC has chosen to work with in order to achieve established decentralisation objectives*

Main findings from the field mission:

The EC/EU includes in its CSPs political and institutional analysis of the role of the different actors in decentralisation and governance processes, however analysis is based on work lead by other DPs (leading the LGR).

The EC/EU decided to join the LGDG and in this manner work mainly with PMO-RALG and MOFEA as lead partners. EC/EU didn't engage significantly with NGOs as e.g., the NGO working group on LG reforms and ALAT were supported by other DPs more actively engaged in LGR. However, ALAT currently seeks assistance from a global EU Call for proposals to support LG associations.

⁴ See the ODI analysis of Global SBS experiences where the Tanzanian LGDG is included as a case <http://www.odi.org.uk/work/projects/details.asp?id=1013&title=sector-budget-support>

3.4 EQ4: 3Cs

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

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

Indicators:

- *Ind 4.1.1. Sharing of information and policy analysis on decentralisation and governance issues among EC and EU Member States at the level of partner countries*
- *Ind 4.1.2. Records of EC resolving inconsistencies between its co-operation programmes and member states ones or other donors ones*
- *Ind 4.1.3. Lead role played by the EC in coordinating EU policy positions on decentralisation in partner countries*
- *Ind 4.1.4. Evidence that the EC has the necessary flexibility to adjust to other donor approaches, when other donors lead mutual efforts to support decentralisation*

Main findings from the field mission:

Coordination of support to decentralisation and local governance has since 2000 primarily been coordinated through the basket funded LGRP – led by GoT and basket funding partners but with the inclusion of non-basket funding DPs.

The LGRP supported (up to 2004) mainly the “soft” aspects of the decentralisation reforms: capacity building, institutional development etc whereas donor funding for local service delivery at that time primarily were channelled through various sector programmes (with basket or sector budget support arrangements in health and education and later also in agriculture, water and roads). The budget allocations for the LGRP were therefore modest and below 10 millions USD annually. In addition to the LGRP, various DPs supported up to 2004 a range of bilateral program support for “local governance”, in particular in the form of various “Area Based programmes”: i.e. programmes that targeted selected districts with a combination of development funding for services (typically earmarked various capital investments in areas such as school construction, health centres, roads etc – but also frequently with some elements of “budget support” to selected LGs).

The decision by various DPs to fund the LGDG system provided them with an exit strategy from previous bilateral projects and enabled substantive aid harmonisation.

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

As discussed earlier, the EC/EU proved flexible (after extensive administrative delays) to adapt to the jointly agreed LGDG approach. The EC/EU financial contribution was significant (22 million EUR) and enabled the nationwide scale up of the system.

3.4.2 JC4.2. There is complementarity between the interventions of the EC, the EU Member States and other donor agencies active in the decentralisation arena

Indicators:

- *Ind 4.2.1. Existence of dialogue with other (EU) donors during the EC programming process*
- *Ind 4.2.2. Evidence of clear division of tasks agreed upon among (EU) donor agencies and other donor agencies in relation to the decentralisation agenda in a given partner country*
- *Ind 4.2.3. EC jointly finance decentralisation programmes with Members States and major donors*
- *Ind 4.2.4. EC policy officials and EU delegations' personnel participate in joint programmes and policy forums (both internationally and nationally)*

Main findings from the field mission:

The aid harmonisation agenda in Tanzania is in a very advanced state with significant emphasis on the use of GBS and elaborate institutional arrangements for division of labour among DPs.

Support to decentralisation reforms is primarily coordinated through the basket funded LGRP although some separate projects are continued (by WB mainly in direct support to urban sector; by USAID and various bilateral DPs mainly supporting NSAs).

The LGDG is co-financed by several bilateral EU member states, the EU and World Bank.

The aid harmonisation agenda has taken issues of “complementarity” further as each main sector (including “decentralisation”) preferably is to be supported by only one lead DP and limited supporting DPs. As part of this aid harmonisation agenda EC/EU left decentralisation as a “sector” and only indirectly follow sector developments through other lead DPs.

3.4.3 JC4.3. EC support to decentralisation processes is coherent with other policies, programmes and activities

Indicators:

- *Ind 4.3.1. Coherence between EC strategies related to decentralisation and to larger sectors such as health, education, road infrastructure...*
- *Ind 4.3.2. Integration of crosscutting issues such as gender mainstreaming and environment into decentralisation programmes*
- *Ind 4.3.3. Inclusion of relevant indicators in GBS performance assessments*

Main findings from the field mission:

Coordination between various sectors and decentralisation reforms has for long constituted a major issue in Tanzania. However, with the establishment of the LGDG system, it became possible to address many of these issues in a practical manner by mainstreaming sector funding into the LGDG system. In 2005 PMO-RALG produced a policy paper on how sector funding could be integrated into LGDG system, and the same year it was designed and later implemented for the agricultural sector (as part of the ASDP). The EC/EU participated constructively in the design process but has not lately been active in the ASDP basket. An evaluation has recently been conducted that have a very positive assessment of achievements of local agricultural development through the ASDP/Agricultural window of the LGDG⁵.

In the Education sector funding to LGs continued for long to be slightly parallel to the LGDG system (a crash programme for class room construction was for instance implemented under PEDP) but from 2007 funding for infrastructure development was largely integrated into LGDG system. The education sector is the financially most important for LGs; major issues persists in the sector related to facilitation of LGs including continued major inequalities of teacher allocations (that currently is centrally managed but from the LGR has been advocated as fully devolved and subject to equitable formula based financing) and inadequacies in capitation grant allocations to schools through the LGs.

In the road sector districts and municipalities have been provided with approximately 30% of the nationally collected road funds for maintenance of roads under the responsibility of LGs. The financing modality is not fully integrated into LGDG system but does provide fairly reliable and equitable level of funding for LGs to maintain (and upgrade) local roads.

The role of the EC/EU in work related to ensuring coordination between sectors and decentralisation reforms has however been relatively limited and largely lead by other DPs more active in the decentralisation reforms.

Crosscutting issues like gender and environment have been integrated into the overall LGRP and addressed e.g. through planning and budget guidelines used by LGs when planning use of the LGDG. However, the EC/EU has compared to other DPs only played a marginal role in integration of such issues.

Decentralisation issues have for long featured in the GBS dialogue. However, the importance attached to decentralisation has differed among DPs; until recently SIDA has as one of the few DPs had explicit performance tranche related to decentralisation. The EC/EU has until the most recent GBS agreement not had explicit performance tranches but relied on more holistic assessments. In the most recent agreement (MDG Contract 2009/2015 – CRIS TZ/FED/2009/021-300) that provides for 300 million EUR GBS from the EC/EU it includes a joint approach to GBS performance tranches with Denmark, Germany and Ireland. One out of five elements of the performance tranche criteria relates to decentralisation as the government is required to “introduce regionally disaggregated targets for a number of key social indicators (health and education – at least one each) into PAF 2011”. The particular wording of the indicator followed a long debate as many of the previous PAF indicators on decentralisation had been difficult to assess in an objective and mutually agreed manner. In particular, it had in past years been difficult to reach agreement between DPs and GoT on how to measure progress on fiscal decentralisation. One key policy reform under the LGRP had been attempts for transforming fiscal transfers to LGs towards a formula based system based on objective needs rather

⁵ Evaluation of the performance and achievements of the Agricultural Sector development Programme (ASDP) second draft April 2011.

than existing services (e.g. allocation of funds for education based on number of school age going children rather than existing number of teachers in a district). MOFEA had on several occasions disputed the interpretation of the policy objective (arguing that only OC and not PE should be subject to formula based allocations), and it appeared increasingly in recent years as if policy direction in the LGR was interpreted differently by the lead LGRP DPs, the LGRP and GoT. The introduction of alternative performance measures were by the EUD in part seen as a way out of this deadlock in policy dialogue.

3.5 EQ5: Transfer of functions & resources

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

3.5.1 JC5.1. National decentralisation policies and strategies have been developed

Indicators:

- *Ind 5.1.1. Existence and quality of national decentralisation policy and specific devolution processes*
- *Ind 5.1.2. Existence and quality of national government institutional arrangements to implement decentralisation reform*

Main findings from the field mission:

As discussed in Annex 5, the Government of Tanzania has since 1995 pursued a decentralisation policy that since 1998 has been guided by a Local Government Reform Policy. The PMO-RALG has been the lead institution responsible for implementation and further update of the policy. The PMO-RALG has since 2000 been supported by a dedicated Local Government Reform Programme (LGRP) team funded by a range of Development Partners through a basket funded arrangement.

The EC/EU support to the LGDG made some contribution to overall decentralisation policy and strategy as:

- The LGDG itself became the main vehicle/GoT Strategy for devolution of the development budget,
- Once the LGDG was established around 2004 it further developed into a strategy for devolution of sector development interventions starting with the design of modality for decentralised agriculture sector interventions (the Agriculture Development Grant under the ASDP) as a “window” of the LGDG in 2005 – soon to be followed by windows for other sectors including health, water, education and urban environment.

The EC/EU was one among several funding partners contributing to the LGDG. Although not a lead donor its contribution was nevertheless critical for the establishment of the system: The World Bank originally led the design of the LGDG but had suggested that the system first should be piloted in 30% of the Local Governments through a World Bank credit effective from 2004. The bilateral donors active in the LGRP basket urged for a more rapid implementation – not least because the introduction of the LGDG system also was seen as exit strategy for DPs supporting various “Area Based Programmes”. Especially the Dutch and Irish Embassies were keen to see this change happen soon because of recent poor assessments of their area-based programmes and because of the increasing demands on DPs for aid harmonisation. The EC/EU contributions of 23 million EUR made the upscale of the system on a national basis possible to achieve with co-funding from other EU member states (initially the Irish, Dutch and Belgians – later also Germany).

3.5.2 JC5.2. National legislations supporting decentralisation processes (especially the transfer of functions) have been enacted

Indicators:

- *Ind 5.2.1. Existence of national legislations supporting decentralisation processes*
- *Ind 5.2.2. Sector legislation is aligned with LG legislation and decentralisation policy*

Main findings from the field mission:

A major weakness of the reforms in Tanzania has been the lack of comprehensive legal reforms along the principles outlined in the Local Government Reform policy (see Annex 5). The LGDG did not alter any aspects of this – nor did the dialogue around GBS. GBS dialogue included elements associated with local government reforms. The most pressing issues in that regard were policy issues related to implementation of fiscal decentralisation – in particular use of formula based allocations for more transparent and equitable allocation of resources to LGs.

The LGRP pursued legal aspects of decentralisation reforms including review of sector legislation – this largely failed. The particular EC/EU contributions to the reform (the LGDG) did not have any objectives related to legal reforms.

3.5.3 JC5.3. Local governments fiscal and human resources have increased

Indicators:

- *Ind 5.3.1. Evolution of the structure of local governments in terms of human resources (e.g. number and quality of staff, share of public employees working in local governments as percentage of entire public service over last ten years)*
- *Ind 5.3.2. Evolution of the fiscal resources available at local level (e.g. LGs share of total public expenditures, prominent changes in fiscal transfers, changes in the assignment of taxes and increase in own revenue, increase in LG borrowing)*

Main findings from the field mission:

As further discussed in Annex 5, it is evident that local government capacities in terms of human and fiscal resources have increased tremendously over the last decade. Main trends are summarised in the two tables below.

Table 3 LG Share of total Public Employment

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006
Central	108.363	101.074	97.146	92.393	92.951	91.407	90.928	92.436	90.708	91.950	97.775
Regional	24.119	22.667	19.192	16.637	10.172	9.776	10.088	10.302	10.064	9.835	9.481
Local G	163.255	163.297	156.842	155.397	169.285	168.490	177.812	189.979	187.149	204.606	219.573
Total	295.737	287.038	273.180	264.427	272.408	269.673	278.828	292.717	287.921	306.391	326.829
LG share	55%	57%	57%	59%	62%	62%	64%	65%	65%	66%	67%
Local teachers					110.116	109.879	116.713	116.801	126.744	144.286	154.186
Teachers share of all LG Employees					65%	65%	66%	61%	67%	70%	70%
non-teacher LG					59.169	58.611	61.099	73.178	60.405	60.320	65.387
Non teacher growth rate						-0.9%	4.2%	19.8%	-17.5%	-0.1%	8.4%

Source: PSM HR and Payroll Database

Table 4 LG Share of total Public Expenditure⁶

Fiscal Year (FY)	Total Recurrent Expenditure (TSH billion)	LG share
2001/02	1.253	18,7%
2002/03	1.527	19,0%
2003/04	1.834	17,7%
2004/05	2.252	17,0%
2005/06	2.875	18,6%
2006/07	3.142	24,3%
2007/08	5.452	21%
2008/09	6.536	21%
2009/10	7.991	28%

⁶ Note that for 2001-2006/07 the data are actual expenses (but only from recurrent budget) as published by PMO-RALG (URT, 2007)—this is the last year of a published local government fiscal review and that data from subsequent years hasn't been published by PMO-RALG. Data from 2006/07-2009/10 is based on data collected from the LG DPG (2010).

LGs share of development funding is significantly less – but the recent increases are relatively more substantial as it increased from 7.9% in 2007/08 to 18.5% in 2010/11⁷

These substantive increases of development funding to LGs are a direct result of the LGDG system: from 2005 it was rolled out as a national system for all (qualifying) LGs with an average level of funding of 1.5 USD/capita – later additional “windows” of the LGDG were introduced for agriculture sectors, urban environment, education, water, and health sectors.

The EC/EU support contributed to the establishment of the LGDG system and overall increases in LG transfers partly by its direct contribution to the LGDG but also through GBS support where a key performance indicator was defined in terms of increased share of public expenditure as LG transfers.

3.5.4 JC5.4. Local governments autonomy has increased

Indicators:

- *Ind 5.4.1. Evolution of fiscal autonomy (powers to raise revenue, relative share of funds that are discretionary, autonomy in budgeting without central government approval, etc)*
- *Ind 5.4.2. Evolution of autonomy in human resource management (HRM): the extent to which LGs can hire and fire or otherwise manage personnel.*
- *Ind 5.4.3. The role of various layers of government is clearly defined and the local governments' degree of autonomy is well described in legislation.*

Main findings from the field mission:

As further discussed in Annex 5, while the reforms in Tanzania successfully have increased the resources and capacities in LGs, then there has not been much change in the relative degree of autonomy of the local governments. The following shortcomings can be noted:

- LGs depend largely on fiscal transfers from central government – they generate only approximately 5% of their total expenditures through own source revenue generation.
- From 2004-05 a number of LG taxes were abolished by central government and LGs (ALAT) dispute the extent to which they have been compensated adequately for this,
- The central government significantly earmark use of transfers to LGs: the transfers are mainly sector specific (health, education etc) and within each sectoral transfer there are typically very strict earmarking regarding the use of funds,
- Central government continue to send instructions to LGs regarding how they are to prioritise spending on even own source revenue,
- Human resource management in LGs has largely been even more centralised after the Public Service Act of 2004 (in spite of other intentions in the LGR Policy),

However, there have also been a few improvements – in particular related to the LGDG system. While the LGs increasingly rely on fiscal transfers for their budgets and while GoT in many cases have made these transfers in a highly earmarked manner, then the LGDG provide an alternative model: funds are transferred without string earmarking: the LGs can decide to use the funds for water, education, health, roads or other local priorities. The LGDG has in this manner slightly increased local autonomy of LGs by empowering their local budget prioritisation process.

⁷ Rapid Budget Analysis 2010 (GBS partners): Aggregate Analysis Background Note – Public Expenditure Review November 2010.

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?

3.6.1 JC6.1. Improved management and administrative capacity of key central government bodies involved in decentralisation policy formulation and implementation (incl. activities of oversight and support to decentralised bodies)

Indicators:

- *Ind 6.1.1. Key staff of central government bodies are undertaking policy formulation and reform implementation activities effectively*
- *Ind 6.1.2. Perception by stakeholders (LG & civil society organisation - CSO) that capacities of key central government bodies for decentralisation policy formulation and implementation have improved*
- *Ind 6.1.3. Existence and use of M&E system*
- *Ind 6.1.4. Development of intergovernmental / inter-ministerial relations in support of decentralisation policy*

The extent to which central government stakeholders have improved capacities for implementation of decentralisation strategies is somehow debatable in Tanzania as central government increasingly is being criticised (by NGOs, by ALAT and some DPs) for being effectively implementing the reform policy. However, in some areas related to the LGDG system, improvements can be noticed:

- Intergovernmental / inter-ministerial relations have become more rule bound as LGs on the one hand have been granted formal autonomy in deciding in LGDG utilisation whereas central Government oversight role has been strengthened and operational through e.g. the annual assessment system,
- M&E system has been strengthened by the annual assessment system that gives an up to date assessment of LG capacities and their adherence to GoT regulations,
- A basic reporting system has been put in place that monitors fiscal transfers to LGs, their own revenue generation and expenditures⁸.

Central government capacities (or political willingness) for decentralisation policy formulation is by many stakeholders considered weak – e.g. reflected in the critique by CSOs and DPs of Government policy formulations related to the latest LG Act amendments, the Public Service Act sections dealing with LG staff and recent Constituency Development Fund.

3.6.2 JC6.2. Improved capacities of local governments for management of decentralised administrative, fiscal and political responsibilities / powers

Indicators:

- *Ind 6.2.1. Evidence of improved financial management in local governments*
- *Ind 6.2.2. Evidence of improved planning in local*
- *Ind 6.2.3. Evidence of improved HRM in local governments*
- *Ind 6.2.4. Existence of monitoring and evaluation system and evidence on the use of information produced at local level*

Details are provided in Annex 5, but briefly the LGDG has contributed to improvements in areas of:

- Improved financial management – clearly reflected in the improved audit reports from Auditor General and annual LG assessments,
- Improved development planning: increased public participation, more comprehensive plans that are better linked to budgets – reflected in e.g. the results of the annual LG assessments.

Some of the weaker areas of LG capacities include HRM (not significantly targeted by LGDG); however, the main constraint has also been the significant lack of policy commitment effectively to decentralise staff to LGs.

Another weak area is development of consistent local M&E systems. Several systems have been introduced – most frequently through sector specific initiatives and frequently in an uncoordinated manner at LG levels. The quality of local data on many key issues are weak and not used in a

⁸ Originally published at www.logintanzania.net and more recently www.pmoralg.go.tz

systematic manner for decision making – the LGDG however did not explicitly target this area for support although it included it as one of its annual performance criteria (see box below) and in this manner provided some incentives for LGs to use M&E systems.

The PMO-RALG guidelines require LGAs continuously use the Local Government Monitoring Database (LGMD) in monitoring development outcomes so as to inform decision making and policy formulation at all levels. In FY 2008/09, 105 (83,7%) effectively used the system while 27 (16,2%) did not. It was reported in most LGAs that the LGMD system had broken down and was hence not functional.

Source: Annual Assessment Synthesis Report, PMORALG 2010, page 21

3.6.3 JC6.3. Improved capacities of relevant non state actors (LG associations, etc)

Indicators:

- *Ind 6.3.1. Establishment and improvement of performance of local government associations*
- *Ind 6.3.2. Increase in number and quality of NGOs working with local governments for service delivery and improved local governance*
- *Ind 6.3.3. Improvements in quantity and quality of research in local government issues*

Improvement of NSA was not an objective of LGDG or other EC/EU support to decentralisation. Other DPs have been more active in this area and a fairly strong network of NGOs working with LGs has been created under the NGO Policy Forum. The EC/EU support to NSA has not had “decentralisation” of “local governance” as a strategic focus but has supported a number of NGOs working with local service delivery issues.

Some DPs (in particular NORAD) have strengthened local research capacities (at REPOA) for research on LG issues. The programme (formative research on local government reforms) has published extensively and built local capacities for research on local government reform issues (<http://www.repoa.or.tz/content/blogcategory/22/49/>)

The EC/EU has not been active in this area.

3.7 EQ7: Local governance

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

3.7.1 JC7.1. Increased local participation in local government affairs

Indicators:

- *Ind 7.1.1. Introduction of or improvement in local elections*
- *Ind 7.1.2. Existence and use of mechanisms for direct participation for all phases of local government planning cycle*

Multi party elections were introduced in 1994 in LGs one year prior to national elections and have been undertaken with five years intervals in 1999, 2004, and latest in 2009. As further discussed in Annex 5, the electoral system has remained largely unchanged since 1994, although reform measures have been suggested in order to reform the system. Currently the dominant national party (CCM) dominates local elections totally because of the electoral rules (that inter alia prevent independent candidates). The various donor funded interventions (such as LGRP and LGDG) have failed to put electoral reform on the agenda⁹.

Citizens’ direct participation in LG affairs has on the other hand receiving significant attention from various DP funded initiatives – in particular support for “participatory development planning”. This has in recent years been institutionalised by PMO-RALG and rolled out as “Opportunities and Obstacles to Development (O&OD) approach to participatory planning. Several DPs have also supported CSOs to engage with LGs for deepening local accountability.

The EC/EU has through the LGDG boosted the effectiveness of such initiatives as the LGDG provided discretionary funding that effectively enabled LGs to budget according to local priorities, and thus has brought the participatory planning beyond merely wish lists.

3.7.2 JC7.2. Improved local accountability of local governments/ decentralised units

Indicators:

⁹ The issue was discussed in 1994 prior to development of the LGR Policy but the Government rejected reform measures (personal communication with Ole Therkildsen, Civil Service Reform Advisor in 1994). Later years political dialogue and development assistance has focused mainly on national electoral issues.

- *Ind 7.2.1. Existence and use of feed back mechanisms and procedures for dialogue with citizens (notice boards with budgets, use of citizen score cards etc)*

Main findings from the field mission:

Other DPs than EC/EU have in recent years supported NGOs to strengthen community capacities for improved local accountability through use of citizen score cards, local public expenditure tracking etc.

The EC/EU supported LGDG includes as part of its annual performance criteria indicators regarding the extent to which LGs publicize their annual budgets and accounts through use of notice boards. As a result, the majority of LGs today publicize budgets and accounts.

3.7.3 JC7.3. Increased transparency in fund allocation and utilisation

Indicators:

- *Ind 7.3.1. Evolution of budget allocation procedures: use of formula based grants, etc.*
- *Ind 7.3.2. Financial information (esp. on transfers from government and their allocation) provided to the citizens*

Main findings from the field mission:

The GoT has since 2003 begun to introduce a more transparent and equitable formula based system for allocation of fiscal resources among LGs. The system has been most successful for allocation of development funds – spearheaded by the LGDG. Funds for allocation of LGDG and related “sector windows” of the LGDG are all shared among LGs according to simple formula based allocations (typically based on population and adjusted to poverty, land area etc). A similar system has since 2004 attempted to be introduced for recurrent funding streams (salaries/PE and other charges/OC). As discussed further in Annex 5, this has in practice never been effectively implemented because GoT has resisted further devolution of staff management which in turn make fiscal allocation of PE on formula meaningless.

Fund transfers are today to a large degree published in newspapers – especially funds from the LGDG system. The dissemination is however not yet systematic although LGDG has set a good example. The PMO-RALG has also established a website with overview of both transfers and expenditures at LG level. <http://www.logintanzania.net/index.htm> and www.pmoralg.go.tz

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?

3.8.1 JC8.1. Increased financial resources and improved allocation of resources for local service provision

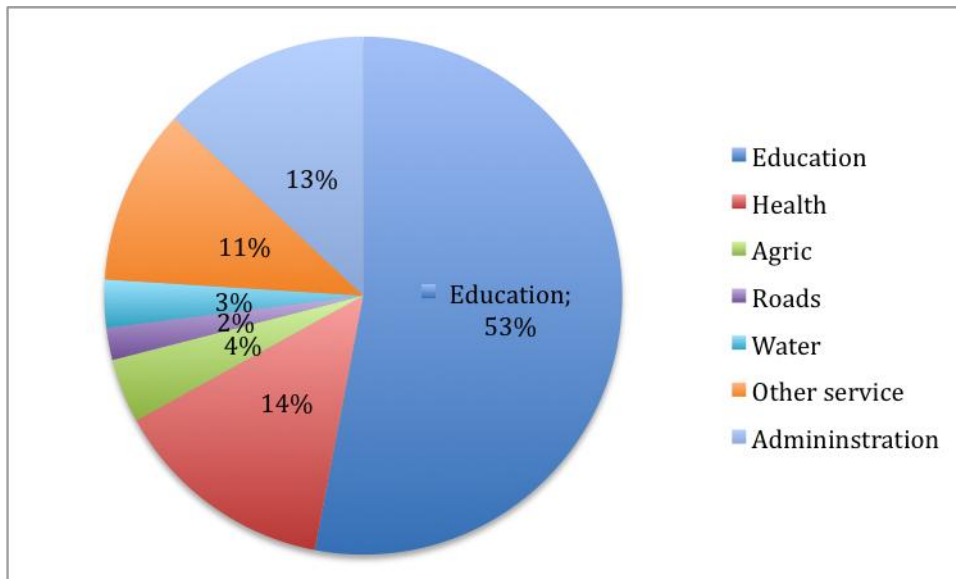
Indicators:

- *Ind 8.1.1. Total increase in funds allocated for service delivery (as opposed to administration) in local governments*
- *Ind 8.1.2. Improved targeting of resources through e.g. need based/ formula based allocations*
- *Ind 8.1.3. Existence of public-private partnerships in the delivery of social service*

Main findings from the field mission:

In section 3.5.3 we described the amazingly extensive overall increase in LG budgets has been: an incredible ten fold increase over ten years (from 0.2 billion Tshs in 2000 to 2.2 billion Tshs in 2009). This increase has largely been in the form of earmarked central government transfers for key services under local government responsibility such as: education, health, agriculture, roads and (to a lesser extent) water.

Reliable data on LG expenditures for the entire ten-year period under review are not readily available. However, it is evident that most of budget increases have been earmarked for priority sectors (not least because almost 80% of the funds have been earmarked central government transfers for these sectors). Annex 6 provides a detailed overview: LGs would typically spend more than 50% on education services, some 14% on health with lesser allocations to various other sectors. Costs for administration (the political council and various non sector specific staff such as accountants, tax collectors, and administrative officers including village executives, ward executives etc.) were about 13%.

Figure 2 Expenditure Patterns¹⁰

Most of the increased LGs resources come from fiscal transfers (see Annex 5 for details) – in particular earmarked fiscal transfers for education and health, so the above expenditure patterns come as no surprise.

The particular EC/EU contributions to these developments have foremost been the EC/EU GBS that has been a significant (but not sole) source enabling the GoT to increase its budgetary allocations for services such as education and health through LGs.

The EC/EU contribution to the LGDG has also been significant for establishing an overall system for transfer of development funds to LGs. Development funds for LGs are today transferred on a formula basis.

Public private partnerships (PPPs) are developing in all sectors, although private sector participation in some sectors has been under significant competition from a rapidly expanding public sector (in particular in health and education sector). In the agricultural sector more emphasis is paid to PPPs. For all infrastructure development, LGs have over the last 15 years largely abandoned past practices of direct implementation and instead outsourced construction works to the private sectors. The LGDG requires all LGs to outsource construction work.

3.8.2 JC8.2. Improved operation and maintenance of locally provided services

Indicators:

- *Ind 8.2.1. Allocations for operation and maintenance in local budgets and assessments of their adequacy*
- *Ind 8.2.2. Evidence on improvements in degree of operation and maintenance (operational schools, operational water points, etc)*

Data on operation and maintenance of facilities in LGs are rather scarce in Tanzania, with the exception of road maintenance where data suggests that percentage of rural roads qualified as passable (good and fair) has improved from 50% in 2005 to 56% in 2010¹¹ – this modest improvement is primarily the result of support financed under the Road Fund. It is widely recognised that O&M of water facilities is poor, but LGs responsibilities also are vaguely defined (primarily community based O&M). Data on O&M of e.g. schools is almost non-existent: an enormous expansion (more than doubling of school infrastructure) took place in recent years at great speed that may constitute a major O&M burden in near future.

The LGDG intends to strengthen LGs capacities for O&M; however the measures applied for doing so are weak. O&M issues are included in the annual assessments, but the analysis of O&M budgets is not very detailed (see box below with summary of annual assessments in 2010).

It is prudent for LGAs to ensure sustainability of their investments. As such, the Assessment sought to establish if the LGAs make budgetary provision and practical executions for operation and

¹⁰ See annex 6 for details.

¹¹ Data from 2011 GBS PAF.

maintenance of investments. All the LGAs except Mwangi DC made budgetary provisions for O&M of investments for FY 2009/10. While all LGAs except Mkwinda DC, Chato DC, Kisarawe DC and Rufiji DC (3%) had no evidence of having executed the budgetary provisions in FY 2008/09.

3.8.3 JC8.3. Improvements in the coverage and quality of locally provided services

Indicators:

- 8.3.1. Evidence of improved access to locally provided services delivery esp. for vulnerable groups (quantitative expansion of services)
- 8.3.2 Evidence of qualitative improvements to locally delivered services

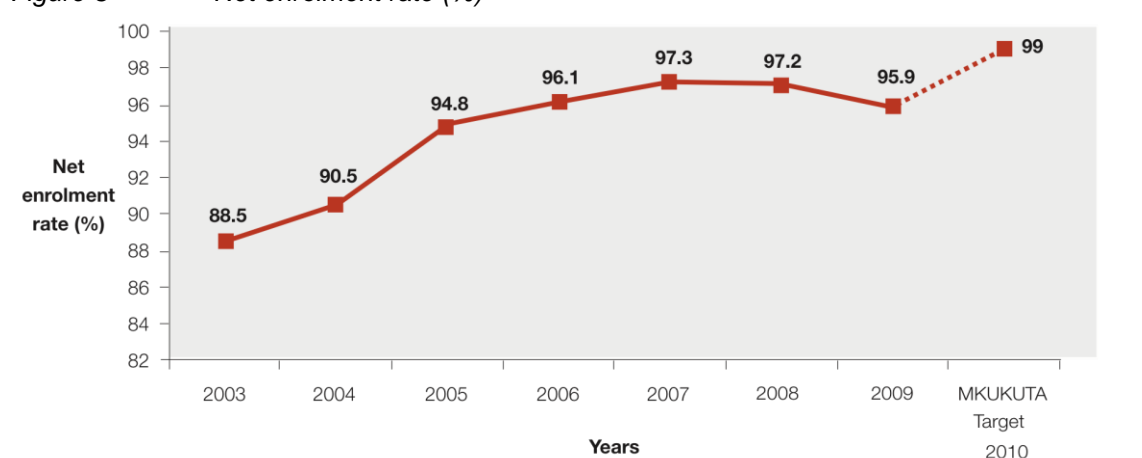
Tanzania has witnessed marked quantitative improvement in access to services provided by LGs, in particular in areas where LGs have received substantive fiscal central government transfers over the last 5 years – i.e. in particular in the sectors of education (the by far largest sector in local governments) and health, but it is increasingly recognised that quality of service provision is a major challenge¹². It is broadly recognised that local government reforms have played a major facilitating role in this quantitative expansion of services, but also that the lack of certain elements of LG reform (e.g. regarding staff devolution and effective implementation of formula based fiscal transfers) have impacted negatively on the degree of equity in resource allocation and possible qualitative aspects of services. The major explanation of relative poor qualitative improvements in e.g. education sector relates however to sector specific issues such as inadequate attention to teacher training and motivation, inadequate allocation of school materials etc. The trends for selected main sectors delivered by LGs can be briefly summarised as below¹³.

Education

Enrolment in primary education has improved significantly since 2003 and remains high, but has declined from 97,3% in 2007 to 95,9% in 2009 (Figure below).

The MKUKUTA target of 99% by 2010 is still attainable; however, reaching the children not yet enrolled will be a significant challenge, since it implies enrolling the children who are the hardest to reach at the requisite age, including the disabled.

Figure 3 Net enrolment rate (%)



sources: PHDR 2007 and Ministry of Education and Vocational Training (MoEVT), Basic Education Statistics in Tanzania (BEST) 2009

There has also been sustained progress in access to pre-primary, secondary and tertiary education. However, pass rates of the Primary School Leaving Examination (PSLE) and the transition rates from primary to secondary school have deteriorated recently, highlighting the ongoing challenges of achieving quality in educational outcomes at all levels.

¹² For general analysis of trends in service delivery in Tanzania see Publications by the Research and Analysis Technical Working Group <http://www.repoa.or.tz/content/blogcategory/35/67/#ph09> for excellent critique of problems related to Quality of services see e.g. <http://www.twaweza.org/>

¹³ The below section is large extraction from the Poverty and Human Development Report 2009 and in particular Brief 2 Progress Towards Improved Quality of Life and Social Well-being for All Tanzanians – available at www.repoa.or.tz

Children from all wealth quintiles have benefited from the expansion of primary and secondary education since 2000 as shown in the higher net attendance rates reported by HBS 2007 (Table below). However, data indicate that the least poor continue to benefit disproportionately from government spending in education, particularly in access to tertiary education. The proportion of young people from the poorest two quintiles of households who are attending tertiary institutions is only 4%, compared with 56% from the least poor quintile. Gender parity has been achieved in primary enrolment but only limited improvements are recorded at higher levels.

Table 5 *Primary and Secondary School Net Attendance Rates, by Wealth Quintile, 2000/01 and 2007*

	Primary Education		Secondary School (Forms 1 to 4)	
	2000/01	2007	2000/01	2007
Poorest Quintile	0.47	0.78	0.01	0.10
2nd	0.58	0.79	0.05	0.12
3rd	0.57	0.84	0.03	0.13
4th	0.65	0.89	0.05	0.21
Least Poor Quintile	0.72	0.91	0.15	0.25
Tanzania	0.59	0.84	0.05	0.15

Source: Hoogeveen, J. & Ruhinduka, R. (2009). Poverty reduction in Tanzania since 2001: Good intentions, few results.
Note: Calculations interpret attendance data in the HBS as equivalent to enrolment, and report them as enrolment rates.

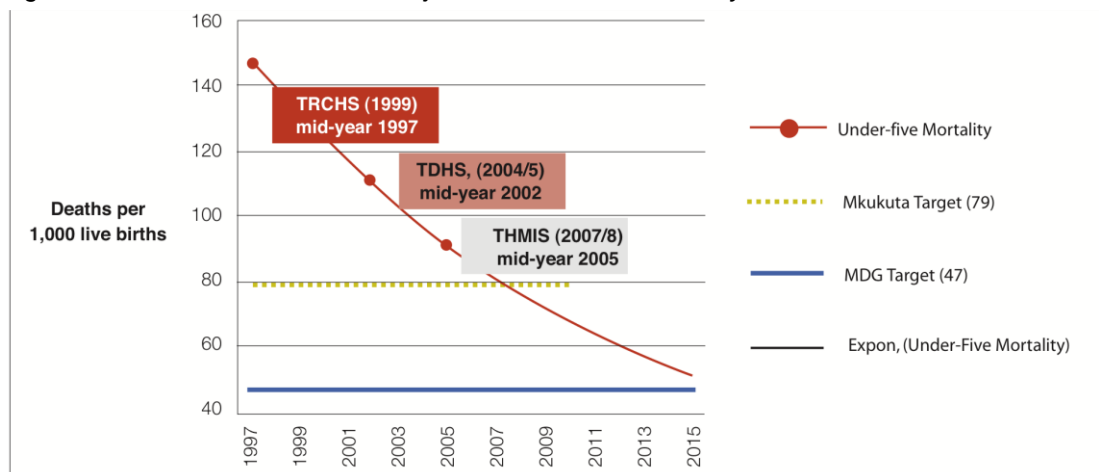
The wide variations in educational outcomes reflect persistent disparities in budget allocations to local government authorities (LGAs) for education. In 2008/09, the ten LGAs with the lowest budgets received on average TShs 21.000 for staffing per child, compared with TShs 161.000 per child for the ten LGAs with the highest budgets. In the 20% of districts with the highest budgets, the average pupil-teacher ratio is 44:1; in the 20% with the smallest budgets, it is 70:1. In the 20% of districts with the highest budgets the PSLE pass rate is 57.6%, whereas in the bottom 20% of districts it is 43.6% (URT, 2008). Formula-based grants to LGAs were intended to improve equity in education funding, but are not yet fully implemented.

Annex 5 provides more analysis of this issue.

Health

The continued decline in under-five mortality means that Tanzania is on track to meet the MKUKUTA goal in 2010 and the MDG for under-five mortality in 2015 (MDG 4) is also within reach (Figure below).

Figure 4 *Estimated and Projected Under-Five Mortality 1997 - 2015*



Sources: Tanzania Reproductive and Child Health Survey (TRCHS) 1999; Tanzania and Demographic Health Survey (TDHS) 2004/05; Tanzania HIV/AIDS and Malaria Indicator Survey (THMIS) 2007/08.

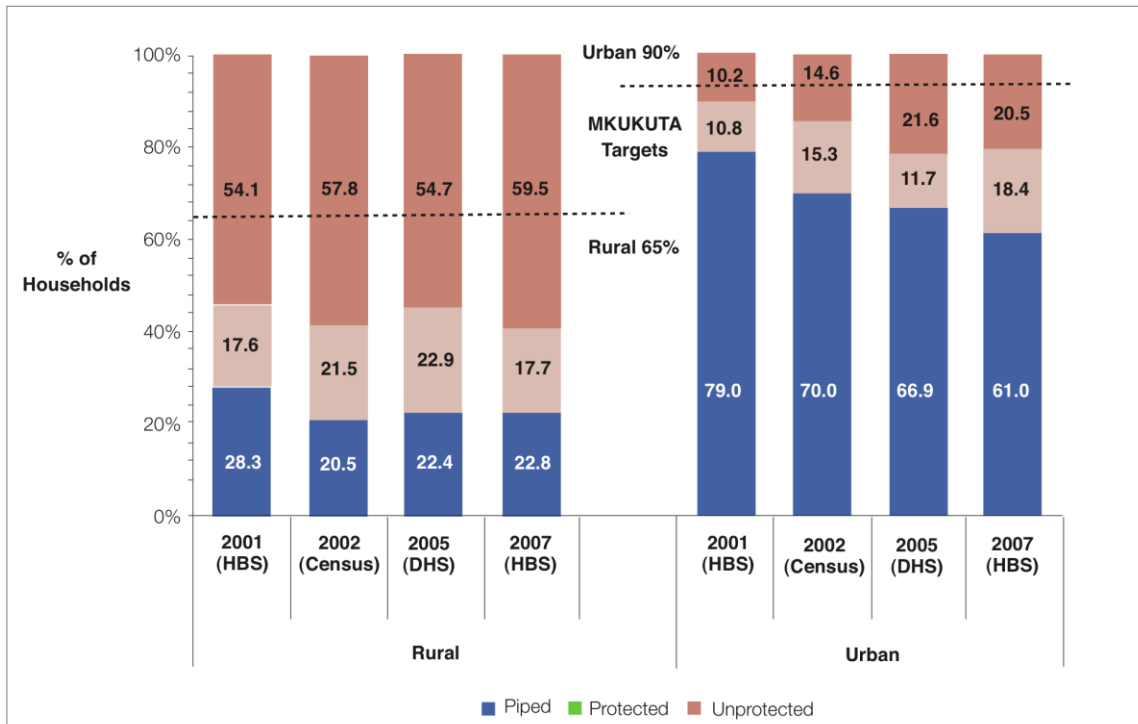
Notes: Each survey measures mortality in the five years preceding the survey. For the purpose of trend estimation, survey estimates are assigned to nearest "middle year" with exponential trend line.

Water and Sanitation

The latest survey data show a downward trend in access to clean and safe water in both urban and rural areas. In HBS 2007, only 40,5% of rural households and 79,4% of urban households reported access to a piped or protected water source (Figure 6). These data were collected prior to

implementation of the Water Sector Development Programme but the trend is nevertheless very worrying.

Figure 5 Survey Data on Water Supply



Sources: HBS 2000/01 and 2007; Census 2002; TDHS 2004/05

4 Conclusions concerning the hypotheses to be tested in the field phase and main challenges to be discussed in the synthesis phase

<i>Research focus</i>	<i>Mainly related to EQ</i>
Clarity of EC/EU policy/strategies on decentralisation according to national stakeholders and other international donors	1
Institutional capacity of EC/EU for support to decentralisation – how were priorities made in the delegation? Did the general EC/EU framework for support to decentralisation facilitate decisions?	2
Appropriateness of GBS as aid modality for decentralisation support; how has policy dialogue been affected? To what extent has decentralisation process and outcomes been affected, what has been the specific EC/EU contribution?	3
Coherence between major sector interventions (such as in education sector) and decentralisation support	4
Documented results of decentralisation process and the relative importance of EC/EU support (through LGDG, GBS, NGO support and sector (education etc) interventions.	5-8

The following general lessons and key conclusions emerge from the Tanzania case:

Clarity of EC/EU policy/strategies on decentralisation

Global EC/EU policies for support to decentralisation are not well known in Tanzania; the strategies are primarily locally set. If the EC/EU wants to pursue decentralisation as a core area of support it will require a more significant effort for disseminating such a policy locally.

Institutional capacity of EC/EU for support to decentralisation

The Tanzanian Aid Harmonisation Agenda requires a strict division of labour among DPs, which required the EC/EU to focus on few sectors and for instance exit “decentralisation” as a focal sector. The general EC/EU framework for support to decentralisation did not facilitate decisions as it was not clearly communicated to EUD staff. In theory “decentralisation” becomes a “cross cutting issue” within other support programmes (and GBS in particular – see below), but without direct engagement in the LGRP it is difficult for EUD to engage proactively in analysis and dialogue on decentralisation issues – this is by definition delegated to another group of DPs defined as “lead DPs” in the sector.

Coherence between major sector interventions

The support to decentralisation, various sector support and GBS has in Tanzania been quite coherent. The practical efforts for harmonisation has in many sectors primarily taken place through harmonisation of LG financing modalities and the LGDG system have been central in that regard. EC/EU has played an indirect role through its participation in LGDG support, but has not been a lead among DPs to ensure such harmonisation.

Documented results of decentralisation process

The LGR in Tanzania have been implemented for more than a decade. Substantive achievements can be noted in areas of

- LG capacity building (substantive increase in staff resources and capacities for e.g. improved financial management, planning and project implementation),
- Increase in fiscal resources (more than ten fold over a ten year period),
- Some improvement in local governance (participatory planning, transparency in resource allocation etc) – however no progress on the degree of relative local government autonomy,
- Substantive quantitative expansion of services – but limited progress in several qualitative aspects of service delivery.

Appropriateness of LGDG as modality for decentralisation support

EC/EU support to the LGDG has made a significant contribution to the above overall achievements. The LGDG constitutes an international “good practice” where

- The system has served as instrument for aid harmonisation and building of national funding systems (rather than purely instrument for delivery of aid to LGs),

- An incentive system has been established for LGs to improve their performance, which combined with the inherent capacity building grants has proved effective for building LGs capacities,
- Funding is provided in a manner that empowers local planning and budgeting (by being non earmarked, fully integrated into LG budgets and also with proviso for indicative budget figures for lower level LGs),
- The model was initially fully donor funded but is increasingly funded by GoT and becoming an integral part of the overall Intergovernmental fiscal framework in Tanzania, -in future it will no longer be required to have dedicated DP support for LGDG but in the initial stages of the design and implementation it was critical to have direct / earmarked DP support.

Appropriateness of GBS as aid modality for decentralisation support

GBS has clearly been indicated as the preferred aid modality by GoT and has been critical for Tanzania's recent achievements in expansion of social sector service delivery (through LGs).

Decentralisation issues have for many years been included as part of the overall PAF. The assessment of decentralisation issues has for several years been rather negative, largely because of lack of GoT progress on intended aspects of LGR that would provide LGs more autonomy and more equitable resource distribution through use of formula based grants. The recent EC/EU agreement on GBS has sought to circumvent some of the past years problems in policy dialogue by formulating indicators that are less "intrusive" and yet target some of the same key problems (the unequal allocation of resources) – questions related to LG autonomy are absent in the agreement (but still included in wider PAF). GBS dialogue on decentralisation issues could probably have been more effective if technical support to implementation of fiscal decentralisation issues to a larger extent had been provided to MOFEA rather than PMO-RALG (that has limited mandate for such reforms).

5 Annexes

5.1 Annex 1: The list of people interviewed

<i>Name of the person interviewed</i>	<i>Organisation</i>	<i>Date of the interview</i>
Enrico Strampelli	Delegation of the European Union, Tanzania Head of Cooperation	
Stefan Schleuning	Delegation of the European Union, Tanzania Head of Economic Section	
Kirza Buch Kristensen	Delegation of the European Union, Tanzania, Governance	
Maria Iarrera	Delegation of the European Union, Tanzania	
Riika Torppa	Delegation of the European Union, Tanzania (Programme Officer, Economics, Governance and Regional Integration)	
Robert Foote	Belgian Technical Cooperation; Technical Advisor on Local Governance and head of DP local government reform group	
Frank Holtmeir	GTZ, Head of DP LGR Group	
Hans Raadschilders	Dutch Embassy, for previous five years head of DP LGR Group	
Joseph Mallya	PMO-RALG, LGRP Finance Outcome Manager (working on LGR since 1995)	
Ron McGill	PMO-RALG, LGRP CTA	
Habraham Shamumoyo	General Secretary ALAT	
Sadick S. A. Magwaya	Ministry of Finance and Economic Affairs, EDF Programme Support Unit (Head of programmes)	
Dr. Florence Temu	AMREF	15 th April 2011
Eng. Koronel Mashalla Kema	AMREF	15 th April 2011
Mr Wilfred Lema	AMREF	15 th April 2011
Mr. Smart Daniel	HelpAge International	15 th April 2011
Necodimus Chipfupa	HelpAge international	15 th April 2011
Jarvis A. Simbeye	Morogoro Municipal Council	16 th April 2011
John Aloyce	Morogoro Municipal Council	16 th April 2011
Sidina Mathias	Morogoro Municipal Council	18 th April 2011
Nico S. Mwakibibi	Morogoro Municipal Council	18 th April 2011
Reuben Ndimbo.	Morogoro Municipal Council	18 th April 2011
Penninah R. Paul	Morogoro Municipal Council	18 th April 2011
Salome Gelege	Morogoro Municipal Council	18 th April 2011
Grace Lukagingira	Morogoro Municipal Council	18 th April 2011
Omari Jabah	Morogoro Municipal Council	18 th April 2011
Athumani S. Kambi	Morogoro Municipal Council	18 th April 2011
Hussein Mngata	Morogoro Municipal Council	18 th April 2011

Samson Msemembo	MOREPEO*	18 th April 2011
Peter A. Mwita	MOREPEO	18 th April 2011
Godlight Lyimo	MOREPEO	18 th April 2011
Frank Rashid	MOREPEO	18 th April 2011
Evarad Wilson	MOREPEO	18 th April 2011
Adriani Kungalo	MOREPEO	18 th April 2011

*MOREPEO – Morogoro Elderly Peoples’ Organisation

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- Disparities Exist in Citizens' Perceptions of Service Delivery by Local Government Authorities in Tanzania (Brief 13)
 - Changes in Citizens' Perceptions of the Local Taxation System in Tanzania (Brief 12)
 - Citizens Demand Tougher Action on Corruption in Tanzania (Brief 11)
 - Outsourcing Revenue Collection: Experiences from Local Government Authorities in Tanzania (Brief 10)
 - Local Government Reform in Tanzania, 2002 - 2005: Summary of Research Findings on Governance, Finance and Service Delivery (Brief 6)
 - Trust in Public Finance: Citizens' Views on taxation by Local Authorities in Tanzania (LGR12)
 - Is the community health fund better than user fees for financing public health care? (LGR10)
 - Are fees the major barrier to accessing public health care? (LGR9)
 - Primary education since the introduction of the Primary Education Development Plan (LGR8)
 - Citizens' access to information on local government finances (LGR7)
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5.3 Annex 3: Detailed list of EC-funded interventions

Table 6 Detailed list of EC-funded interventions related to decentralisation

<i>Intervention title</i>	<i>Implementation period</i>	<i>Planned amount (mEUR)</i>	<i>Disbursed amount (mEUR)</i>	<i>CRIS Decision Nr./Contract number</i>	<i>Entry point</i>	<i>Scope (National / Local)</i>	<i>Aid modality</i>	<i>Main contracting party</i>
Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania	2007 - 2012	0,75	0,4	ONG-PVD/2005/017-215 / 118910	Bottom up	L	Grant to Private company, NGO or local association	Private companies/ Dvpt agencies, Helpage International
Support to Education Sector Reform	2007 - 2012	43,25	33,94	FED/2007/019-633	Sector	N	Grant to GoT	Private companies/ Dvpt agencies, Tanzania Education Network Ltd
Support to the Local Government Grant Scheme	2006 - 2009	22,70	22,70	FED/2007/018-888	Bottom up	N	Common basket fund	Government, Jamhuri Ya Mwingano Wa Tanzania
Poverty Reduction Budget support programme (at least 2 financing decisions during the evaluation period: 2003-2006; 2006-2008)	2003 - 2008	98,60 80,94	98,60 80,84	FED/2003/016-313 & FED/2006/017-917	GBS	N	GBS	Government, Jamhuri Ya Mwingano Wa Tanzania
<i>Indirect interventions</i>								
n/a								

5.4 Annex 4: Description of major interventions

5.4.1 Intervention 1

Title: Support to the Local Government Grant Scheme
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Budget: 22.700.000 EUR

Start date: 2006

Objectives and expected results:

Overall objective: The overall objective of the project is to contribute to sustainable, viable and effective local authorities which will lead to improved public service delivery through good local governance and accelerate the poverty reduction efforts in Tanzania.

Project purpose:

The project will assist the government in achieving the objective of the grant system of creating a uniform, transparent and performance-based system for channelling development resources to the local government levels in order to improve capacity as well as service delivery.

Expected results:

The project intervention will have two overall results.

The first is to enhance local authorities' capacity in areas of i) local government legislation, roles and responsibilities, ii) Management and leadership skills, iii) budgeting and budget management, iv) revenue mobilization and operation & maintenance budgeting, v) development planning and strategic planning, vi) Project preparation, investment, appraisal, environmental impact assessment and safeguard policies, vii) Project monitoring and evaluation, viii) Data collection, information management and record keeping and ix) Human resource management in local governments. This result is achieved by making available the Capacity Building Grant for all local government authorities to apply for. Two minimum criteria, Capacity Building Plan in place and timely reports on utilisation of the capacity building grant, determine whether the grant can be accessed. At the same time the capacity building will improve the chances of meeting the 16 minimum criteria (10 of which are primary) for access to the larger Capital Development Grant. Hence the capacity building also implicitly serves as an incentive for access to larger development funds.

The second result is to expand the physical stock of new and rehabilitated infrastructure of local governments. This is achieved by making available the Capital Development Grant to all local authorities to apply for. Award of the grant is conditioned on complicity with, for the first year, minimum criteria, and in subsequent years also on assessment of performance within a range of nine governance measures, ranging from accountability to financial and human resource management.

Activities:

The main activities for both results relate to the yearly assessment cycle of the grant scheme. Local government authorities will provide plans and budgets for the two grants. Next step is the procurement and contract management of the capacity building, service or works supplied. This is succeeded by progress reporting. Before the final step follows an audit, and finally evaluation of the grant expenditures. The impact assessment will not take place until a couple of cycles have passed.

5.4.2 Intervention 2

Title: Poverty Reduction through the Participation of Vulnerable People in Decentralised Development Planning and Budgeting in Tanzania
--

Budget: 745.279 EUR

Start date: 2007

Objectives and expected results:

Overall objective: To contribute to the achievement of MKUKUTA's overall goals of growth and the reduction of income poverty, improved quality of life and social well being and good governance and accountability.

Specific objective: To ensure that the concerns and entitlements of vulnerable people are incorporated into decentralised district planning and budgeting in order to support the achievement of MKUKUTA targets to improve the delivery of pro-poor services

Expected results:

1. Increased capacity of partners, local government, and other CSOs to work with and through older people to improve the delivery of pro-poor services
2. Local government development plans in 14 wards in 5 districts respond to the needs prioritised by vulnerable groups
3. Improved delivery of services to vulnerable groups in 14 wards in 5 districts of Tanzania through partnerships between Local government, civil society organizations and communities
4. Civil society monitor the delivery of key services and entitlements at local level and use evidence to influence policy formulation and implementation at ward, district and national levels.

Activities:

For result 1:

- Introduction: Local government, INGO, CBO and FBO workshop
- Orientation workshop: financial, administrative and management orientation
- Action Management Committee (AMC) establishment and meetings
- Monitoring and evaluation

For result 2:

- Formation of Older People's Forums (OPFs) and Older People Monitoring Groups (OPMGs)
- Meeting of OPMG members with Ward Development Council to influence village and ward level planning
- Establish District Forums and a Multi District Review to influence planning at the district Level
- Improve availability of data on vulnerable groups at district level

For result 3:

- Inform vulnerable groups of their entitlements to key services
- Promote key service delivery for older people and their dependents in health, water, education and shelter in collaboration with CSOs, local government and the community
- Providing identity cards to older people
- Providing mosquito nets to older people and their dependents
- Constructing water wells (spring box)
- Providing school uniforms and materials to OVCs
- Map existing informal safety nets for vulnerable groups at village level.

For result 4:

- Train OPMGs in basic monitoring technique and progress tracking
- Monitor target achievement by OPMGs
- Evidence based advocacy at local, national and international levels
- Advocacy capacity building for partners and OPMGs
- Intervention in national and international events and processes to influence change in favour of older people.

5.4.3 Intervention 3

<u>Title:</u> Support to Education Sector Reform

<u>Budget:</u> 43.250.000 EUR

Start date: 2007

Objectives and expected results:

Through the EC contribution under the 9th EDF, in line with the NSGRP objectives, greater attention will be paid to equity and quality issues in the delivery of social services, recognising the role of Local

Government Authorities as the primary providers of services at the local level. The main objective of the sector programme will therefore be to 'improve the quality of education delivered to the public, while ensuring a more equitable and pro-poor access to effective and efficient education services'. This programme will focus on basic education", especially through the indicators for variable tranches but without disregarding the other sub-sectors which will be part of the policy dialogue between the EC, the government of Tanzania and its partners.

Based on the current sector strategic documents (ESDP, PEDP and SEDP mainly) as well as the four main studies prepared to support the 2006 Education sector Review, the following expected results will be pursued by this programme:

Result 1. Improved quality of Education

- Increasing and strengthening in-service and pre-service teacher training
- Strengthening regular and quality professional support from the Inspectorate.
- Improving the assessment and examination systems
- Rationalization of teacher deployment
- Providing schools with sufficient quality teaching and learning materials as well as appropriate infrastructures
- Strengthening governance in local authorities and at school level.

Result 2: Increased equitable, pro-poor and pro-vulnerable educational services

- Increasing enrolment of children and youth with disabilities, from other vulnerable groups (e.g. Orphans, street children) and from disadvantaged groups
- Increasing performance and retention of girls throughout the education system
- Encouraging equitable distribution of education institutions and resources in the territory
- Preventing the re-emergence of schemes requesting (financial or in-kind) contribution from parents at primary level
- Mitigating the impact of HN-AIDS on the education system (especially, development and implementation of a HIV-AIDS workplace policy or teachers), enhancing the role of schools and other education institutions in awareness campaigns
- Expanding and improving the provision of vocational, adult, non formal, distance and out-of-school education, especially for women.

Result 3. Strengthened Decentralization of service delivery in Basic Education:

- Harmonizing the education grant system" and ensuring that it is channelled through the local government authorities transfer system.
- Building capacity of local government authorities to allow them to abide by financial, technical and professional standards as set forth by the Ministry of Education.
- Improving financial management (especially the reporting of expenditures), including procurement methods and practices.

Result 4: An effective sector-wide and participatory decision making process Ensuring the development of the sector-wide approach, bringing all ministries involved in the sector as well as LGAs into cohesive planning and financing structures

- A revised Education Sector Development Programme
- A comprehensive financial framework officially endorsed by the government, consistent with national and departmental MTEFs, including donor support.
- Ensuring the set-up of an effective ESMIS to allow a better evidenced based decision making process
- Ensuring performance assessment measures feed back to education stakeholders, to Parliament and to beneficiaries
- Promoting bottom-up planning, budgeting and monitoring processes with the involvement of non state actors
- Promoting the participation of the Parliamentary Committee on Social Services in the education sector dialogue
- Supporting the strengthening of NGOs' capacity to play an effective and innovative role in the promotion of education sector dialogue at central and local levels as well as their role in monitoring progress at school and community levels.

5.5 Annex 5: Detailed country context

5.5.1 Decentralization in Tanzania¹⁴

Tanzania (mainland) has for the last 20 years pursued a fairly well-articulated policy of decentralization by devolution that foresaw the transfer of powers, functions and resources to elected multifunctional local governments.¹⁵ It should be noted that the structure and history of the local government system differs significantly within the United Republic of Tanzania (URT) between Tanzania mainland and Zanzibar¹⁶.

Local government reforms have been supported on the mainland since 2000 through a dedicated Local Government Reform Program (LGRP) that has aimed to support the reform process through a basket-funded program managed by a dedicated reform unit (the LGRP Team). LGRP has been implemented through three consecutive three-year medium-term plans and budgets, and the first major phase came to an end in 2009. A new phase of reform support is currently about underway.

LGRP originally aimed to reform the legal framework and the local government finance and human resource management (HRM) systems, and enhance local participation and wider “good governance” at the local level. In the later years, the program also included components for support of sector coordination and strengthening of the deconcentrated regional secretariats. The government with assistance, from DPs, introduced a development block grant for local governments (the LGCDG) in 2004 in parallel with the LGRP. In addition, several of the service sectors undertook various sector reforms that interpreted the broader policy of “decentralization” in numerous ways—in particular the education, health, water, roads and agricultural sectors were transformed in the last decade with more emphasis on decentralization (although not necessarily devolution).

5.5.2 Historical Background

The current reforms officially began with the adoption of the Local Government Reform Agenda in 1996, within the framework of wider civil service reforms and the broader liberalization of the Tanzanian economy and polity. However, it is important to note that the system of local administration had undergone significant changes prior to that: reasonably well established democratic local governments in the early post-colonial period, the subsequent abolishment in 1972 of local governments, and their reintroduction in 1982.

The reforms of the Tanzanian system of local government are presented in the following timeline:

1. Pre-independence period: gradual introduction of local governments;
2. 1962-1967: strong democratic councils;
3. 1967-1972: gradual decline of local governments;
4. 1972: deconcentration and abolishment of local governments;
5. 1976–1982: reintroduction of local governments; and
6. 1996: the second wave of devolution—Local Government Reform Agenda.

5.5.2.1 Pre-Independence Period: gradual introduction of local governments

The earliest experiences with elected local governments in Tanzania originate from the late colonial period where elected councils were gradually introduced. The move toward elected local governments with substantive functions and financial resources was strongest in the urban areas. The gradual democratization of the local administrations, in both urban and rural administrations, was in the same period tempered by the colonial administration’s attempts to limit African control of these institutions through the reservation of European and Asian seats. Nevertheless, a basic architecture of elected local governments was largely in place at the time of independence in 1961.

Dar es Salaam became a municipality in 1949, and the first town council was set up in Tanga in 1954. At the time of independence, 12 urban authorities were in place. They collected their own revenue, fixed property rates, made by-laws and provided a range of services.

“Native Authorities” were established in the rural areas. They collected substantial amounts in local taxes and were made responsible for services such as primary education, dispensaries and village roads. The appointed district commissioner controlled the authorities, but there was a gradual

¹⁴ This annex is based on extensive literature review and several years as “participant observer” in the local government reform process as external consultants (Per Tidemand and Nazar Sola).

¹⁵ United Republic of Tanzania, 1998a. Emphasis of the policy is on devolution to municipalities and districts—see further discussion of the policy objectives in Section 2.3 of this report.

¹⁶ For details on the decentralisation reforms in Zanzibar see e.g. Tidemand and Sola (USAID 2011): Annex 6.

introduction of democratic elements in the latter part of the colonial period. Local authorities (chiefs) nevertheless continued to exercise substantial executive and judicial powers. The colonial administration sought, under the Local Government Ordinance of 1953 and in subsequent initiatives, to introduce a further gradual modernization and democratization of the authorities, but it was never effectively implemented in the rural areas. The new nationalist movement of TANU under the leadership of President J. Nyerere resisted the attempts of introducing racially segregated elections. The new councils would have jurisdiction over all residents in the area—rather than as previously, only “Africans”. Elections were, on the other hand, to be organized in a manner whereby each eligible voter was to cast three votes: one each for an African, a European and an Asian. TANU wanted an immediate establishment of truly representative bodies based on the principle of “one-man, one vote”.

Nevertheless, at the time of independence, a fairly well-developed system of autonomous and partially democratic local government had been put in place. Locally collected revenues from rural and urban authorities totaled more than £5 million, or some 17% of total public revenue in 1961. Their annual capital spending amounted to £1.25 million, or one-quarter of their turnover. While rural authorities were never fully established with elected councils, the basic legal framework of the functions and responsibilities of local authorities had been outlined in the 1953 Local Government Ordinance.

Other pre-independence events of relevance to the existing system of local government administration in Tanzania include:

- The establishment of the local government school in Mzumbe in 1953: solely to cater for local authorities and largely financed by the same; and
- The establishment of the Local Government Association in 1956.

5.5.2.2 1962-1967: Strong and Democratic Councils

In 1962, soon after national independence was declared in December 1961, the new one-party state (TANU government) undertook significant changes of the local administration:

1. Replacing the generalist administrative officers who previously headed the provinces and districts with political appointees: the regional and area commissioners;
2. Removing all executive and judicial powers from the traditional chiefs; and correspondingly
3. Extending modern district councils throughout the country, in place of the native authority councils, which still existed in most districts.

Mawhood (1983) notes that the impact on elected local governments was mixed, since the rural administrations lost substantial lower-level authority through the removal of the chiefs, and the removal of administrative officers led to loss of administrative capacity. The initial years of independence nevertheless witnessed a short period of strengthened elected local governments. In particular, local authorities situated in the wealthier cash crop producing areas, such as Kilimanjaro District Council, saw their revenue increase substantially during the first years of independence, just as new and qualified staff members were brought on board.

Central government transfers to local authorities that previously were extended to urban councils were also introduced to rural authorities. Some of the transfers sought to introduce incentives for particular local government authority (LGA) expenditures. Thus, road maintenance and recruitment of certain senior posts by the LGAs would be 50% co-funded by central government.

5.5.2.3 1967-1972: Gradual Decline of Local Government

A gradual decline of local authorities' capabilities occurred in the latter part of the 1960s; primarily due to a financial squeeze, declining revenues and increasing demands for financing of services, rather than a deliberate policy decision.

The increase in local authorities' own tax collections topped in 1965-1966, largely because the central government imposed changes in the manner that local authorities were previously allowed to tax local cash crop production. The decrease in own-source revenue impacted on local authorities' capability to initiate capital projects. Central government simultaneously established a Regional Development Fund that increasingly administered the planning of new capital investments hitherto implemented by the LGA's own funds. LGAs, however, were expected to cater for recurrent cost implications of the investments.

LGAs were, according to the national education plan, expected to finance an increasing share of primary education. As the number of schools rose dramatically after independence, this led to significant financial commitments—increasingly difficult for LGAs to meet. Rural health and road maintenance represented other areas of increasing service responsibilities assigned to local authorities without adequate funding.

Central government responded to the poor performance of local authorities primarily by tightening the control of LGA finances using earmarked transfers to special bank accounts at the LGA level and centralizing several important services. Mawhood (1983) points out, “the Minister’s budget speech in July 1969 delivered the death blow” by abolishing all important local taxes. A consultancy company, McKinsey and Co, was subsequently contracted to make recommendations on the local administrative set up most suitable for implementation of the Arusha policies of rural development.

5.5.2.4 1972-1976: Deconcentration and Abolishment of Local Governments

In May 1972, the government published its “policy of decentralization”. The recommended new structures were based on strengthened deconcentrated administrations at regional and district levels. Elected local governments had no role and were abolished. The reforms aimed at rationalization of some hitherto duplicate structures at the district level and strengthened the regions substantially by transferring very senior central government staff members and conferring “ministerial status” upon regional commissioners.

Consultative forums were established at regional and district levels—without any direct downward accountability, however; as the institutions were dominated by central government and party appointed members.

Rural development featured particularly high on the government’s agenda in this period. Ujamaa or villagization was a key component for the modernization of the rural areas. Legislation for village-level assemblies was passed in 1975 and the concept of “village government” introduced and later carried over to local government legislation passed in the 1980s.

5.5.2.5 1976-1982: Reintroduction of Local Governments

The abolishment of urban local authorities was relatively short. In particular, the new structures proved ineffective for service delivery in urban areas, and a cholera crisis led to the relatively quick reestablishment of urban local governments as a policy decision was made to that effect in 1976 and an interim Act passed in 1978. The reintroduced urban local authorities had less autonomy than the old, as the region held substantial influence and as the local revenue-raising powers were rather curtailed. An Urban Development Policy was passed in 1980 for strengthening urban LGAs.

CCM more generally included the reintroduction of local governments in their 1980 election manifesto, and in 1982, new legislation was passed that introduced a comprehensive system of local governments at district and village levels in rural areas, and at municipal and city levels in urban areas. Elected councils were empowered to enact by-laws, collect revenues, determine local budgets and plans, etc. These structures were given direct responsibility for service delivery in the areas of primary education, primary health, local water supply, local roads, and agriculture extension. In urban areas, they also became responsible for urban services, such as solid waste removal and street lighting. However, strong regional administrations remained, and they undertook a large number of development activities directly—in collaboration with, but not necessarily through LGAs—and controlled most of the local funding. Thus, while democratic local governments were introduced, they remained with no substantial resources or effective service mandates. Local administrations remained largely as deconcentrated structures at the regional level.

5.5.2.6 1996: The Second Wave of Devolution—Local Government Reform Agenda

The system of local government in Tanzania introduced in 1982 is legally not much different from what exists today. However, LGAs were not effectively the primary agents for implementation of the supposed service delivery functions. A large number of capital investments continued to be managed through strong regional administrations, and the financial and human resource bases of the LGAs were relatively weak.

In the early 1990s, it was recognized that the system was in need of further reform. This has been referred to as the “second wave of decentralization”, which began as an element of the Civil Service Reform Program (CSRP) initiated in 1994.

CCM included in its Election Manifesto of 1995 the promise of a substantive local government reform program. Interestingly, this took place after the first multiparty elections had been held in 1994 at local government level where several seats (although a minority) of new councilors went to opposition parties. The reform commitment had gradually been built and was based on various earlier analyses such as the Mtei Commission 1991.¹⁷

¹⁷ Officially: “Report of the Presidential Commission of Enquiry into Public Revenues, taxation and Expenditure”; the report included two full chapters on the local government system and its finances and made

The decisive step toward further reform of the local government and intergovernmental systems was taken in June 1996, when the prime minister announced the government's decision to restructure and downsize regional administration with the objective of making local government more efficient and effective. The vision for the future local government system was formulated and endorsed at a national conference, "Toward a Shared Vision for Local Government in Tanzania", held in May 1996.

1.4 The Policy on Local Government Reform

The most immediate changes of the reforms initiated in 1996 were found at regional level, where substantive retrenchments were undertaken and a substantial number of staff transferred to local government authorities. The changes were reflected in the 1997 Regional Act. The regions were no longer to play a major role in implementation of capital projects and direct delivery of services, but rather to facilitate and guide local authorities in doing so.

The wider policy intentions were outlined in the "Policy Paper on Local Government Reform" of October 1998, which outlines in greater detail the vision of a future reformed public service. The paper spells out how decentralization of government will include four main policy areas:

1. **Political devolution** is devolution of powers and the setting of rules for councils and committees, chairpersons, etc. Political decentralization will include the integration of previously centralized or deconcentrated service sectors into a holistic local government system, installing councils as the most important local political bodies within its jurisdiction. Political decentralization implies the creation of real multi-functional governments at the local level within national legislation.
2. **Financial decentralization** is based on the definition of principles of financial discretionary powers of local councils, (i.e., , powers to levy taxes and the obligation of central government to supply local governments with adequate unconditional grants and other forms of grants). The principle also allows local councils to pass their own budgets reflecting their own priorities, as well as mandatory expenditure required for attainment of national standards.
3. **Administrative decentralization** involves the delinking of local authority staff from their respective ministries and procedures for establishment of a local payroll. Local governments will thus have and recruit their own personnel, organized in a way decided by the respective councils in order to improve service delivery. Administrative decentralization makes local government staff accountable to local councils.
4. **Changed central-local relations:** the role of central government vis-à-vis local councils will be changed into a system of intergovernmental relations with central government having the overriding powers within the framework of the Constitution. Line ministries will change their role and functions to become: 1) policymaking bodies, 2) supportive and capacity-building bodies, 3) monitoring and quality assurance bodies within the local government legislation framework, and 4) regulating bodies (legal control and audit). The minister responsible for local government will coordinate central-local relations, and in particular, all initiatives from sectoral matters to matters relating to local governments.

The subsequent sections of this chapter discuss the extent to which the policy intentions as expressed above have been affected as laws and regulations—and Government of Tanzania (GOT) experience with this process. Appendices 2 and 3 analyze the impact of reforms on fiscal and human resource decentralization.

5.5.3 Legal Framework for Local Governments in Tanzania

5.5.3.1 The Constitution

The existence of local governments is entrenched in the URT's Constitution—but not in great detail. The Constitution rather briefly establishes in Chapter Eight (section 145) that "there shall be established local government authorities in each region, district, urban area and village in the United Republic, which shall be of a type and designation to be enacted by Parliament or House of Assembly". Section 146 further stipulates that the "purpose of having local government authorities is to transfer authority to the people".

Thus, the nature of local governments—their functions, composition, roles, responsibilities and entitlements—are kept vague and to be determined by Parliament (on the mainland) and the House of Assembly in Zanzibar. This is comparable to, for example, many European Constitutions, but quite

several recommendations for a general strengthening of the local governments including further transfer of resources and powers.

different from those such as the Ugandan Constitution that describes the local government systems in great detail.

The Zanzibar Constitution further outlines the basic features of the local government system on the islands, just as Zanzibar has passed detailed local government legislation (see Appendix 6).

The very general formulations of the Constitution have otherwise given the legislature a rather free hand in determining the most appropriate detailed legal framework for the local government system.

While the Constitution mentions the establishment of LGAs within regions, it should be noted that no real local government body is present at the regional level—only a deconcentrated central government body to perform oversight and advisory functions vis-à-vis LGAs (see below).

5.5.3.2 Main Laws and Overall Organization

The current system of local government in Tanzania (mainland) is outlined in the following principal legislation:

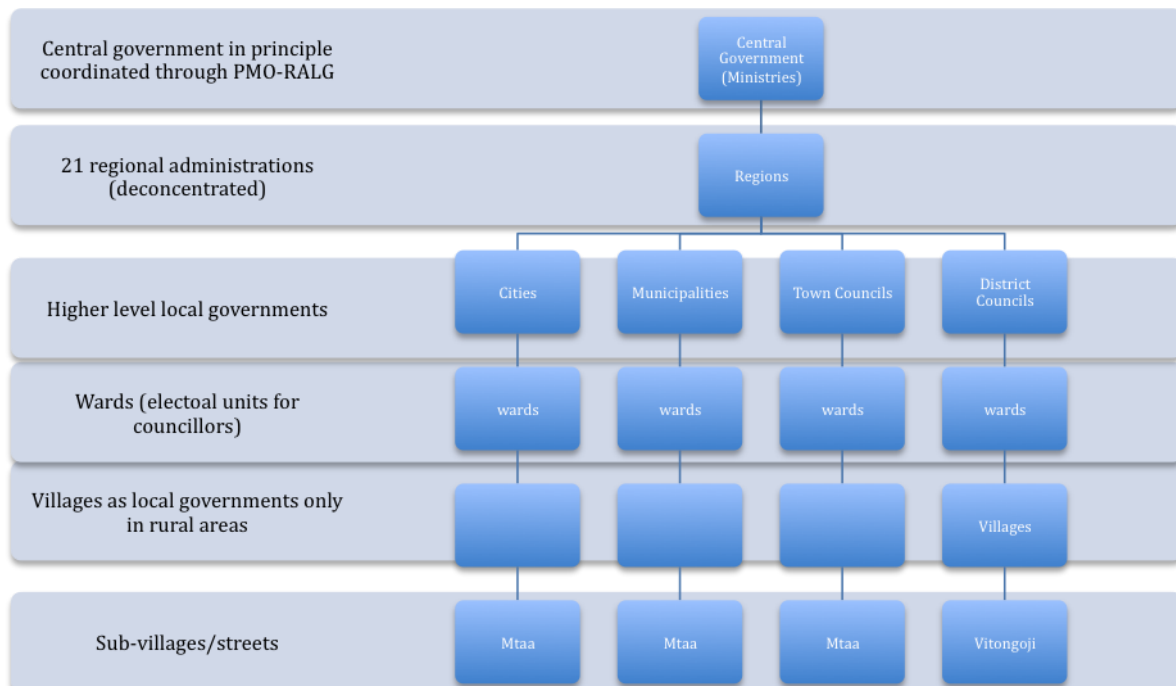
- The Local Government (District Authorities) Act, 1982;
- The Local Government (Urban Authorities) Act, 1982;
- The Local Government Finances Act, 1982;
- The Local Government Negotiating Machinery Act, 1982;
- The Urban Authorities (rating) Act, 1983; and
- The Local Authorities Elections Act, 1979.

Furthermore, the functions and responsibilities of the regional administrations, in respect of oversight and interlinking central government and local governments, are spelled out in the Regional Administration Act, 1997.

Immediately after the policy, some legal amendments were made (1999 and 2000) to the Local Government Act that abolished the concept of “proper officer” at the regional level that otherwise previously had to approve LGA budgets. More general statements were inserted that reflect the principles and objectives of reformed LGAs, such as the rights of people to participate in the management of local affairs through LGAs, the need for democratization, increased autonomy and deepening transparency and accountability at the local level.

Below is an overview of the governmental system. (Please refer to Appendix 4 for further details).

Figure 6 Intergovernmental Relations and the Local Government System



Source: by authors based on various local government legislation

Central government ministries of relevance to LGAs are of two types: sectoral/line ministries (e.g., Health, Education) and inter-sectoral (e.g., Finance; Regional and Local Government.) Theoretically, the 1982 legislation made LGAs responsible for actual delivery in their areas of functional

responsibility (primary education and health, local roads, etc.) In reality, however, sector ministries have remained heavily involved at all levels in these sectors, while the inter-sectoral or coordinating ministries have exercised tight control over the allocation and usage of local government inputs (fiscal and human resources in particular.)

The Policy on Local Government Reform (1998) envisages that LGAs will both assume greater service delivery responsibility and have more extensive control over their inputs. In general, it is intended that the role of the sector ministries will be limited to providing guidance on sectoral issues, setting relevant sector policies and guidelines for LGAs, determining sector-specific service delivery standards and monitoring performance. The inter-sectoral ministries will reduce the extent to which they determine the composition and allocation of the resources available to local authorities, with the President's Office-Regional Administration and Local Government (PO-RALG) playing an overall coordinating and support role throughout the reform process.

The 21 regional secretariats (RSs) comprise deconcentrated arms of central government. They are headed by centrally appointed regional administrative secretaries (RASs). The sector ministries linked to local service delivery (Health, Education, etc.) are all represented in the RSs, which are supposed to be the immediate points of referral for LGAs in their dealings with central government. Although they do not operate as superior organs of state in all respects, they do have certain oversight (e.g., of local budgets) and monitoring responsibilities regarding LGAs.

Under the Local Government Laws, 1982 No.7 (District Authorities) and No.8 (Urban Authorities), LGAs have been assigned wide-ranging, but very broad and occasionally vaguely formulated functions, including the following:

5.5.4 Basic Functions of LGAs

- Maintain and facilitate the maintenance of peace, order and good government.
- Promote social welfare and economic well-being.
- Further rural and urban social economic development.
- Control and improve agriculture, trade, commerce and industry.
- Enhance health, education and the social, cultural and recreational life of their inhabitants.
- Develop, mobilize and apply productive forces in the war on poverty, disease and ignorance.
- The law stipulates that, in addition to the specified functions, it shall be the objective of the LGAs in performing their functions to:
 - Give effect to the meaningful decentralization in political, financial and administrative matters relating to the functions, powers, responsibilities and services at all levels of LGAs.
 - Promote and ensure democratic participation in, and control of, decision making by the people concerned.
 - Establish and maintain reliable sources of revenue and other resources to enable them to perform their functions effectively and to enhance financial accountability.

According to the Policy on Local Government Reform, LGAs are to be responsible for the provision of basic public services, with a special emphasis on priority sectors that target poverty reduction. These include primary education, primary health, agriculture extension services, local water supply and roads. The clarity of the policy intentions is, however, yet to be fully reflected in legislation. The precise functions with regard to LGA responsibilities for provision of primary education are, for instance, not clearly stated in Section 111 (basic functions), but briefly mentioned in Section 118 with reference to the Education Act (Act No 25 of 1978). The clarity of required functions of urban authorities, such as for provision of street lighting and cleaning, solid and liquid waste collection and disposal, among others, are more explicit in legislation. In addition to the mandatory functions described in the 1982 Act and amendments, the first and second schedule of the Act outline optional functions, which are wide ranging.

The Local Government Act is even more vague when it comes to the specific mandatory functions of lower-level local governments such as the village governments. Section 142 outlines the general functions as:

- Do all such acts and things as are necessary or expedient for the economic and social development of the village.
- Initiate and undertake any task, venture or enterprise designed to ensure the welfare and well-being of the residents of the village.
- Plan and coordinate activities of and render assistance and advice to the residents of the village engaged in agriculture, horticulture, forestry or other activity or industry of any kind.

- Encourage the residents of the village in undertaking and participating in communal enterprises.
- Participate by way of partnership or any other way, in economic enterprises with other villages.

Section 120 (1) of the Act stipulates that district councils may delegate any (non-executive or legislative) functions to lower-level local governments, but that the lower local government in such a case act as an agent of the district council and perform those functions as directed by the district council.

5.5.5 Division of Tasks Across Levels of Government

5.5.5.1 Local Government and Sector Legislation and Policies

The Table below outlines the division of tasks and responsibilities between LGAs, central government and other stakeholders within key sectors.

Table 7 *Division of Task and Responsibilities according to Local government and Sector Legislation*¹⁸

Service	Main responsible as provider	Comments and legal issues
Primary Education	LGAs	<ul style="list-style-type: none"> • Section 118 of Local Government Act and stated in the Education Act (2004). However, parallel procedures for management of teachers (Teachers Service Commission). • The current education policy emphasizes decentralization to the lowest level: school committees.
Secondary Education	Central Government	Until recently, no specific reference in local government legislation. However, noted that LGAs play a role in construction of secondary schools, as it until recently was a local unfunded priority.
Primary and Preventive Health	LGAs	Need for clarification of role of standing LGA committees versus decentralized facilities. Health boards do not serve as effective mechanism for local accountability. ¹⁹
Hospitals	LGAs (District Hospitals)	The National Health Service Bill (2004) states that responsibilities for all health facilities up to district hospitals fall under LGAs. However, established health boards operate in parallel to LGA structures.
Water Supply and Sewerage and Sanitation	Urban areas: Autonomous Authorities Rural Areas: mainly LGAs	<ul style="list-style-type: none"> • Implementation of new water capital investments in both urban and rural areas is largely managed by central government. • The water policy aims primarily at empowering users and the private sector. • Water boards in urban areas, and to some extent, water user associations are established for management of water supplies as parallel structures to LGAs. • Regional consultancy units are established parallel to the regional administration adequately to support the LGAs.
Solid Waste	LGAs	No major legal issues, but problems of capacities in local governments with enforcement of laws, technical capacity for management of waste, problems of user payments for sustainable delivery of service.
Roads	All districts and feeder roads, all streets in municipalities and cities	<ul style="list-style-type: none"> • Main problems are with financing arrangements and technical capacities. • Some legal issues have been raised in relation to the drafting of a new Roads Act where the ministry wanted to establish regional roads boards for coordination of district roads.

¹⁸ Based on Steffensen, et al., 2004 and Tidemand, Olsen and Sola. (2007).

¹⁹ Boon, 2007.

Service	Main responsible as provider	Comments and legal issues
Agricultural extension	LGAs	In principle, no major legal issues regarding division between central and local governments. However, the transfer of some 7000 extension staff to LGAs was made rather late compared to other sectors. The capacity of LGAs to deliver meaningful services is limited not least to unresolved division of work between the private and public sectors. Privatization and use of public funds managed through farmers groups raise some issues regarding legal basis for procurement and financial management.

In summary the decentralization policy framework for Tanzania mainland is fairly elaborate with a reasonably clear assignment of major functions to local governments. The objective of the decentralization reform is clear in its envisaged emphasis on further devolution and strengthening of autonomous local governments. The key questions therefore relate to the practical implementation of the reforms discussed further in subsequent chapter.

5.5.6 Intermediate Objectives

The Tanzanian Local Government Reform Program has aimed to implement the policy of decentralization via devolution for more than 10 years. The reform aims to **transfer authority** to the LGAs, increase their relative **autonomy** and enhance both the downward (to local residents) and upward **accountability** (to central government/Parliament) and enhance the overall **capacity** of LGAs and wider national supportive system for decentralized governance.

This chapter provides a summary discussion of the extent to which these objectives have been achieved. More details on the progress of fiscal and human resource reforms are provided in Appendices 2 and 3.

5.5.7 Transfer of Authority to Local Governments

Rather curiously, it can be concluded that the most significant transfer of authority to local governments in many aspects happened **before** the official launch of the LGRP in 2000. These grew out of the civil service reform that sought to “right size” the central government and a genuine concern of the ruling party (CCM) regarding the need for strengthening local government structures (see Chapter 3 for details of CCM position). Thus, in the late 1990s, substantive retrenchments were undertaken at (deconcentrated) regional administrations and a considerable number of staff were transferred to LGAs. The changes were reflected in the 1997 Regional Act that completely changed the nature of the regions—they were no longer to play a major role in implementation of capital projects and direct delivery of services, but rather to facilitate and guide local authorities in doing so.

In 1999, local government legislation was amended to provide an enabling framework for the decentralization reforms, which made the minister responsible for local governments “guided and bound, by the need to promote decentralization and the devolution of functions powers and services from the central government to local governments”.²⁰ LGRP was simultaneously launched and sought initially to undertake the reforms in a geographically phased manner starting with approximately a third of the LGAs in Phase 1. However, as discussed in the next section, many of these initiatives failed to enhance LGAs’ autonomy.

The legal reforms up to 2000 did lead to a significant degree of decentralization of key functions to LGAs within sectors such as education, health, agriculture, roads, water and sanitation (see Table 1) just as fiscal and human resource capacities have been enhanced.

Since 2000, LGRP has supported analysis of a number of key sector laws with a view of further harmonizing these with local government legislation. Studies have also been undertaken on the regional administration and local government legislation that recommended amendments for furthering the devolution process, including proposals for development of a unified local Government Law and constitutional amendments.²¹ However, virtually none of the recommendations have been implemented to date. On the contrary, it can be argued that some new laws and amendments have weakened the local government reform process. For instance, the Public Service Act (further discussed in next section) and the Local Government Laws Amendments Act 2006 (Act No. 8 of 2006) that strengthened the role of central government in local government affairs by creation of a district

²⁰ Section 4(3) of the Local Governments (Miscellaneous Amendments) Act 1999, no 6 as quoted in Shivji, 2007.

²¹ See Shivji (2006) for an overview.

consultative committee (where LGAs are to consult with district commissioners) and gave way for central government appointment of up to three councilors in each LGA.

5.5.8 Capacities of Local Governments

LGA capacities have greatly increased over the last decade; this is reflected in the substantive increase of fiscal resources, increase in staff numbers and improvement in management capacities. However, capacities are rather uneven: some local governments are distinctly underserved compared to others. These trends are briefly summarized below, whereas more details on the fiscal aspects of capacities are presented as in Appendix 2.

5.5.8.1 LGAs' Relative share of public Expenditures

LGA budgets have increased in both absolute terms as well as their relative share of public expenditure. However, the increase in 2006/2007 is explained by the increase in teacher numbers and salaries that constitute a large share of LGAs' recurrent budgets—the later increase in 2009 is similarly explained by the decision to transfer responsibilities for secondary school teachers to LGAs.

Table 8 *LGA Share of Public Expenditure (PE)*²²

<i>Fiscal Year (FY)</i>	<i>Total Recurrent Expenditure (TSH billion)</i>	<i>LG share</i>
2001/02	1.253	18,7%
2002/03	1.527	19,0%
2003/04	1.834	17,7%
2004/05	2.252	17,0%
2005/06	2.875	18,6%
2006/07	3.142	24,3%
2007/08	5.452	21%
2008/09	6.536	21%
2009/10	7.991	28%

LGAs share of development funding is significantly less—in 2007 estimated as 17% of total development budget.²³

5.5.8.2 LGA Human Resource Capacities

Local government staff numbers have also continuously increased in both absolute numbers and as a relative share of total public expenditures

Table 9 *LGA Share of Public Employment*

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006
Central	108.363	101.074	97.146	92.393	92.951	91.407	90.928	92.436	90.708	91.950	97.775
Regional	24.119	22.667	19.192	16.637	10.172	9.776	10.088	10.302	10.064	9.835	9.481
Local G	163.255	163.297	156.842	155.397	169.285	168.490	177.812	189.979	187.149	204.606	219.573
Total	295.737	287.038	273.180	264.427	272.408	269.673	278.828	292.717	287.921	306.391	326.829
LG share	55%	57%	57%	59%	62%	62%	64%	65%	65%	66%	67%
Local teachers					110.116	109.879	116.713	116.801	126.744	144.286	154.186
Teachers share of all LG Employees					65%	65%	66%	61%	67%	70%	70%

²² Note that for 2001-2006/07 the data are actual expenses (but only from recurrent budget) as published by PMO-RALG (URT, 2007)—this is the last year of a published local government fiscal review and that data from subsequent years hasn't been published by PMO-RALG. Data from 2006/07-2009/10 is based on data collected from the LG DPG (2010).

²³ URT, 2007. For details, see Appendix 2.

non-teacher LG					59.169	58.611	61.099	73.178	60.405	60.320	65.387
Non teacher growth rate						-0.9%	4.2%	19.8%	-17.5%	-0.1%	8.4%

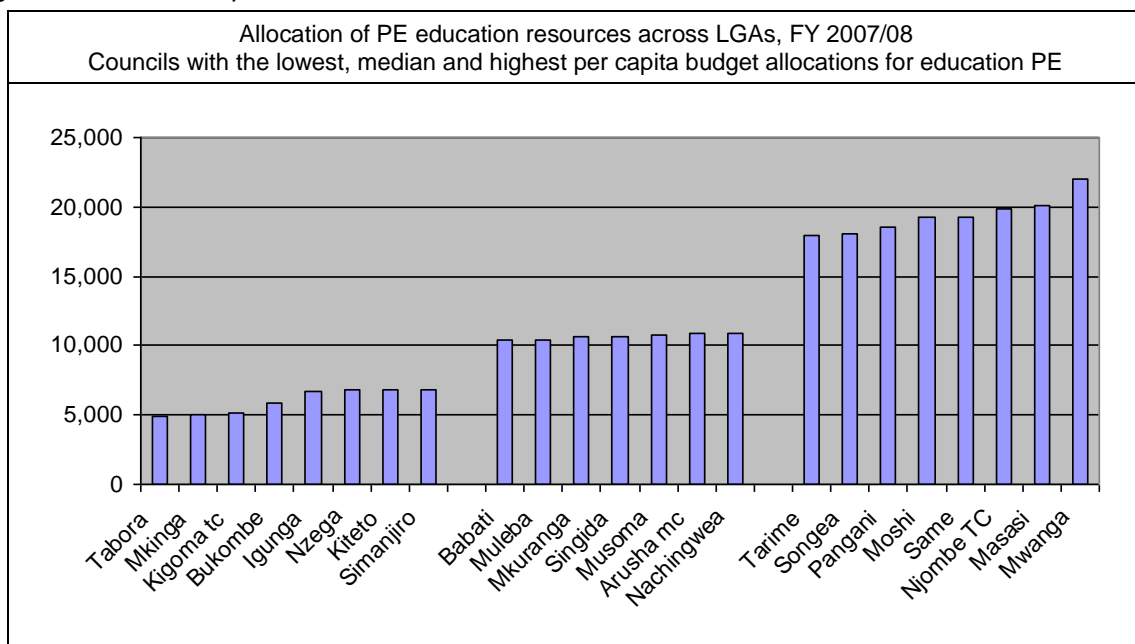
Source: PSM HR and Payroll Database

The functional capacities of LGAs in terms of quality financial management and planning has generally also improved during the last decade (e.g., reflected for instance in the quality of audit reports).

5.5.8.3 Inequalities in capacities among LGAs

Several remote and rural LGAs have problems in attracting and retaining staff. As discussed further in the next section, central government has taken this as a reason for centralizing human resource allocations. However, even this centralized system of resource allocation has failed to provide resource and staff equally among LGAs. Figure 2 illustrates how unequal allocations currently are in the education sector with per capita allocations ranging from 5,000 to 20,000 TSH per capita. These inequalities are also found in other sectors and lead to unbalanced developments - these inequalities are to a large extent also a result of central government's reluctance to devolve staff resources fully.

Figure 7 Unequal allocation of resources—the case of Education PE²⁴



5.5.9 Local Governments' Autonomy

Under the reform, LGAs were to be granted increasing autonomy—in particular for management of their staff and fiscal autonomy. Progress in this regard has been mixed, particularly in the lack of results for staff devolution.

5.5.9.1 Autonomy for staff management

At the onset of reforms in 1998, the system for HRM at the local government level was fragmented and centralized with six different appointing authorities. The Local Government Reform Policy of May 1998 sought a radical change and is explicit in its vision regarding the anticipated features of decentralized local government personnel management as it states: "The councils (city, municipal, town and district) will be fully responsible for planning, recruiting, rewarding, promoting, disciplining, development and firing of (all) their personnel".

The Local Government Reform Policy anticipated an immediate and radical transformation toward a situation where each individual LGA would become the employer of its entire staff. Only for the council director it was stated that he/she "in the interim may be posted by (Central) Government".

The legal framework and actual practices are complicated, but in summary it can be concluded that staff management procedures have remained rather opaque: central government has maintained the

²⁴ See analyses in Boex (2003) and Tidemand (2010) and LOGIN data at www.logintanzania.net.

upper hand in management staff, but officially staff in LGAs are “employees” of the local governments. This vagueness is encompassed within legislation (Public Service Act) but compounded by management practices:

- Budget and establishment control has remained entirely centralized; local governments are consulted annually, but all decisions on staff budgets and numbers of approved staff are ultimately done by the President’s Office-Public Service Management (PO-PSM); during the reform LGAs have not been granted additional autonomy within this area.
- Staff salaries are almost entirely paid from central government transfers, where central government allocates funds according to filled posts rather than a formula as otherwise foreseen in the reform.
- Career management has been partially devolved—but for senior staff, career progress continues to depend on the central government ministries.
- Pay policy remains centralized, except that LGAs are allowed to establish local incentive schemes. In practice, this is unaffordable by LGAs—except for select staff categories in the more wealthy LGAs.

Staff in LGAs consequently have dual allegiances; they have to satisfy both local governments (their official employer) and central government. Furthermore, senior staff are aware that their career prospects depend largely on satisfaction of the latter. Several LGAs have invested in capacity building of their staff and subsequently seen staff transferred to other LGAs or central government. This frustrates local capacity-building efforts as otherwise encouraged by the new system of providing LGAs with Capacity Building Grants. Transfers are undertaken without much consultation with LGAs and with late replacement of staff. Assessment field visits indicate that this is perceived by LGAs as the most frustrating aspect of current practices.

Available data does not allow for a strict comparison of effectiveness of centrally deployed staff compared to locally recruiting. However, during field visits, both regional and district officials argued that, for instance, teachers who were locally recruited by LGAs were far more likely to continue work within their post than teachers that were centrally deployed by central government and sent to particular districts. In addition, it can be noted that central deployment of staff has generally failed to address the significant geographical inequalities of staffing levels in local governments. There remain significant and persistent problems in attraction and retention of (senior) staff in districts considered “remote” or marginalized.²⁵ Similar problems are recognized for field staff and considered a problem within specific districts, as staff tends to cluster around district headquarters. The problem is generally recognized, but not fully quantified.

5.5.9.2 LGA Fiscal Autonomy²⁶

The reforms aimed to strengthen LGAs’ fiscal autonomy in two ways:

1. Strengthening local government own-revenue collections through reformed local tax systems, and
2. Reforming the way central government transfers are made to local governments by introduction of formula-based fiscal transfers.

5.5.9.2.1 LGA Own Revenue Mobilization

LGAs collect at present some 60 billion TSH from local taxes (mainly service levy and produce rather than property taxes for example). This represents only 7% of total LGA expenditures and thus indicates a high reliance on central government fiscal transfers. Revenue in rural LGAs has declined over recent years, whereas urban LGAs have witnessed some growth. Urban LGAs today collect more than four times as much as rural LGAs, and it is in urban LGAs that the most significant potential for further growth is found. The main reasons for the decline in revenue collections are abolishment of a range of “nuisance taxes” in 2004, inappropriate tax designs and poor collection systems.²⁷

Table 10 Trends in LGA own revenue collections (in Million TSH)

	2001	2002	2003	2005	2006	2007	Overall Growth	TSH Per capita
Urban	23.113	25.569	28.656	23.728	28.139	36.271	36%	4,83

²⁵ Valentine, Tidemand, Sola and Maziku, 2005.

²⁶ For further details, see Appendix 2.

²⁷ For detailed discussion, see separate REPOA report on LGA finance.

Rural	28.086	22.774	29.083	19.142	21.151	27.113	-4%	1,05
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Source: PMO-RALG finance data – for most recent years available at www.logintanzania.net

There is mainly scope for improvements of own revenue collection in urban areas (significant untapped potential for property taxation), but limited scope in rural areas. Reforms of central government transfers become so much more crucial in determining the relative degree of LGA fiscal autonomy.

5.5.9.2.2 Reform of fiscal transfers toward greater autonomy and transparency?

Since 2000, the reform program has sought to introduce a system of formula-based block grants to LGAs that would grant them more autonomy in their utilization and allocation of funds in a more transparent manner. As discussed in further detail in Appendix 2, the strategy has only partially been implemented.

The most ambitious part of the intended reforms was to transform the “recurrent” budget allocations (staff personnel emoluments and other charges) into a system of formula-based block grants for each the six main sectors (education, health, water, agriculture, roads and administration). The system, including detailed formulas, were in principle agreed to by the cabinet in 2004, but were never put into practice. It presumed government commitment to decentralization of personnel management—and this was never implemented.

The reforms have been more successful in transformation of development funds transfers. Up to 2004, development grants to LGAs were miniscule and consisted mainly of small non-formula-based development grants such as the 5 billion TSH PO-RALG Development Grant.²⁸ Most of LGA development funds were provided through discrete donor-funded projects, mainly through various “area-based programs”, but also in the form of some sector support programs. In 2004, government and DPs agreed on establishment of the Local Government Capital Development Grant System (LGCDG). Under this arrangement, all LGAs receive a discretionary development grant of approximately US \$1.5 per capita (a total of some 50 billion TSH) if they fulfill basic minimum conditions regarding the quality of their development plans, financial management, and degree of local transparency and procurement systems.²⁹ The LGCDG system has been declared by government as the “preferred modality for transfer of development funds to LGAs”, and in addition to the approximately 50 billion TSH of core LGCDG funding, various sectors have started to transfer funds along the basic principles of the LGCDG system (see Appendix 2 for details).

5.5.9.3 LGA Expenditure Patterns—Driven by local priorities?

Recent data reveals several clear tendencies in local government spending:³⁰ first, a large share (78.5%) of local spending is recurrent; second, most recurrent spending (56.6% of all local spending, or almost three-quarters of local recurrent spending) is spent on personal emoluments; and third, spending is heavily concentrated within just two sectors—health and education. Three-quarters of recurrent spending and two-thirds of all local spending is aimed at primary education and basic health services. Rather than being driven by local priorities and choices, it is clear that these local expenditure trends are driven primarily by the nature of the intergovernmental fiscal transfer system, which limits the spending discretion of local authorities between sectors and between spending type (PE, other charges [OC] or development).

The LGCDG was intended to provide much-needed discretionary development funding to LGAs. However, there is evidence of increasing central government interference in local prioritizations—thus an increasing share of the LGCDG budgets are now funding secondary classroom construction since LGAs have received instructions to do so by the prime minister, regional commissioners and district commissioners since 2005—in spite of secondary education not being a legal mandate of LGAs.³¹

5.5.10 Citizen Participation and Accountability

In this section, we will explore the impact of the local government reforms on selected aspects of governance:

1. Electoral participation;
2. Direct participation: participatory planning and participation in meetings; and
3. LGA accountability.

²⁸ See e.g., analysis in PricewaterhouseCoopers, 2004.

²⁹ For details see the URT, 2006.

³⁰ As summarized in the URT, 2007.

³¹ For an example, see DEGE Consult, 2007b. Note that secondary education retrospectively was later made a mandate of the LGAs.

5.5.10.1 Electoral Participation

Elections for local government councils are held in **two distinctly different ways** for the higher-level councils (districts and municipalities, etc.) and lower-level councils (villages, *vitongoji* and *mitaa*, etc.) respectively.³² The elections for village councils, *vitongoji* and *mitaa* are managed by the ministry responsible for local governments (PMO-RALG) and respective district council directors throughout the country—these elections are often referred to as “grassroots elections”. However, elections for the district (as well as municipal and city) councillors are held simultaneously with the national elections for Parliament and president, and are supervised by the National Electoral Commission.

The latest grassroots elections were held November 2009 (one year in advance of the national elections). These were the fourth round of elections under multiparty democracy following the 1994, 1999 and 2004 elections. The national and district council elections are held approximately one year later than the grassroots elections.

PMO-RALG data on election results indicate that the ruling party increasingly dominates the grassroots elections and that the dominance in these elections is more substantive than in other types of elections (see table below). Thus while the opposition gained close to 20% of the votes in the latest presidential election, they only gained 3% of the seats in the grassroots elections later in the year.

Table 11 CCM Dominance in Elections for President, Parliament and LGAs (1994-2009)³³

		1994/95		1999/2000		2004/2005		2009/2010	
		CCM	OPP	CCM	OPP	CCM	OPP	CCM	OPP
1	Presidential (% votes)	61,8	38,2	71,7	28,3	80,3	19,7	-	-
2	Parliament (% seats)	80,2	19,8	87,5	12,5	88,8	11,2	-	-
3	Local Councils (% seats)	96,8	3,2	91,7	8,3	92,9	7,1	-	-
4	Village/Hamlet (% seats)	-	-	94,6	5,4	97,2	2,8	91,7	8,3

Source: National Electoral Committee (www.nec.or.tz) and Chaligha (n.d., 2008). Summary calculations of the local council election data for 2005 were kindly provided by Therkildsen and Geeland of DIIS. For detailed results from latest grassroots elections, see Appendix 5.

The substantive dominance by CCM in grassroots elections compared to the relative strength of CCM in presidential elections, for example, indicates that the electoral system of grassroots elections overly favor the ruling party, as only CCM has the required machinery for organizing such a large number of candidates. Table 7 illustrates the extremely high number of leadership posts to be filled.

Table 12 Number of posts in the grassroots governance structures

Position	Number of Seats
Hamlet Chairperson	55.242
Village Chairperson	10.657
Village Council	125.297
Village Council (special seats for women)	76.430
Mtaa Chairperson	2.515
Mitaa Committee members (mixed seats)	8.938
Mitaa Committee Members (special women seats)	5.420
TOTAL	284.499

Research and Education for Democracy in Tanzania (REDET) research indicates that a large number of seats are uncontested, as only CCM forwards candidates. The official election reports from PMO-RALG do not publish the specific number of seats that were uncontested and fail to provide precise data on voter registration and voter turnout. Election monitoring reports based on samples indicate that approximately 50% of eligible voters register and only half of these participate—thus only a dismal 25% of the eligible voters participate.³⁴ The reasons for low turnout seem to be (1) lack of awareness, (2) cumbersome election procedures, and (3) lack of interest because real competition for posts was limited.

³² The discussion of the grassroots elections is mainly based on the work by Amon Chaligha, 2008.

³³ CCM : *Chama Cha Mapinduzi* – the ruling party since independence ; “OPP” = Opposition parties.

³⁴ Legal and Human Rights Centre, 2009 and LG DPG, 2009.

In Tanzania, only party members can stand for elections to Parliament, district and municipal councils as well as for the posts in villages, *mitaa* and sub-villages. In many other countries, independent candidates rather than party officials more frequently hold such positions of community leadership. The question of whether to allow non-party nominated (i.e., independent) candidates for grassroots elections has been discussed on several occasions but fiercely resisted by CCM. The issue was one of the few specifically resisted by CCM in discussion of the Local Government Reform Policy in the late 1990s³⁵ and has continuously been resisted in spite of a High Court ruling in 2006 that argued that the requirements of party nomination was unconstitutional.³⁶

There has been some speculation regarding CCM's use of fiscal incentives to local governments that vote in their favor.³⁷ This could not be verified through independent analysis of budget allocations, nor through interviews with staff and politicians—it appears instead that CCM primarily seeks to exercise control over election results through its control of the local government staff (and its directly controlled district commissioners).

5.5.10.2 Direct Participation

The REPOA local government surveys provide a fairly consistent picture of increased citizen participation in local affairs whether through local government institutions at the grassroots level or through other community institutions.

Table 13 Indicators of Community Participation 2003-06

Percentage of respondents who report that they or a household member is involved in	Total 2003 %	Total 2006 %	Change between the two surveys
Member of village/ward leadership	17,3	22,9	32%
Participation in full council meetings	24,2	28,1	16%
School committee member	28,2	35,8	27%
Water management committee	13,3	23,2	74%
Preparation of village/ward plans	19,7	35,0	78%
Tanzania Social Action Fund (TASAF) project committee	1,9	13,7	621%
Public works committee	8,8	19,1	117%
Primary cooperatives/society/farmers association	8,7	12,1	39%
Agricultural/livestock extension contact group	2,9	6,4	121%

Source: REPOA Survey 2003 and 2006

It is noteworthy that citizen involvement in particular has increased by participation in various sector-specific user committees such as school committees, water committees, public work committees and farmer associations (in that order of relative importance).

The most convincing indicator of increased participation in local government affairs may be the significant increase in respondents reporting involvements in “preparation of village/ward plans”. This probably reflects participation in the opportunities and obstacles to development (O&OD) planning processes facilitated by PMO-RALG, as well as other externally supported initiatives as supported by sectors. The relative high level of participation in “planning” is confirmed by the 2007 Views of the People survey.³⁸

It appears from the 2003 and 2006 surveys that the increase in citizen participation is due in particular to increased participation by women and youth.

2.4.3 LGA Accountability

A key indicator of financial accountability in LGAs is the annual report from National Audit Office/Controller and Auditor General (CAG). The main results are summarized in Figure 3 below. As evident from the figure: since 1999, the number of LGAs with adverse audit opinions has fallen sharply from 45% to 0% in the latest audits, while in a similar manner the proportion of LGAs with clean audit

³⁵ As noted in interviews with consultants such as Ole Therkildsen involved in drafting the policy.

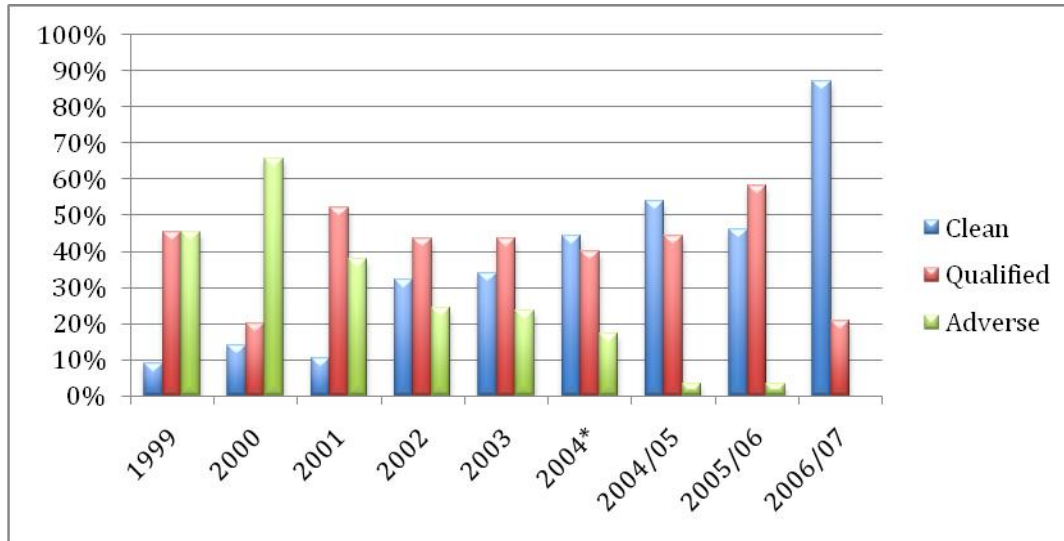
³⁶ The government refused to adhere to the High Court ruling of 2006—and in 2010 the ruling was overruled by a court of appeal – see e.g., <http://allafrica.com/stories/201006180404.html>.

³⁷ Weinstein, 2010 and Bueno de Mesquita and Smith, 2010.

³⁸ Note that informants in “Views of the People” were asked about their individual behavior whereas the REPOA local government surveys asked about whether “you or a household member is involved in...”

reports has increased. This is a significant indicator of strengthened financial management capabilities, if not real accountability, in LGAs. Real local accountability will require stronger citizen involvement in scrutiny of budgets and accounts. This is, as discussed elsewhere, only slowly emerging.

Figure 8 Summary of CAG Reports for LGAs



Source: Data from Controller and Auditor General as summarized by LGRP.

Notes: * In 2004, the FY for LGAs was changed to coincide with the central government FY from July – July. Previously LGA FY was on a calendar year basis. Thus, the year marked 2004* included only six months: January-June 2004.

5.5.11 Conclusion

Progress of the reform elements has been uneven; LGAs have generally been bestowed with significant service delivery responsibilities and provided with substantive staff just as their financial resources have increased substantively. However, their relative autonomy has not increased over the last decade. Probably because of the increasing amounts of fiscal resources controlled by local governments, there is some evidence of increasing local participation in local government affairs but at the same time also further contestation by central government and the ruling party.

Reforms were intended to improve local governance in two fundamental aspects: (1) by empowering local government institutions (the district and municipal councils in particular); and (2) by enhancing the local accountability of the LGAs to citizens and increasing citizen participation in local government affairs.

5.5.11.1 Reform of central–local relations

The conclusion regarding the first objective is quite clear; since 2000, local governments have not been significantly empowered as autonomous institutions. Central government maintains considerable control over local government staff and budgets—the extent to which local governments can make budget or staffing decisions has not changed significantly. On the contrary, it can be argued that legal reforms have constrained local government autonomy, in particular regarding HRM, just as tax reforms have reduced local fiscal autonomy.

The government and DPs plan for a second phase of the LGRP. Future reform work will be challenging and require renewed effort for reform commitment, which in turn may require clarification of reform scenarios—in particular regarding modalities for devolution of staff to local governments and (related) fiscal decentralization.

5.5.11.2 Improving Local-Level Governance

Conclusions regarding the second objective, to improve local level accountability and participation through local governments, are more complex. However, based on the various studies discussed above, the main trends can be summarized:

- There is an apparent significant decrease in electoral participation in lower-level LGA elections (grassroots elections), but also limited real competition as CCM is so overwhelmingly dominant.

- There is evidence of increase in various forms of direct citizen participation in various local institutions; however, the increases have been more significant in user groups than in local government institutions. This indicates that the form of decentralization put in place has in practice been deconcentration or user-group strengthening driven by sector reforms (education in particular) rather than by strengthening of the core local government structures.
- There has been a significant increase in citizen involvement in preparation of village/ward plans; however, at the same time, limited evidence regarding the extent to which this effectively is translated into district plans and budgets appears to be a reflection of national rather than local priorities.
- Surveys appear to indicate increasing trust in local government institutions and local government reform initiatives as well as increasing trust in LGA political leaders—especially at the lowest levels, but a lack of trust in local government council staff. Surveys also indicate a perceived decrease of corruption in LGAs.
- The above promising trends are contradicted, however, by data regarding significant problems with village and *mitaa* adherence to the required number of meetings and quorums, which is an indication of a wider problem of lack of mandate and possibly legitimacy.
- Increasing citizen's access to information and empowering people to analyze and take action on available information still faces a number of challenges—for example, only a small minority (13%) have seen a local government budget posted.
- A positive trend in the quality of LGA accounts as measured by reports from CAG is indicative of a wider trend of building systems in local governments that can provide a sound basis for deepening local accountability.

5.6 Annex 6: “History” of EC Formulation of Support to LGDG

History

2003	Formulation of Capacity Building for Participatory Development to support Lower Local Government in limited districts, however, LGCDG under development by LGRP and other donors → decision to await this process and ensure consistency.
2004	Update of FP (rename to Local Capacity Building Programme) to include support to LGRP through basket modality.
June 2005	Submission of PIF. Decision not to allow basket funding. Reformulation to only support LGCDG through co-financing agreement w WB, however concern from NAO’s office on fees.
July/August 2005	Possible re-orientation from HQ to allow for basket. Decision to revise again, although maintaining the option of WB until official notice from HQ on basket issue.
October 2005	No indication from HQ that this will be allowed any time soon, decision to move ahead to be able to commit the money. This is communicated to AIDCO E4.
November 2005	Submission of revised PIF.
January 2006	Comments are uploaded on intranet, subsequently all addressed in FP. However, PIF is rejected.
February 2006	Email from AIDCO that note which may allow basket funding is still soon to come.
March 2006	Complete u-turn from Commission, now contribution agreements are no longer acceptable and we should go for basket-option on a ‘case-by-case basis’.
May 2006	First submission of FP, QSG in June asks for clarifications.
July 2006	Second submission of FP, QSG again asks more questions.
July 2006	Third submission of FP, QSG in August approves. Scheduled to be presented at the October EDF Committee.

Options pursued

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

Sector budget support: criteria have been analyzed and assessed and for several of the 7 specified by the HQ guidelines, it would be premature and at the same time hurried in this context: the LGCDG system is new and only fully operational from this fiscal year. Furthermore it would be adding funding streams/transaction costs at a time when PO-RALG is preoccupied with considerable institutional changes.

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

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

5.7 Annex 7: Local Government Expenditure Patterns

Table 14 Local government expenditure patterns

Summary of local government expenditures, FY 2006/07					
	PE	OC	Recurrent Expend.	Development Expend.	Total
TShs. Million					
Education	329,276.4	72,952.5	402,228.9	51,966.4	454,195.2
Health	70,605.0	28,780.8	99,385.8	17,399.2	116,785.0
Agriculture	10,401.4	4,277.6	14,679.0	19,340.4	34,019.5
Roads	4,965.7	4,301.5	9,267.1	9,307.8	18,574.9
Water	4,095.4	9,723.1	13,818.5	15,206.7	29,025.2
Concurrent functions	419,343.9	120,035.4	539,379.3	113,220.5	652,599.9
Local Admin	46,870.9	47,869.3	94,740.2	14,335.9	109,076.1
Other Spending	19,962.9	19,643.8	39,606.7	57,017.9	96,624.6
Exclusive local func.	66,833.8	67,513.1	134,346.9	71,353.8	205,700.7
Total	486,177.7	187,548.5	673,726.2	184,574.3	858,300.6
Percent of local government expenditures					
Education	38.36	8.50	46.86	6.05	52.92
Health	8.23	3.35	11.58	2.03	13.61
Agriculture	1.21	0.50	1.71	2.25	3.96
Roads	0.58	0.50	1.08	1.08	2.16
Water	0.48	1.13	1.61	1.77	3.38
Concurrent functions	48.86	13.99	62.84	13.19	76.03
Local Admin	5.46	5.58	11.04	1.67	12.71
Other Spending	2.33	2.29	4.61	6.64	11.26
Exclusive local func.	7.79	7.87	15.65	8.31	23.97
Total	56.64	21.85	78.50	21.50	100.00

Source: PMO-RALG, LGA Finance Statistics, FY 2006/07 (LOGIN).

Source: Table extracted from: PMO-RALG 2008: Local Government Fiscal Review 2007 - Measuring Progress on Decentralization by Devolution.

5.8 Annex 8: LGDG Allocations (and introduction of sector windows)

Table 15 LGCDG Grant Allocation FY 2004/05-FY 2008/09³⁹

Grant (Million Tshs)	Actual 2004/05	Actual 2005 / 06	Actual 2006 / 07	2007/08 Budget	2008/09 Budget
Capital Development Grant	5.000	34.641	48.303	65.932	79.452
LGDG to Non Qualifying Councils	5.000	2.415	1.622	2.500	0
Capacity Building Grant	-	4.350	5.294	5.506	5.779
Total Discretionary Grant	10.000	41.406	55.219	73.938	85.231

³⁹ Expenditure data from PMO-RALG progress reports as reported in the Mid Term Review of LGSP, Budget figures from respective PMO-RALG Guidelines for the Preparation of LGA Medium Term Plans and Budgets.

Agriculture CDG	-	-	4.263	25.179	25.583
Agriculture CBG	-	-	3.293	17.284	17.997
Agriculture EBG	-	-	-	8.981	9.439
Total Agriculture Grants	-	-	7.556	51.444	53.019
UDEM Grant	-	-	-	1.334	3.351
UDEM CBG	-	-	-	2.293	2.470
Total UDEM Grant	-	-	-	3.627	5.821
RW Grant	-	-	-	65.915	59.614
RW CBG	-	-	-	3.730	2.772
Total RWSS Grant	-	-	-	69.645	62.386
Primary education Development grant	-	-	5.000	5.000	5.250
Grand Total Allocations	20.000	41.406	67.775	203.654	211.707

Source: PMO-RALG LGSP Mid-Term Review 2008 and PMO-RALG Annual Budget Guidelines 2008