European Commission

Evaluation of the EU aid delivery mechanism of delegated cooperation (2007-2014)

Executive summary

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Purpose and scope of the evaluation

This evaluation studies the European Union (EU) aid delivery mechanism of delegated cooperation (DC) with EU Member States and third donor countries during the period 2007-2014. The main objectives of the evaluation are to provide an overall independent assessment of DC and to formulate recommendations to improve DC in the future.

There are two types of delegated cooperation, namely:

- Delegation Agreements (DAs): funds entrusted by the European Commission to development cooperation entities from EU Member States or other donors; and
- Transfer Agreements (TAs): funds entrusted to the Commission by EU Member States, other governments, organisations or public donors.

This evaluation covers DAs and TAs signed by the Commission during the years 2007-2014, except DAs which are part of financial blending arrangements and DAs funded with resources from the Instrument for Pre-accession Assistance (IPA), the Instrument contributing to Stability and Peace (IcSP), the Instrument for Stability (IfS) and the Rapid Reaction Mechanism. All regions where DAs and TAs have been or are being implemented - except pre-accession countries - are part of the geographical scope of this evaluation. Contribution agreements concluded with international organisations are not covered in this evaluation.

Background to the evaluation

Two main developments have given rise to DC as an EU aid delivery mechanism:

1. The evolving aid effectiveness agenda

The introduction of DC by the European Commission was closely related to the international aid effectiveness agenda which emerged from 2002 onwards. This agenda was initially focused on joint and aligned country-led approaches to development assistance. The EU, as a major player in the aid effectiveness debate, focused on improving the division of labour and increasing joint EU activities and co-financing. Especially from 2008 onwards, the international agenda has changed in response to fundamental changes in the global economy and development cooperation strategies, with the latter focusing less explicitly on reducing aid fragmentation and more on new financing mechanisms. In line with these changes, the EU also set different priorities such as the convergence of European policies as regards foreign affairs, development cooperation and other policies. Joint Programming has been introduced as a new priority and refers to the joint planning of development cooperation by the European development partners working in a partner country. Furthermore, the EU started paying more attention to blending of grants and loans and risk-sharing mechanisms to leverage more resources for development and thus increase impact.

2. Strengthening the relations between the EU and the Member States

The Maastricht Treaty (1992) and the Lisbon Treaty (2007) have provided the broad basis for possible delegation of development cooperation projects to Member States. A change in the Financial Regulation of the Commission was required and was implemented before the EU could start to use Delegated Cooperation.

The analysis of the various DC policy and programming documents showed the close linkages between the aid effectiveness agenda and DC as an EU aid delivery mechanism. The intended outputs were related to the increased use of comparative advantages of the various donors, improved coordination and harmonisation; improved division of labour;

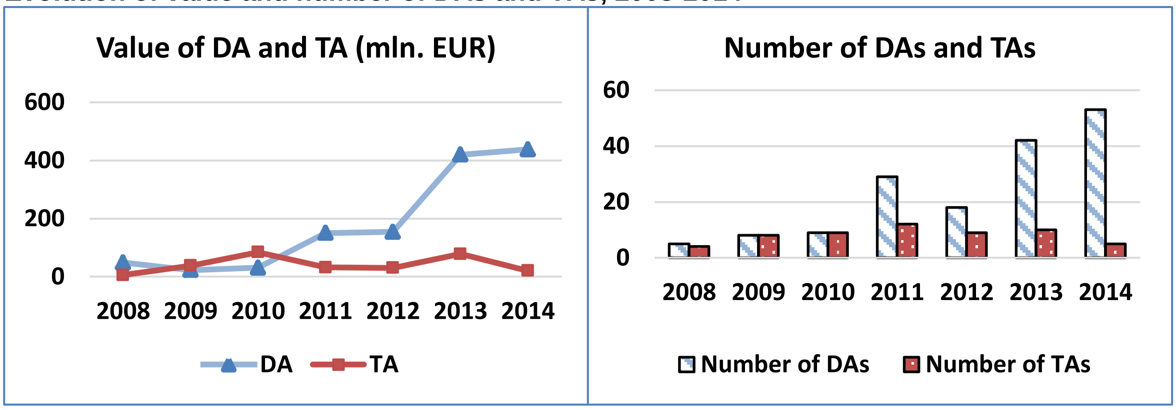
more co-financing; larger projects and programmes; single management systems; and reduced number of donors active per sector. These envisaged outputs were expected to contribute to the following five outcomes:

- Strengthened complementarity and increased added value of the EU and other DC partners;
- Reduced aid fragmentation;
- Reduced transactions costs;
- Strengthened ownership and leadership by the partner country; and
- Strengthened alignment with partner countries' policies and implementation systems.

Factual information

In line with the scope of the evaluation as set out above, a total of 164 DAs with a total value of €1,263 million and 59 TAs with a total value of €291 million are covered in this evaluation. All these agreements have been concluded in the period 2008-2014 and are managed by DG DEVCO. The average value of a DA and TA covered in this evaluation amounted to €7.7 million and €4.9 million respectively. There is an overall imbalance between DAs and TAs which has increased over time. The evolution of the number and value of TAs and DAs is shown in the following figures:

Evolution of value and number of DAs and TAs, 2008-2014



Despite the increasing number and value of DAs, the share of DC in overall EU and Member States' development cooperation remains small: less than 1% of the total budget.

The evaluation has considered a broad range of stakeholders such as the TA partners - EU and non-EU - having entrusted funds to the Commission, the governments and the implementing agencies in partner countries involved in the implementation of the DA and TA projects and programmes, and the DA partners, being responsible for the execution of the DAs. The DA partners can be distinguished in four categories:

1. 'Pure' implementing agencies from EU Member States;
2. Implementing organisations from EU Member States also having a financial role;
3. Ministries from EU Member States that combine policy and funding responsibility with implementation; and
4. Non-EU institutions.

Methodology

Nine evaluation questions have been formulated, of which five questions are directly related to the five outcomes (and the underlying outputs), while four other questions deal with implementation and process issues such as the visibility, the balance between DAs and TAs, and the cooperation between DC partners. The nine evaluation questions and the policy analysis are linked to the five main evaluation criteria – relevance, effectiveness, impact, efficiency and sustainability- and to the additional criteria of EU visibility, added value and the three Cs (coherence, coordination and complementarity).

The following data collection tools have been used: portfolio analysis of all DAs and TAs concluded during the period 2008-2014; literature review; interviews at a strategic level; web-based questionnaire of 46 EU Delegations (76% response rate); nine country case studies (Benin, Ghana, Haiti, Mali, Mozambique, Nicaragua, Palestine, Tanzania, and Timor-Leste); and one thematic case study of the DC agreements linked to the Global Climate Change Alliance (GCCA). The case studies have covered a total of 44 DAs and 40 TAs covering in total 46 projects and programmes representing 35% of the volume of the total portfolio.

Triangulation of findings from the use of multiple data collection methods and from using data from multiple sources has been carried out to draw robust and firm conclusions. The combination of these two triangulation approaches has enhanced the validity and reliability of the findings and has allowed the corroboration of different evidence.

The evaluation has been confronted with some methodological challenges. The first related to the different interpretations by the various stakeholders of the various concepts related to DC. This challenge has been addressed by using a list with uniform definitions. A second challenge related to the evaluation focus in terms of width versus depth of the analyses. The portfolio analysis, the literature review, the web-based questionnaire and the interviews at a strategic level focused on width, while the case studies have provided additional depth by focussing on issues that required a more detailed examination at country, sector and project/programme level. A third challenge concerned the analysis of factors explaining why specific intended outputs and outcomes have been achieved or not. For this, a political economy analysis approach has been applied to shed more light on the explanatory factors. Finally, a fourth evaluation challenge related to the dynamics and the complexity of the evaluation subject. Therefore, due attention has been paid in the evaluation to a political economy analysis in relation to the dynamics of DC in the context of the evolving aid effectiveness agenda.

Overall conclusion

The impact of Delegated Cooperation on aid efficiency and effectiveness has been limited. DC was introduced in the context of the aid effectiveness debate with the aim of contributing to improved aid effectiveness and efficiency. However, DC has been tailored and operationalised in such a way that only parts of the aid effectiveness agenda could be supported. Moreover, the linkages with the evolving aid effectiveness agenda have not been articulated, which has reduced the relevance of DC. In fact, DC has mainly been designed and used as an operational tool contributing to strengthened relations between EU institutions and the Member States, in particular the relations between the EU and some implementing agencies. The changed focus of DC over time on more operational issues such as co-financing, larger projects and programmes, a single management system etc. has meant that DC only effectively contributed to some specific elements of the aid effectiveness agenda. In addition, only small efficiency gains have been found at the project and programme level. As a consequence, the contribution of DC to the intermediate impact of improved aid effectiveness and efficiency has been limited. The limited impact is also linked to the relatively low value of DC funding compared to the total EU and Member States' official development aid commitments, which has always represented less than 1% of total ODA commitments.

Relevance

The EU initially presented DC as an instrument for improving the division of labour in a given country. In its design process, however, DC was expanded to the entire aid effectiveness agenda, although the linkages between DC and the fundamental principles of this agenda were never operationalised. This points to the limited relevance of DC as an appropriate instrument to implement the entire aid effectiveness agenda. Furthermore, DC has not been aligned to the evolving aid effectiveness agenda and the new EU priorities such as the creation of stronger links between political dialogue and development cooperation objectives and the introduction of Joint Programming and new funding instruments. The lack of articulated linkages between DC and these new instruments and initiatives has further limited the overall relevance of DC.

Strengthening the relations between EU institutions and Member States has been another main driver for the use of DC, although this was never formalised. The focus regarding the relations with the Member States was primarily on operational issues such as joint co-financing. The EU has never put DC high on the agenda in its discussions with Member States and therefore they still consider DC as an EU instrument and not as a joint tool.

Effectiveness, efficiency and sustainability

DC has mainly been designed and used as an operational tool to improve efficiency within sectors of cooperation. DC has been effective in reducing transaction costs and realising efficiency gains in the implementation of DC-supported projects. This positive contribution is directly related to the effect of DC on three operational outputs, i.e. creating larger programmes, more co-financing and making more use of single management systems. Nevertheless, it was not possible to determine whether the savings made on transaction costs during project implementation offset the additional costs made during the preparation of the DC agreements. Despite repeated calls for co-financing in the guidance and policy documents related to DC, 26 percent of all DAs have not been co-financed. Thus, these projects or programmes were fully financed by the EU and therefore in these cases no larger programmes were created.

In practice, the effect of DC on the workload of the EU Delegation has also been quite variable. Most donors preferred to keep 'a seat at the table'. They have been reluctant to become silent partner and therefore the number of active donors in a sector has not significantly reduced. The EU never became a silent partner.

There were no built-in mechanisms in DC to stimulate ownership and leadership of partner countries and it therefore did not produce positive effects in this respect. The involvement of the partner country, either through sub-delegation or through Project Steering Committees, depended primarily on the aid modality and on the working methods of the DA partner. Project aid was the dominant DC aid modality. When management systems of DA partners without sub-delegation were used, the involvement of partner countries has remained rather limited. This is further illustrated by the varying levels of systems alignment. Systems alignment has been stronger in the case of DC partners using partner country systems than in the case of DC partners using their own systems. DC agreements have never been a trigger or starting point for alignment processes and did not contribute to the sustainability of results.

Coherence, complementarity, coordination and added value

There is limited reciprocity between the EU and the Member States in using DC, although the two types of DC agreements, DAs and TAs, would suggest a kind of equal partnership. Differences in contractual obligations, conditions and procedures regarding TAs and DAs however seem to imply that the partners are not at the same level. The DA-related obligations are much heavier than the obligations to be respected by the Commission in case of TAs. Furthermore, the 'heavy' pillar assessments of DA partners cannot be considered as a sign of equal partnership.

The Commission has paid insufficient attention to political economy considerations related to the interests of the various stakeholders in the guidance and implementation of DC. The different modes of operation of the DA partners, varying from 'pure' implementing agencies on the one hand to Ministries of Member States, combining policy development, funding and implementation functions on the other, have not been sufficiently considered and elaborated in the guidance and implementation of DC. Those DA partners working primarily on the basis of sub-delegation contracts with partner country institutions, which potentially contribute more towards partner country ownership and leadership, face more challenges than DA partners that use their parallel systems, weakly or non-aligned with procedures and systems of the partner country.

There have been many differences between DA partners in terms of level of involvement. On the one hand, some DA partners, in particular the 'pure' implementing agencies, have shown a keen interest to increase their project portfolio and have been eager to implement several DC projects. On the other hand, Ministries of Member States have not been actively looking for opportunities to collaborate in DA projects and programmes and therefore they have been relatively underrepresented. The imbalance among Member States is even larger when the TAs are also taken into account. While Germany and France are responsible for almost two-thirds of DAs, they have not been very interested in concluding TAs with the EU on top of their regular contributions to the EU budget and the EDF. Some smaller Member States such as Belgium, Denmark and Luxembourg have shown a more equal balance between DAs and TAs. TAs appear to have been most attractive to smaller Member States with limited implementation capacity.

DC has had positive effects on complementarity and added value, in particular at sector level. The positive effects were primarily related to making good use of the comparative advantages based on specific expertise and/or previous experience *within* the sector concerned. In this way, the EU and its DC partners created added value to their support at sector level, as compared to a situation without DC. This also implies that DC made a positive contribution to the Maastricht and Lisbon Treaty precepts: coordination, complementarity and coherence (3Cs). In politically sensitive situations and when it comes to sharing risks, there are also good examples where the EU had a clear comparative advantage to implement programmes or provide financial support.

Visibility
The increased focus of the EU and the DC partners on visibility has come at the expense of aid effectiveness principles, in particular country ownership and leadership. The EU has formulated strict visibility requirements that need to be respected by DA partners and in the majority of cases EU visibility was ensured. Overall, DC did not have a significant positive effect on visibility, but this was also not expected in view of the nature of the instrument, which is about stimulating partnerships and a less prominent presence of individual donors.

Recommendations

Recommendation 1. The DC policy framework should be revised and more realistic and clear objectives should be set
The present DC policy framework largely reflects the realities of the 2000s with broad linkages to the entire aid effectiveness agenda but without a proper operationalisation of most of its fundamental principles. The objectives of DC need to be redefined in line with the evolving aid effectiveness agenda, and also in line with the operational evolution of this aid delivery mechanism on the ground. Furthermore, some key features of DC, such as co-financing or use of comparative advantage, will need to be reaffirmed to improve its operational efficiency and/or redefined if DC is to achieve its envisaged broader objectives.

Recommendation 2. DC needs to be adapted to the evolving EU aid effectiveness agenda
In response to the recent changes in the aid effectiveness agenda, the DC instrument needs to be adapted over the coming years. Some aid effectiveness initiatives such as Joint Programming were not present at the time DC was established, but nowadays they have important practical implications for the use of DC. In this adaptation process, careful consideration should be given to the links between DC and other aid effectiveness

initiatives and tools. This reflection is particularly relevant in a development context where new issues emerge (climate change/migration) which are non-sectoral by nature.

Recommendation 3. **DC should be more explicitly geared towards strengthening the partnership between the EU and the Member States**

In line with the increased emphasis on more comprehensive policies and Joint Programming by the EU and the Member States, DC should be turned into a stronger joint instrument. The 'partnership' approach could be reinforced through involving a broad and representative group of Member States in the re-design of the DC instrument, both at the strategic and operational levels. This should also enhance the interest in DC of Member States that have to date hardly been involved in DAs and TAs.

Recommendation 4. **The strengthened partnership should also ensure more reciprocity between DA and TA partners**

A strengthening of the partnership dimension of DC also implies taking a broader view on reciprocity, and addressing some of the operational issues raised by DA and TA partners in the implementation of DC. From that perspective, the EU should be better aware of and act upon the differences between the various DA and TA partners. More reciprocity should be ensured between the contractual requirements for DAs and TAs in terms of assessment and reporting on implementation.

Recommendation 5. **The tension between encouraging visibility and aid effectiveness principles should be addressed**

Visibility requirements should be carefully assessed. For some DC partners, an excessive focus on visibility may limit the attractiveness of DC and can undermine the effectiveness of cooperation. Furthermore, a shift of focus, away from banners, billboards and logos towards a stronger focus on joint activities, such as conferences or knowledge sharing events should be considered.

Recommendation 6. **The operational instructions of DC should be revised, in particular for co-financing**

In order to address the operational deficiencies observed in the implementation of DC, the operational instructions should be revised. The DC instructions should also pay attention to limiting the transaction costs of preparing DC agreements to a reasonable level and reaffirming co-financing as a mandatory characteristic.

Recommendation 7. **More consideration should be given to aspects that are important to partner countries such as systems alignment and ownership**

When designing DCs at country level, more attention is required to assess the possibility of using local systems in order to achieve more sustainable results. Currently the majority of DC partners, especially the ones with their own implementing capacity, prefer to use their own systems and rarely sub-delegate. There are no incentives or instructions in the system to sub-delegate or to use the systems of the partner country. In this regard, more consideration should be given to systems alignment and ownership in the operational guidance, with one implication being that operational obstacles/challenges discouraging the use of sub-delegation in DC should be reduced.