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EXECUTIVE SUMMARY

EVALUATION OF THE EUROPEAN COMMUNITY'S INSTITUTIONAL SUPPORT COOPERATION WITH NATIONAL AND REGIONAL AUTHORIZING OFFICERS UNDER THE EUROPEAN DEVELOPMENT FUND

(TRANSLATED FROM FRENCH ORIGINAL)

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EXECUTIVE SUMMARY

1 PURPOSE OF THE EVALUATION

The evaluation of the EC's institutional development support to National Authorizing Officers (and Regional Authorizing Officers) is intended to better inform the Commission on the activities carried out and relations between NAOs and Delegations so as to enhance the operational and strategic effectiveness of these institutional support projects to NAOs.

2 BACKGROUND

The Lomé Convention and Cotonou Agreement express the desire of the Community and the ACP countries to establish joint management of the European development funds between each ACP country and the Commission. A 1997 working document¹ looking into "the constraints associated with the implementation and monitoring of aid in ACP countries"² had stressed "the weakness of local (ACP) government and its institutional capacities" as well as Delegations' "dual loss of direction: ensnared in the routine and narrow tasks of accounting and administrative follow-up; taking the place of local governments in order to expedite the rate of commitments and disbursements". Appropriate institutional support arrangements to help NAOs (and RAOs) carry out their tasks and ease some of the Delegations' logjam have been in place for over ten years now.

We identified 97 NAO (or RAO) support projects whose primary commitment was signed after 01/01/95. Projects with budgets under €1 million mainly relate to the supply of expatriate staff. In projects for over € 1 million (25 out of 97), expatriate technical assistance accounts for just under 50%. These 25 projects can be classified as follows:

- Projects with a high substitution component
- Projects geared towards supporting a local structure, and helping NAO Services to be self-reliant. In a number of cases, that self-reliance is close to being, or has been, achieved.
- Projects providing combined support alone or in conjunction with other related projects to NAO Services with cross-functional support to NAOs or with support to the key central Ministries with development responsibilities.

¹ European Commission. DG Development. Organization and management of development cooperation in the ACP countries. Support structures and decentralization. Working document.

² Which also seems to be the source for the introduction to the evaluation Terms of Reference.

3 METHODOLOGY

In line with the terms of reference and the initial proposal, the evaluation was carried out in three phases:

Desk research, carried out in the European Commission's headquarters, to work out: (1) a typology of institutional support projects, (2) a checklist of criteria to select those requiring more in-depth field analysis, (3) guidelines for these assignments, detailing the operational and strategic contents of the analyses. A desk research report accounting for all these aspects was discussed and approved by the steering committee.

A field study carried out in five regions and seven countries. The six standard evaluation criteria, supplemented by indicators, were spelled out in an assignment guidelines statement. This second phase was written up in a report containing the seven case/country studies and a conclusion with an operational assessment of all the projects visited and a preliminary strategic analysis mapping out the contents of the general analysis.

A synthesis analysis containing: (1) a typology of the different institutional support operations to NAOs/RAOs, (2) a description of the methodology, (3) feedback of results from the operational and strategic evaluation, (4) a set of recommendations in the form of a strategy, identifying the spheres of operational involvement.

The evaluation methodology was faced with two difficulties: (1) The linkages between the operational and strategic aspects are not the same for a project as for a policy. The methodology used reflected the remit set for us as primarily strategic. (2) Problems collecting quantified data made historical and between-country comparisons difficult.

4 PROJECT ANALYSIS - CONCLUSIONS

4.1. OPERATIONAL CONCLUSIONS

RELEVANCE

1. Projects to provide institutional support to NAO Services are relevant in that they address a major demand for improved management of EDF aid. But that relevance is chiefly limited by the fact that NAO Services tend to manage only some of the EDF financial instruments and part of the project cycle.

EFFICIENCY

2. Some support projects for NAO Services under-invest in local capacity-building to improve project management. This point tends not to be spelled out in the logical frameworks.

The tasks of NAO Services

3. NAO Services had little hand in preparing the NIPs, except in one instance.
4. NAO Services are geared to financial and administrative issues and have little or no hand in the preparation and appraisal stages.

5. The efficiency of NAO Services as regards invitations to tender varies widely across a spectrum from full responsibility to minimum involvement.
6. Delegations are not yet fully convinced of the efficiency of controls. TAs act as at least compliance officers in all cases. But some services are well on the way to being able to dispense with a compliance officer.
7. Administrative and physical monitoring of projects is generally accepted to be important, but still only being done up to a point by NAO Services.
8. The task analysis of NAOs reveals that most of the resources for support projects for NAO Services are allocated to the project implementation phase, especially financial control, but also more and more to drawing up invitations to tender and administrative follow-up. In these key but limited areas of their portfolios, NAOs are generally fairly efficient.

NAOs, deputy NAOs and NAO Service staff

9. As a Minister in charge of one of the government's "big" ministries with a portfolio linked to national development, the NAO is strongly-positioned.
10. If the NAO central services are properly run and able to exercise sound coordination, delegation of some NAO responsibilities to one or more technical ministries is a sound form of decentralization and a good example of subsidiarity.
11. Division of duties between NAOs, as the contracting authority, and the technical ministries, as the project managers, is often unclear.
12. Whether or not the NAO Services are properly run depends on a delicate institutional set-up in which public and private approaches each have a role.
13. In a third³ of projects, the place of local agents was taken by TAs.
14. Contract staff salaries and benefits for civil servants are key issues in the success of support projects for NAO Services.
15. Recruiting TAs is difficult, because there are few candidates with the necessary experience.
16. Most of the projects developed or bought in their particular computing facilities, which is not an efficient use of resources.
17. The support projects examined cost between 1 and 5% of total aid managed. Cutting TA numbers or scrapping them entirely would bring the cost of support projects for NAO Services down to about 1% of total aid managed.

NAO task performance efficiency is mixed. Some projects (Mauritania, Mozambique) are making every effort to establish a competent and reliable local body able to handle the administrative and financial aspects of the project implementation phase.

Others (Zambia, PNG) are putting few or no resources into that. The success of the former is largely due to the combined political will of NAOs and the Head of Delegation.

EFFECTIVENESS

18. The aim of improving NAO Services' management of aid was delivered in all the projects examined. Local capacity-building is a priority for two-thirds of them.

³ Two of six projects.

IMPACT

19. The key positive impacts are that NAO Services are taking more responsibility for project implementation tasks and lightening the Delegation's work load. Local capacities have, or are being, developed in half the projects visited. Aid Management has generally been improved, although sometimes held back by the slow response time of the Commission's central services.

SUSTAINABILITY

20. Only a few projects have achieved some measure of institutional sustainability.
21. Financial sustainability of support projects for NAO Services is not feasible, but the principle of co-financing is.

REGIONAL PROJECTS

Most RAOs do not have personnel in charge of managing EDF projects, hence the need to finance the salaries of the staff needed out of EDF funds.

4.2. STRATEGIC CONCLUSIONS

22. Institutional support to NAOs must be developed and assessed by reference to:
- their remit as representatives of the ACP State government,
 - its responsibilities *"in all operations financed from the resources of the Fund managed by the Commission and the Bank"*,
 - the *"close cooperation"*⁴ to be established on a regular basis with the Head of Delegation.
23. The logical frameworks of the different projects, which are supposed to reflect the local analysis based on the general strategy for institutional support to the NAO, are too hit-and-miss. These failings in identification and formulation have not made the projects any less relevant, but do explain why the strategy set its sights too high in terms of the realities of the situation and outcomes.
24. The strategy mixes institution-building for the NAO and its services with management of European aid. The strategy rightly, and to positive effect, focused first and foremost on improving the NAO Services' administrative, accounting and financial follow-up of projects/programmes, but at the expense of other fundamentals of the management of European aid (quality of development operations) and the NAO's other more "institutional" roles (programming, evaluation, coordination).
25. The strategy refers to institutional support to NAOs and strengthening their services but fails to properly take on board that NAOs operate as part of a government within a state. In other words, there is an inconsistency in that the institutional support strategy is seldom based on an institutional analysis of the political and organizational environment in which NAOs and the services must work.
26. The strategy applies to responsibilities of NAO Services in which their relations with officials in charge of project and programme implementation are not spelled out in sufficient detail. The strategy as it stands is not sufficiently firm in

⁴ Cotonou Agreement, Annex IV, articles 35 and 36.

countering substitution and control, and so fails to draw sufficiently on the NAO's Services to build up the expertise and performance of the technical ministries.

27. The strategy under-estimates the potential for institutional innovation of the operational support provided for the NAO Services. In fact, the practical experience of institutional support projects to NAOs impinges on with the discussion on governance, and the input it provides should be leveraged.

5 RECOMMENDATIONS

The reference to evaluation of European aid⁵, the study on procedures⁶ and the study on institutional development⁷ taken together with this evaluation reveal a convergence of critical opinion about the "visa culture" that prevails in the Commission: "*the focus on procedures and financial accounting which holds up decision-making and administrative responsiveness*"⁸ This "visa culture", meaning an excessive emphasis on financial procedures of European aid, is not set to change in the short-term and is based on reasonable requirements (compliance with procedures, guaranteed transparency). On the issue of institution-building, we endorse this recommendation made by the last mentioned study cited: "*The analytic strengths (institutional analysis) needed at all levels to understand the institutional context of support for development and to define the EC's contribution to it must be strengthened across-the-board*"⁹. This means that institutional support to NAOs must have the capability of being really institutional by situating itself with reference to an analysis of the institutional context in which an NAO operates; and it must put a priority focus on the quality of administrative, technical, accounting and financial management in order to move on from there and address the challenges of aid effectiveness in other terms.

We propose that the strategy of institutional support to NAOs be revisited in the terms and order of the following recommendations (1 to 5, then 6, 7, 8).

The first five should be seen as a phased process starting from a refocusing of support on key functions (recommendation No. 1) and then gradually extending (in stages or all at once if conditions allow) to encompass all NAOs' competencies (recommendations No. 2 to 5).

RECOMMENDATION No. 1: in ACP countries where administrative weaknesses have been diagnosed, institutional support to NAOs must be continued and extended across the board, initially through support to enable NAO Services to assume responsibility for the tasks involved in the roll-out (administrative, accounting and financial management) of EDF-funded projects and programmes using local staff. To implement this first recommendation we suggest a standard project for an NAO Service. The essential elements of the standard project are all already in use in one NAO institutional support project or other, so their operability is assured.

⁵ Evaluation of European Union Aid (managed by the Commission) to ACP countries. Synthesis report. Carlos Montes, Stefano Migliorisi, Toby Wolfe. Investment Development Consultancy. UK. November 1998.

⁶ Study on the procedures of the European Development Fund. Investment Development consultancy. UK. October 1999.

⁷ Etude sur le développement institutionnel. Rapport de synthèse. BMB / Management Consulting for Development B.V. Arnhem. Netherlands. European Commission. Directorate General for N/S External Relations. Directorate General for Development. April 1996.

⁸ *ibid.*

⁹ *ibid.*

A successful implementation of this standard project is a prerequisite to moving on to the next stages. These are described in the following recommendations. They are policy-oriented, and to expansion of the NAO Services' responsibilities, either because the service has "passed" stage one (getting to grips with the administrative, accounting and financial management of European aid), or as part of a new institutional support project because the general context means that responsibilities and operation can be made more open from the outset.

RECOMMENDATION No. 2: from effective disbursement to effective development. We recommend this be achieved by supplementing the performance criteria used by NAO services with criteria to help move from an essentially financial measure of the effectiveness of European aid (commitments, disbursements) to a "quality of development" measure. These criteria and the corresponding indicators are included in the general and sectoral policy documents, and for each country, in the cooperation strategy documents, indicative programmes, and logical frameworks of the different financing agreements. Reports on activities, monitoring and evaluation procedures, TAs' assignments and finally the ability of the NAO and its Service to leverage other ministries' administrations (delegated contracting authorities or project managers) will be crucial to the application of these criteria.

RECOMMENDATION No. 3: from the control function to the interface function. Working from a comparative analysis of a significant sample of cases¹⁰, we recommend that the division of duties between the NAO and its Service (contracting authority) on the one hand, and the technical ministries and project units (project manager) on the other hand, be clarified so as to give the latter a greater role. This could be done through a "how-to" guide to the project manager function and the NAO Services' interface function, structured around a standard skeleton. This skeleton would provide the basis for consultations/negotiations between the different stakeholders, adapted to the country in which it would be used, which would result in a contractually-binding reference document.

RECOMMENDATION No. 4: from project/programme management to decision support (cooperation strategy). We recommend that NAO Services be tasked with setting up consultations on the cooperation strategy and indicative programme under cooperation arrangements between NAOs and the Head of Delegation.

Such consultations should extend outside the sphere of government to include civil society. The short-term aim will be to present the programming for the 9th EDF. The medium-term idea will be to involve the NAO Services in all the programming activities proper.

RECOMMENDATION No. 5: from monitoring the NIPs to monitoring all financial instruments. We recommend that a special study be carried out on cases where budgetary aid is delegated to the Finance Minister, in order to analyse (1) the difficulties which NAOs face in such cases in exercising their full responsibilities, (2) the consequences for the coherence of European aid, (3) the specifics of how a delegated authority to a Minister organizationally or politically senior to the NAO should work.

RECOMMENDATION No. 6: the institutional input of NAO Services' operating procedures implemented for institutional support projects to NAOs. We recommend that this input be leveraged through a report on best practice aimed at developing "model" operating procedures.

¹⁰ plus the documents already cited, user guides to decentralized project management procedures.

RECOMMENDATION No 7: contribution to streamlining procedures. Having observed the procedure-bound nature of some rules, we have proposed some specific measures.

RECOMMENDATION No. 8: more information about the European cooperation system. We recommend that a practical guide be published and above all properly disseminated.