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(Information)

COURT OF AUDITORS

SPECIAL REPORT No 15/2003

concerning the audit of microproject programmes financed by the EDF together with the Commission's replies*(submitted under Article 248 (4), second paragraph, EC)**(2004/C 63/01)*

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ABBREVIATIONS AND TERMINOLOGY USED

AIDCO - EuropeAid Co-operation Office

ACP - African, Caribbean and Pacific States signatory to the Lomé Convention

EDF - European Development Fund

OLAS - On-line accounting system

NGO - Non-governmental organisation

REFERENCES USED

Lomé Convention: Articles 252, 290, 299.

SUMMARY

I. Some 2 % of EDF aid takes the form of multiannual microproject programmes which finance small-scale infrastructure projects. The Court examined the management and control by the Commission's central services and, in six ACP countries (Ghana, Madagascar, Malawi, Uganda, Zambia and Zimbabwe), by its delegations. The Court also checked whether the aims of the programmes had been achieved.

II. The main observations concern the formulation of the programmes, their implementation and the concrete results achieved by them in the countries selected. The Court's opinion of the microproject programmes is positive but it nevertheless noted ⁽¹⁾ that:

- the Commission's central services have insufficient information about these programmes and did not provide the delegations with appropriate guidelines (paragraphs 18-23). The legal status of the units that manage the programmes in the ACP countries is not always clear (paragraphs 24-26). Implementation of the programmes by means of 'programme estimates' can be confused or slow (paragraphs 27-29). Although the rules on management and control are, on the whole, satisfactory, deficiencies remain and the information systems are often poorly designed or not used satisfactorily (paragraphs 30-37);
- although the difficulties of precisely measuring impact are under-estimated, the fact that microprojects are useful to the communities concerned is widely attested and verifiable (paragraphs 38-47). The conditions that impact on the sustainability of projects appear to be satisfactory, but they may be affected by the weaknesses of local authorities (paragraphs 48-57).

III. Following its audit, the Court requests the Commission to:

- improve the organisation of its central services in order to exploit this form of cooperation more fully;
- provide the delegations with precise and consistent guidelines that are appropriate for microprojects, exercise greater control over the management system and provide it with a better legal framework, so that programme implementation can be monitored more easily;
- ensure that implementation of the programmes allows the project cycle to be monitored and time limits respected in accordance with the priority expectations of the communities concerned;
- adopt realistic methods of measuring results, examine in greater depth ways of securing the medium-term sustainability of microprojects in ACP countries, particularly with respect to the role of local authorities, and encourage appraisals that deal with more than one country.

INTRODUCTION

The multiannual microproject programmes

1. The European Development Fund (EDF) microproject programmes, which have been in existence since the first Lomé Convention (1975-1980), finance many small-scale, local infrastruc-

ture projects (schools, clinics, small reservoirs, etc.). Under the terms of the fourth Lomé Convention ⁽²⁾ the aim of these projects is to 'respond to the needs of the local communities with regards to development'. At the end of the year 2002, for the sixth, seventh and eighth EDFs combined, the financing for these programmes represented a total of 618 million euro, approximately 2 % of total financing decisions (*Annex I*).

⁽¹⁾ These observations are based on the detailed reports sent to the central services and to the delegations concerned at the end of each of the six audit visits carried out between November 2002 and March 2003.

⁽²⁾ The fourth Lomé Convention was signed on 15 December 1989 for a period of ten years (March 1990 to March 2000) and accompanied by a five year financial protocol corresponding to the seventh EDF; it was revised on 4 November 1995 and accompanied by a second five year financial protocol corresponding to the eighth FED.

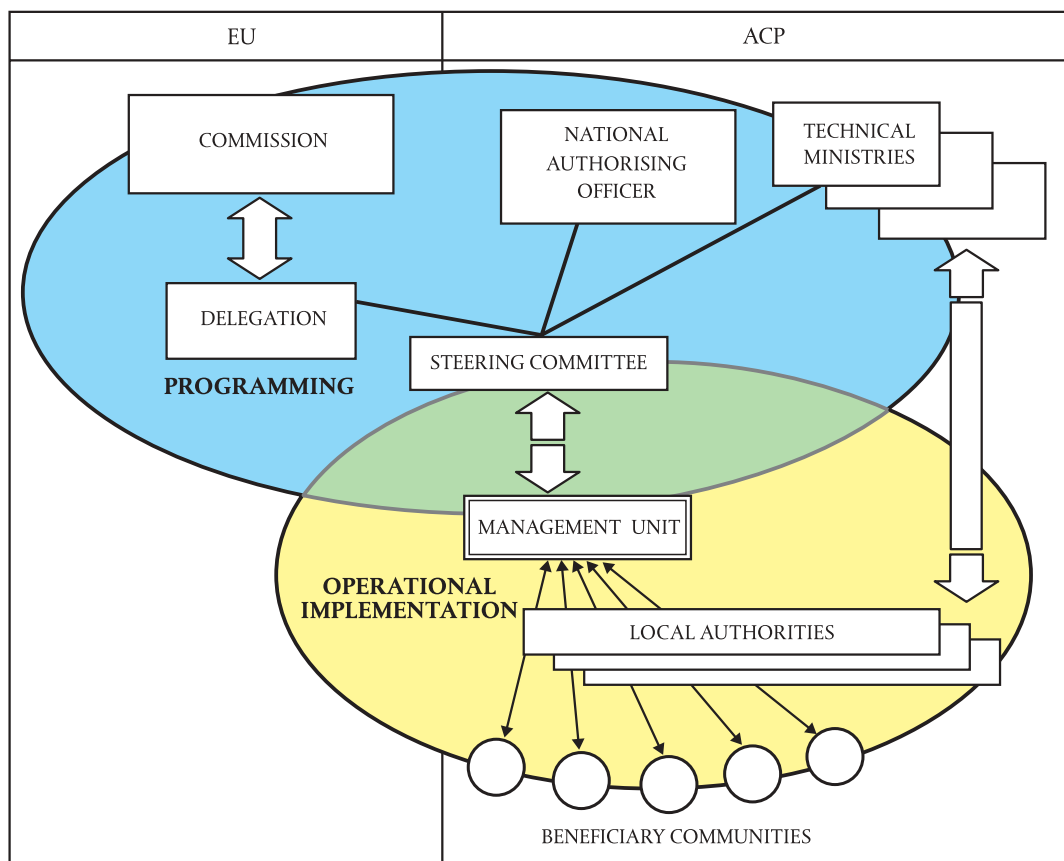
2. Because they fit in well with some of the aims of Community co-operation, namely support for civil society and the fight against poverty ⁽¹⁾, these programmes were retained by the Cotonou agreement ⁽²⁾ and linked to decentralised co-operation ⁽³⁾.

3. Under the terms of the Lomé Convention ⁽⁴⁾, microprojects must have 'an economic and social impact on the life of the people', meet a 'demonstrated and observed priority need' and be 'undertaken at the initiative and with the active participation of the local community that will benefit therefrom'. Under no circumstances may EDF aid exceed 300 000 euro or, in principle, 75 % of the cost of the project. The remainder is financed by the

local community concerned, in kind or in the form of services or cash, and, exceptionally, by the ACP State.

4. Implementation of the multiannual microproject programmes is decentralised. In an ACP State, they are implemented by a management unit, which takes decisions, under the direction of a steering committee in which the Community authority and the national authority are represented. This management unit has three main functions: to publicise the programmes, to select eligible projects from those submitted by the potential beneficiaries and to ensure that they are carried out (see *Table 1* and *Annex II*).

Table 1
Principal actors



Source: Court of Auditors.

⁽¹⁾ Declaration by the Council and the Commission of 25 April 2000 on the European Union's development policy.

⁽²⁾ The Cotonou partnership agreement was signed on 23 June 2000 for a period of 20 years, with a clause allowing for revision every five years; it is accompanied by a five year financial protocol for 15,2 thousand million euro, corresponding to the ninth EDF.

⁽³⁾ Cotonou partnership agreement: Part 4: Development Finance Cooperation, Title II: Financial cooperation, Chapter 5: Microprojects and decentralised cooperation.

⁽⁴⁾ Article 252.

The Court's audit

5. The audit focused on the Commission's central departments and six ⁽¹⁾ ACP countries which, at the end of the year 2002, were beneficiaries of 44 % of the financing decisions for microproject programmes under the sixth, seventh and eighth EDFs (see *Annex I*).



On-the-spot check of an irrigation project

6. In each country the Court examined one programme under the seventh EDF, one programme under the eighth EDF ⁽²⁾ and at least twenty microprojects. The 144 completed projects, which were all examined on the basis of individual files and, in 104 cases, by on-the-spot checks, were mostly finished before 2001. They represent the principal sectors concerned: education, health and rural development ⁽³⁾. Twenty accounting transactions for the financial year 2002, relating to microprojects in the selected countries, were also audited. The projects to be audited on the spot were selected at random, but the Court took the delegations' views on accessibility and security into account (*Annexes III and IV*).

7. The audits were carried out on the premises of the Commission's central services, delegations, microproject management units, national and local authorities in the ACP countries and final beneficiaries. The Court's investigation sought to assess the Commission's management and supervision of the microproject programmes and to determine whether the programmes had achieved their aims. It covered the programming, implementation and results of these programmes and took account of the risks already identified by the Commission's audits and assessments including, in particular, the risk of non-continuation of projects.

⁽¹⁾ Ghana, Madagascar, Malawi, Uganda, Zambia and Zimbabwe.

⁽²⁾ In Zimbabwe the twelfth multiannual programme is financed by both the seventh and eighth EDFs.

⁽³⁾ The different meanings given to this term are examined below.

THE DEVELOPMENT OF THE MULTIANNUAL MICROPROJECT PROGRAMMES

A programming procedure that is iterative, flexible and appropriate

8. The development of microproject programmes follows an iterative procedure, which involves all the actors shown in *Table I* and *Annex II*. For the Community to undertake to finance over several years ⁽⁴⁾ a programme that has been submitted by an ACP state, the state in question must be able to identify its own needs and priorities and evaluate its capacity for managing the operations involved.

9. The so-called 'global authorisation' procedure allows different national programmes to be financed on the basis of a single authorisation by the EDF committee for a maximum of 30 million euro. The relatively low total value of microproject programmes submitted by the ACP countries means that this procedure, which is reserved for programmes involving less than eight million euro, is frequently used instead of the standard procedure, thus avoiding overloading the EDF committee.

Acquired experience not taken into account equally

10. The microproject programmes form the subject of appraisals whose recommendations are taken into appropriate account during the development of subsequent programmes. However, these appraisals are usually made either half-way through programmes or shortly after their closure. For example, although in many countries multiannual microproject programmes have been in operation for more than 20 years and project continuity is frequently discussed, there are almost no appraisals that have been carried out after a long period and could provide useful information on this particular aspect ⁽⁵⁾. Furthermore, as the Commission's central services make no systematic comparison of the available appraisals, they thus deprive themselves of useful management information. Appraisals that deal with more than one country are too rare and too old ⁽⁶⁾ to be of use to the Commission.

⁽⁴⁾ Under Article 290 of the Lomé Convention, certain financing decisions may relate to multiannual programmes.

⁽⁵⁾ For example, on projects that are five to ten years old.

⁽⁶⁾ The most recent is dated February 1997 (Appraisal of microproject programmes under the fourth Lomé Convention, Research and Technological Exchange Group, GRET). Countries concerned: Uganda, Senegal, Comoros Islands and Malawi.

Insufficient account taken of comparable programmes

11. The EDFs multiannual microproject programmes are not the only form of aid for small projects that meet priority needs. The Member States, other multilateral and bilateral sponsors, NGOs and the national authorities themselves manage similar programmes. However, this aid is not always taken sufficiently into account in the microproject programmes. This is a particular aspect of the compartmentalisation of information between sponsors, particularly between Member States and European Community programmes ⁽¹⁾.

Box 1

Comparable programmes

1. Malawi: a programme of small infrastructure construction projects in poor rural areas is being financed by the World Bank. In terms of its objectives, scale and means of action, this programme is very similar to the EDF microproject programmes. Local communities can present projects for funding under both schemes. No real coordination was observed. For example, two schools were financed by the different systems very close to one another. This failing has been partially overcome by the inclusion of specific provisions in the fourth multiannual microproject programme, which is financed from the ninth EDF.

2. Zambia: a joint management unit was set up in 1991 to oversee management of the multiannual programmes of EDF microprojects and the programmes financed by the World Bank. From June 2000 to January 2002 the difficult relations between the two types of programme (due to uncertainty concerning organisational support for each type of programme) caused significant problems for the EDF microproject programmes. In many regions, starting in January 2003, the date of the administrative separation of the two types of programme, officials from the districts concerned were transferred to World Bank programme activities, at the expense of the EDF programmes. Although the two types of programme are complementary, the lack of coordination and cooperation that characterised their management precluded any form of positive synergy.

3. Zimbabwe: a decentralised European cooperation programme launched in 1999 is responsible for activities including a fund to finance small-scale urban and rural infrastructure projects that are in every respect comparable with microprojects. Nowhere in the programme is account taken of this partly overlapping mandate, and the twelfth microproject programme that was launched a few months later makes no reference to decentralised cooperation.

Programming choices appropriate to national needs

12. The microprojects are either included in the aid concentration sectors fixed by the national indicative programmes (NIP), or treated as a separate sector ⁽²⁾. The most frequently selected sectors are either social (education and health, including water and sanitation) or an economic sector covering agricultural and craft activities, improved communications and various income-producing activities.



An income-generating activity: a maize-flour mill

13. As well as the intervention sectors, programming choices are concerned with the geographical area covered (all or part of the territory), the priority criteria (greater or less concentration on the poorest areas or peoples), the type of operations financed (construction or renovation of infrastructure such as schools, clinics or water supply systems, training measures), and the type of financing (loans or subsidies). In almost every case the programmes are implemented in a rural environment.

⁽¹⁾ EC Treaty, Article 180 (ex Article 130 X)

1. The Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programmes.
2. The Commission may take any useful initiative to promote the coordination referred to in paragraph 1.

⁽²⁾ This diversity reflects the Lomé Convention, which treats micro-projects either as an instrument (Article 252), or as a sector of intervention (Article 229).

Box 2**Programming choices**

1. Ghana: the fourth and fifth programmes, with allocations of 8,89 and 27 million euro respectively, focus on the renovation of existing infrastructure in the education and health sectors, the aim being to increase take-up in these sectors by rural populations.
2. Madagascar: the third programme, which was financed by the seventh EDF and launched in 1998 with an allocation of one million euro for a period of one year, targeted the nationwide construction and renovation of education, health, water supply, agricultural and rural roads infrastructure. The fourth programme, which is financed by the eighth EDF and was launched in March 2000 with a budget of eight million euro, has established the transfer of knowledge as an additional major objective of this infrastructure-building activity.
3. Malawi: the first, second and third programmes cover the entire country and have allocations of 3,1, 6,38 and 21 million euro respectively. Their common objective is to provide rural populations with basic infrastructure in education, health, communications (roads and post offices) and natural resources. They incorporate a microloans scheme. Renovation and construction are accorded equal importance.
4. Uganda: the main programme under the eighth EDF, has an allocation of 15 million euro and is being implemented in eight of the country's 29 districts, selected for their poverty levels. The sectors chosen for intervention are education (in conjunction with the national universal primary education plan), health and rural development. Renovation and new construction are accorded equal importance and training activities are planned. A specific programme to build water and sewage networks is being implemented in parallel.
5. Zambia: seven multiannual microproject programmes have been implemented since 1985. Under the fourth Lomé Convention, some 38,5 million euro have been committed since 1998, 22,4 million of this sum under the eighth EDF. The main sectors concerned are education (which has received more than half of the financing), health, water and sanitation.
6. Zimbabwe: the six programmes financed by the seventh and eighth EDFs cover the entire country and have a total allocation of 47,6 million euro. They focus on the renovation of existing infrastructure, since the country is already well equipped. The sectors targeted are education, health and rural development, which covers small-scale infrastructure projects relating to water supply and rural electrification and a few projects supporting rural crafts.

Open definition of beneficiary communities

14. Various meanings may be attached to the term 'local communities', which is not defined by the Lomé Convention. It can refer equally to a group that is subject to a traditional authority (the village and its chief), a group of people having material or other interests in common (an association) or the population of an area that has its own administration and legal representatives (a local community within the meaning of public law).

15. The diversity of the interpretations adopted allows each country to adapt implementation of the microproject programmes to its own structures and politics. Consequently, the eligibility of a project meeting the same needs, submitted by the same number of people, for the same cost and with the same technical features, may vary greatly from one country to another.

Box 3**Defining the local community**

1. Ghana: eligible communities have between 20 and 700 members, this being the number of persons that a project committee is authorised to represent.
2. Madagascar: the beneficiary population is represented by the local authorities. Aid applications are endorsed by both the local authorities (in a minute from the municipal council) and the people (in a minute from a meeting of the people concerned with the project).
3. Malawi: no formal definition has been established, but a group of at least five persons with shared interests is deemed to be a local community within the meaning of the Lomé Convention.
4. Uganda: the term denotes a group of persons with shared interests and support from the local authorities (sub-county and district), which act as intermediaries. While no numerical limits are set, priority is given to the projects with the largest number of potential beneficiaries.
5. Zambia: a local community comprises everyone who has an interest in a project, is prepared to take part in carrying it out and will benefit from the results. No practical difficulties have arisen as a result of the lack of a strict definition or numerical limit.
6. Zimbabwe: by transposition from the national legislation on cooperatives, the term denotes a group of at least ten persons who can prove that they have shared a project for at least one year.

Unequal but increasing responsibility of the local authority

16. The microproject programmes contain provisions involving the local public authorities. In practice, however, this involvement takes various forms and can sometimes be very limited in scope. Where significant responsibilities are entrusted to local authorities, the aim is usually to develop their management capability. In fact, in addition to aiming to satisfy priority social needs, programmes are increasingly focusing on assisting the development of local institutions and supporting policies of decentralisation. Although not set out in the Lomé Convention, this more ambitious objective is in accordance with the general principles of ACP-EU cooperation.

Box 4

The role assigned to the local authorities

1. Ghana: *the district assembly is regarded as the focal point for the decentralised implementation of the fifth microproject programme. An ad hoc local committee is responsible for selecting and ranking projects within the district and for overseeing their implementation in the context of local annual programmes.*

2. Madagascar: *the main microproject programme under the eighth EDF is the Programme d'Appui aux Initiatives des Communes et des Associations Locales - PAICAL (Support Programme for Municipality and Local Association Initiatives). Its purpose is to promote institutional development by strengthening the management capabilities of the associated municipalities. By involving them very closely in the various phases of the project cycle, the programme aims to transfer expertise so that they can assume responsibility.*

3. Malawi: *the local authorities (rural districts) usually do no more than register aid applications and forward them to the microproject programme managers. In certain cases they take part in the ex ante evaluation of projects.*

4. Uganda: *under the eighth multiannual EDF programme, the local authorities are responsible for identifying and analysing the needs to be met and for planning and managing the microprojects, which are included in district development plans. The programme aims to develop the local authorities' management capabilities by assigning them extensive responsibilities; to this end it includes an element for the training of local officials.*

5. Zambia: *the districts and the regional coordinators combine to promote programmes, perform documentary and on-the-spot appraisals of project proposals and, where necessary, recommend them to the national steering committee for approval.*

6. Zimbabwe: *the rural districts are not contractually involved with the programmes and their role is summarily defined. They deliver opinions on the projects submitted to the management unit, and their representatives attend project evaluation and management meetings. While the supervisors and other interested parties sing the praises of this approach, its impact is difficult to assess.*

IMPLEMENTATION OF THE MULTIANNUAL MICROPROJECT PROGRAMMES

Commission central services lack information

17. The Directorate-General for Development organises the general pattern of the programmes. Responsibility for monitoring their implementation lies with the directorate of the Europe-Aid Cooperation Office (AIDCO) with responsibility for programmes in the ACP area.

18. Although the microproject programmes have been in continuous implementation since 1980, there are some weaknesses in the Commission's central services knowledge of them. For want of a specific accounting field in OLAS, AIDCO's departments were not able to produce a full list of multiannual programmes that have either been implemented or are in the course of implementation. As they cannot make the link between programmes and the contracts that relate to them, for example technical assistance contracts, they are unable to determine the real cost of microprojects or to check how efficiently they are managed.

19. Identification of the areas of activity concerned by the microprojects is just as defective. AIDCO's most recent study on this subject ⁽¹⁾ showed that the education sector represented 26,5 % of the allocations and the health sector 18,7 %. However, in the absence of adequate information, this study classifies 54,81 % of the expenditure under the heading 'other'. The central services omit to ask for ⁽²⁾ the summarised information already put together in the ACP countries by managers of microproject programmes.

20. It is natural for the Commission's central services to leave the delegations the task of monitoring in detail the implementation of the thousands of projects involved. However, it is regrettable that the central services are unaware of the main outlines of the national multiannual programmes. As a result, the Commission is unable to take advantage of the experience gained by the

⁽¹⁾ Study of the social content of the multiannual microproject programmes under the sixth, seventh and eighth EDFs, AIDCO, 28 June 2002.

⁽²⁾ Article 290(3) of the Lomé Convention provides that the national authorising officer is to forward a report to the Commission on the implementation of the multiannual programmes.

delegations in the field of microprojects to identify and disseminate good practice. The restructuring associated with the Commission's transfer of management responsibility to local level ⁽¹⁾ did not include any specific provision for improving this situation. For example, none of the thematic support groups that are being set up covers microprojects.

Specific rules inconsistent

21. The Commission has not drawn up internal rules and management guides that relate specifically to the microproject programmes and supplement the Lomé Convention, the internal agreement, the financial rules and the legal instruments implementing them ⁽²⁾. The page on microprojects in the user's guide to the financial procedures of the seventh and eighth EDFs cannot be regarded as constituting sufficient guidelines. In managing the programmes in the ACP countries, the Commission's general practice guides are used and interpreted inconsistently.

22. To make up for this lack of specific rules, national managers have drawn up practical guides that are generally clear and useful but rather different in terms of detail, presentation and content. This profusion of local guides, which, are sometimes very well prepared (as in the case of Madagascar), does not replace the clear and simple central guidelines needed for the exercise of the decentralised powers that have to be developed.

23. The lack of specific internal rules is even more regrettable given that interpretation of the Lomé Convention varies from one country to another, the microproject programmes have been in existence for more than twenty years and they are managed by independent bodies.

Proper independence of management procedures in the ACP countries

24. The microproject management units are placed under the authority of the national authorising officer and report to a steering committee ⁽³⁾ that includes representatives of the national

authority and the delegation. Depending on what is involved, they are attached to the ministries of finance, local affairs, agriculture or rural development. They are also supervised by the technical ministries that deal with the various sectors concerned (education, health, agriculture, water and sanitation), which may be represented in the steering committee.

25. This dependence in relation to the national authority is mitigated by considerable de facto autonomy. The management units have their own operating resources. In some countries they may freely recruit contractual workers from the private sector or from the civil service. They are sometimes headed by a technical assistant who holds a service contract and has wide freedom of action. The quality of the staff appointed to these units appeared to be generally good.

26. This independence of the units is an efficiency factor, in particular when supported by a clear legal framework which enables the unit to define precisely in its contracts its relations with third parties. On the other hand, when, as is the case in a number of countries, the management units do not have the legal status to sign enforceable contracts, their relations with the other parties involved in programme implementation, i.e. central government, local authorities, specialised technical agencies, beneficiary communities, and delegation, are too imprecise for it to be possible to identify the various parties responsibilities when problems with implementation arise.

Box 5

The legal framework of the management procedures

1. Madagascar: *the role of management unit belongs to an agency established by decree that is also responsible for decentralised cooperation. The agency has full authority to conclude contracts with the municipalities. These contracts are separate from those drawn up by the national authorising officer.*

2. Uganda: *the eighth EDF programme is being implemented as prescribed in an agreement concluded between a body called the 'EDF microproject programme', which is defined as an autonomous programme of the Ugandan Government, and each of the participating district councils. However, the same document states that the management unit, the head of which signed the contract, represents the national authorising officer and the European Union. It remains to be seen what impact this contract will have, since it is not even clear how many contracting parties there are.*

3. Zimbabwe: *on the recommendation of a legal expert, examination has begun of a draft private-law statute under which the national authorising officer would be just one senior member of an executive board. However, the advantages of this proposal are questionable.*

⁽¹⁾ See the interim report on decentralisation of 30 April 2003, point II, External Relations Directorate-General, which says that headquarters role must develop in the direction of coordination, quality control, management control, technical support and improving working practices.

⁽²⁾ For example, Council Decision No 3/90 laying down general conditions relating to works, supply and services contracts.

⁽³⁾ Depending on the projects, known as executive committee, policy committee, appraisal committee. It is sometimes divided into two committees (appraisal and steering), as in Zimbabwe.

An appropriate and, in principle, binding management procedure

27. The multiannual microproject programmes are implemented in successive instalments, which, in turn, are subject to programming as programme estimates. These programme estimates specify the microprojects to be delivered during each reference period, contain an estimate of their cost and provide for their financing through advances. They also form the budgetary framework for the operation of the management units. As far as possible, the performance periods and the financial tranches relating to them should be annual ⁽¹⁾ or, at least, should be at specified intervals and last for reasonable periods, so that attainment of the objectives can be monitored without delay and the advances paid can be rapidly discharged. Programme estimates lose their usefulness if they are not closed in due time or if they are systematically extended by means of riders. There have been several exceptions to these rules of sound management.

28. Expenditure related to microproject programmes is sometimes effected alongside the programme estimates. This is generally the case of audit activities and technical assistance recruited by means of service contracts, and sometimes the case of certain expenditure on supplies or equipment.

Box 6

Programme estimates

1. Ghana: the national programme estimates cover periods of eighteen months or more. They are coordinated with the district programmes and are the subject of a central accounting commitment ⁽²⁾.
2. Malawi: the programme estimates contain details of all programme expenditure. Each one is the subject of a separate commitment.
3. Uganda: the programme estimates are detailed and tied in with the district development plans. They are the subject of an accounting commitment. Alongside the programme estimates, the administration of the service contract for the senior staff of the management unit led in 2002 to an unrequited payment that should have required a legal opinion.
4. Zimbabwe: the programme estimates contain only summary objectives such as the number of projects foreseen per sector for the year in question. They are not the subject of a separate accounting commitment. Detailed information on approved projects is contained in separate batches of descriptive sheets that are sent to AIDCO for successive accounting commitments; these are nonetheless registered on each occasion as 'programme estimates'. Coupled with the fact that the twelfth programme is financed by both the seventh and the eighth EDF, this fragmentation of the accounts makes it extremely difficult to monitor the financial aspects of the projects.

Programme implementation rate sometimes too slow

29. There are numerous priority needs to be satisfied and the demands of local people remain strong. As a result, the capacity of the ACP countries to absorb the funds for microproject programmes is very high. Nevertheless, significant delays were observed in the execution of some programmes under the seventh and eighth EDFs. These delays further increase the administrative costs of the programmes and are a source of disappointment to the people concerned. There are various causes: sometimes external constraints and sometimes shortcomings in internal management.

Box 7

Programme implementation rate

1. Ghana: although the first phase of the fifth programme was approved on 31 May 1999, the first programme estimate was not signed until 15 June 2000, and the initial advance was not paid into the districts accounts until May 2001. Beginning in May 2001, there were six successive amendments extending the programme period. Implementation of the second programme estimate, which was launched in July 2002, was already well behind schedule at the end of 2002.
2. Malawi: owing to a lack of coordination between the central management unit and its local offices, the third programme was unable to finance all the projects that had been approved. In 2002, the policy committee issued instructions for more selectivity in the local examination of projects.
3. Uganda: the programme launched in 1996 in the Karamoja region was not closed in 2001, due in part to local insecurity. The first programme estimate under that programme, for the period 1998-1999, was amended on three occasions and extended until 31 July 2002. The programme estimates under the eighth EDF programme were affected by several extensions and excessive overlap between programme estimates. As of December 2002, three programme estimates were open simultaneously in connection with one and the same programme.
4. Zambia: as of March 2003, more than a year after the signing of the financing agreement for the programme's phase II, virtually all the funds had been committed to fewer than half the number of projects planned. At the same date, 125 projects were still pending even though many of them had been approved more than a year previously.
5. Zimbabwe: in 2001 and 2002, the state of the national economy — which is characterised by hyperinflation and irrational exchange rates — meant that the budget funding allocated to several projects under the twelfth multiannual programme became insufficient in the course of the year. In several cases it was necessary to postpone completion of those projects.

⁽¹⁾ The current term is 'annual programme estimates'.

⁽²⁾ The accounting commitment referred to in this box is that applied in OLAS.

Financial organisation, organisation of the accounts and controls satisfactory but open to improvement

30. The funds needed for the projects and for administrative expenditure by the management units are paid into the accounts in advance. The initial advance is usually 30 % to 50 % of the estimated requirement. Further payment into the accounts is conditional upon the advances being used correctly. Implementation of this procedure is risky, as sizeable sums are paid before any work has been done.

31. Another inherent risk of the microproject programmes stems from the fact that operations are dispersed over a large number of sites, making them difficult and expensive to supervise. Setting up regional offices or increasing the role of the local authorities has improved project monitoring but has not reduced the administrative costs that result from dispersion. The budgetary cost of administrative expenditure ⁽¹⁾ varies greatly from one country to another (10 % in Malawi, 17 % in Zambia, 20 % in Madagascar and in Zimbabwe). However, a comparison of administrative costs is not enough to show comparative management efficiency. In practice, the importance of the tasks entrusted to the local administration and the geographical and economic constraints differ greatly from one country to another.

32. In order to take these risks into account when organising expenditure flows and planning internal controls, the countries concerned have combined accounting centralisation and decentralisation, external audit and internal control in different ways. In some countries, managers open separate accounts for each category of expenditure. In others, all the expenditure goes through the same accounts. Separating the operating expenditure accounts from those dealing with administrative expenditure makes it easier to monitor and control administrative costs.

33. The accounting and financial management systems of the microproject programmes examined by the Court were, on the whole, satisfactory but there was room for improvement in both their definition and their operation, particularly as regards the control function. Sporadic dysfunctions were shown up, especially by the financial audit of 2002 transactions selected and examined in connection with the Court's statement of assurance on the management of the EDF. Some of these problems are linked to a lack of technical competence and sometimes to the impoverished state of local administration.

⁽¹⁾ Administrative expenditure provided for in the financing agreements and the programme estimates.

Box 8

Financial organisation and organisation of the accounts

1. Ghana: works are paid for by the districts, which apply their own ex ante control procedures and hold local accounts into which the management unit pays advances. Checks prior to replenishment of the central account are carried out internally. According to the financing agreement for the fifth programme, however, financing of the second phase was dependent on an external evaluation of the first phase that was carried out after the funds were disbursed. It was also noted that the local tendering procedures were disregarded on several occasions.

2. Madagascar: the municipalities manage the accounts assigned to project expenditure, but ex ante expenditure checks are performed by the regional management offices. A posteriori expenditure checks, which determine how the single national imprest account is to be replenished, are assigned to a section reporting to the national authorising officer that is responsible for verifying all EDF transactions managed under programme estimates. The deficiencies that were identified related to occasional gaps in the legal documentation and the acceptance of arbitrary unit prices during the examination of tenders.

3. Malawi: there are separate accounts for operational and administrative expenditure. Purchasing and spending are overseen centrally by the national management unit, which aims to obtain the most competitive prices in this way. However, this system is imposing a heavy workload which would justify decentralising in favour of regional offices. The imprest accounts are replenished on the basis of external audits commissioned from private firms in the form of periodic physical inspections. However, the auditors' reports, often containing qualifications, are not followed up.

4. Uganda: the districts pay for works from local accounts that are fed by advances from the management unit. They also carry out ex ante controls of expenditure. Quarterly a posteriori checks are commissioned from a local audit firm that is simultaneously responsible for auditing the accounts and providing on-the-job training to the local accountants who keep those accounts. The external audit and advice functions are not kept sufficiently separate. The valid observations of the Auditor General of Uganda concerning the districts' microproject accounting procedures are ignored by the management unit and the delegation.

5. Zambia: internal checks on the correct utilisation of advances should have been carried out by a three-person team, but in reality, until January 2003 this task was assigned to one person with the rank of assistant, working alone. The control system was compromised as a result. Moreover, the most recent external audit, of which the Court's auditors were notified in March 2003, related only to administrative expenditure in the financial year 2001 — despite the fact that no report was available for the year 2000.

6. Zimbabwe: *ex ante checks are performed centrally on all expenditure. Operational expenditure passes through a central account handled by the management unit. The administrative expenditure of the five regional management offices is effected via local accounts, to which payments are made from the central administrative account. Replenishment of the accounts is dependent on the quarterly audits performed by the local subsidiary of an international firm. The fact that these audits do not examine account revenue or include on-the-spot checks limits the usefulness of the certificates that are issued.*

Proper respect for the principle of co-financing by the beneficiaries

34. The beneficiary contribution provided for by the Lomé Convention is mostly made in kind (supply of bricks, sand, various materials) or in work (participation in construction work), which makes accounting for it difficult. Where accounts are judged to be either impossible or too formal, verification focuses on the existence of a significant contribution. In most cases, a detailed valuation is entered in the project accounts but, in the absence of supporting documents and a formal accounting structure, it is often very difficult to verify.

35. Application of the Lomé Convention requires a certain amount of insight as regards calculation of the contribution to be required from beneficiaries. For example, it is widely recognised that the AIDS epidemic affects the contributory capacity of the most badly affected rural populations. In another context there is unanimous support for the idea that rules on beneficiary contributions must be rigidly applied. In certain very difficult circumstances, however, this could deprive some very poor people of a response to priority needs, which was not the intention of the Lomé Convention. The possibility of substituting a contribution from the ACP state, i.e. the local administration, for the beneficiary's contribution depends on the latter's ability to contribute. On-the-spot inspection has shown that a disciplined approach in managing and measuring contributions is still possible.

Monitoring satisfactory but open to improvement

36. Despite the inherent constraints of widely-dispersed operations, the monitoring of construction or renovation work is generally satisfactory, largely thanks to the involvement of the beneficiaries. There is room for improvement, however, particularly in the case of the most complex projects, where greater technical expertise is required.

Box 9

Technical monitoring of infrastructure

1. Madagascar: *the main weakness of technical monitoring lies in the inadequate supervision of the procedure for the acceptance of works, which caused the local team to accept a school building of inferior quality.*

2. Malawi: *project monitoring takes the form of periodic on-the-spot visits by specialists from the local offices of the management unit and, on occasion, by members of the policy committee. Beneficiaries also play a supervisory role by verifying the availability of materials that have been purchased centrally.*

3. Uganda: *under the eighth EDF programme, responsibility for technical monitoring and maintenance has been assigned to the districts in the capacity of communities owning the infrastructure. Compliance with these obligations is eased by the high technical standard of the EDF infrastructure, which is superior to that financed by the national authorities through their capital investment plans.*

4. Zimbabwe: *technical supervision is assigned to the districts or to specialised national technical bodies. The quality of the aid delivered in this way varies widely between projects, according to the level of training and availability of the staff concerned and the geographical and financial constraints with which they are confronted. In addition, within the limits of their technical proficiency (skill levels are being raised by training and awareness-raising activities), beneficiaries supervise the work of the contractors on site.*

37. In addition to monitoring the projects on an individual, technical basis, programme implementation must also be supervised by means of appropriate management information on periods, categories of expenditure or beneficiaries and geographical areas. In many cases, however, the information systems do not allow this, as the information received is, in some cases, too little, in others too much, or confused or irrelevant. The steering committees receive large numbers of reports containing information that is often redundant and difficult to process.

Box 10

Information systems

1. Ghana: *under the January 1999 financing agreement the computer application MISME (Management Information System Monitoring and Evaluation) was intended as one of the keystones for the management of the fifth programme, processing not only all physical and financial project data but also beneficiaries' appraisals and 'baseline data' (1), but it had still not been implemented as of the end of 2002.*

(1) The 'baseline data' method seeks to reconstruct as accurately as possible the course of events had the programme designed to improve the original situation not been implemented.

2. Madagascar: too much of the information supplied by the management unit is scattered among different kinds of reports (project descriptions, spreadsheets, periodic reports, etc.), with no clear indication of which report contains the correct data. Much inconsistency could thus be avoided if the information and reports supplied by the agents were simplified, project-focused and derived from a single source.

3. Malawi: information on the projects is recorded in separate documents, making it impossible to consult all the data for each project. No use can be made of the information on the communities socio-economic circumstances, the target sectors and the situation prior to project launch, all of which could benefit the internal evaluation procedure. The management unit has no computerised system with which to improve collection and use of existing data.

4. Uganda: there is an observable tendency to produce numerous reports with no attempt to synthesise. To take the eighth EDF programme alone, over one hundred separate reports deemed necessary for the management unit were produced in the course of one year.

5. Zimbabwe: the shortcomings of the information system are exacerbated by the fragmentation of the projects' financing into different accounting commitments. In these circumstances, it is all but impossible to operate a monitoring system that complies with the principle of project cycle management to which the Commission refers. The information system grafted on to the accounting system is not capable of providing a rapid and comprehensive overview of the physical and financial situation of a microproject.



Many primary schools have been built

40. In most cases the beneficiaries are organised in project committees. Sometimes these already exist (in the case of renovations) and sometimes they are specially set up. The committee representatives met during the audit understood the requirement, peculiar to the EDF programmes, that final beneficiaries must make a substantial contribution. Respect for this principle of beneficiary participation is essential to the continuity of the projects; it can also be seen as a positive achievement in itself. It is, in fact, a response to the 'ownership' objective set out in the Cotonou Agreement.

Impact nonetheless difficult to measure

41. Project programming must be based on a measurement of needs and must define *ex ante* the indicators that allow an impact to be measured *ex post*. The Commission's programme management methodology, summarised in logical frameworks, makes a distinction between programme results (availability of infrastructure and services) and programme impact (improvement in the life of the people concerned).

42. In the ACP countries, priority needs and the response to them are measured at the national level. For example, the response to the need for drinking water can be measured by the proximity of water supply points ⁽¹⁾. The response to the need for health care can be measured with the help of WHO criteria and the response to the need for education can be measured by the percentage of children in full-time education or the number of pupils per class.

⁽¹⁾ The distance to be covered to reach drinking water is a current criterion.

RESULTS OF MULTIANNUAL MICROPROJECT PROGRAMMES

Immediate results very positive

38. The Lomé Convention expects microprojects to have an economic and social impact on the life of the people and to respond to demonstrated and observed priority needs.

39. The detailed review of the microprojects selected by the Court in the six countries visited, carried out on the basis of the files and on-the-spot inspections in association with beneficiaries, certainly brought to light a number of dysfunctions that need correcting, some significant examples of which are set out below. However, in most cases the review showed that, as required by the Lomé Convention, essential needs had received an appropriate response.

43. However, the impact of EDF programmes cannot be defined by looking at trends in national, or even regional, statistics alone. Their impact must be distinguished from that of comparable programmes, which are all the more numerous because the projects financed are small-scale ⁽¹⁾.

44. Donor countries, NGOs and ACP countries do not share information on their work in the area of microprojects. It would, however, be useful to know the total number of classrooms, clinics, water supply or sewage systems constructed or renovated in each country during any given year, whatever the sources of finance. The impact of the EDF microprojects could then be assessed by taking account of their relative significance in terms of development aid.

45. Lack of information about the environment is not the only obstacle to measuring the impact of microprojects. The over-ambitious measurement indicators provided for in the programmes are another source of difficulty. The logical framework method sometimes gives rise to theoretical excesses. For example, certain programmes provide for the use of over-sophisticated 'objectively verifiable indicators', which in many cases are not available, as the statistical work on which they are based is over-expensive.

46. A further difficulty derives from the existence of an undeniable but diffuse indirect impact which is more pronounced and visible in the short term for some projects. For example, while irrigation and electrification microprojects meet the needs of the communities that are directly behind them, they also offer possibilities for economic development to everyone in the areas concerned.



A reservoir: numerous indirect beneficiaries

47. In these circumstances, it is better to accept that the impact is not precisely measurable, rather than putting forward figures that cannot be verified.

⁽¹⁾ Small-scale projects are a preferred area for action by NGOs.

Box 11

Measuring impact

1. Ghana: the objective of the fifth programme, which was to rehabilitate social infrastructure and thus increase take-up, was not accompanied by any suitable arrangements for measurement. In particular, the beneficiary-led evaluation provided for in the financing agreement did not produce the desired results. The impact indicators contained in the logical framework were of no use at all.

2. Madagascar: the results forecast under the programme financed by the seventh EDF were verifiable and expressed quantitatively in terms of infrastructure. Apart from the works that have been completed, it is difficult to quantify the results that PAICAL is seeking to obtain, e.g. an increase in the delivery of basic services to the population, better consultation between civil society, elected representatives and local government, and enhanced local management skills.

3. Malawi: the third programme specifies that the results obtained, in terms of improvements in living conditions and the fight against poverty, are to be verified by means of indicators to be provided by the Ministries of Education and Health. No indicators of this kind were used.

4. Uganda: the intended impact study on the microprojects financed from the eighth EDF did not come to pass. The logical reference framework specifies both 'objective and verifiable indicators' which, because of the inadequacy of the available statistical tools, cannot be verified for the EDF alone at the level of the districts concerned, and more realistic indicators focusing on material results rather than impact. Taken together, the indicators cannot be used to assess whether living conditions have improved.

5. Zimbabwe: the twelfth multiannual programme makes use of realistic results-based indicators, such as the number of economic or social infrastructure projects completed, and avoids impact indicators, which are very difficult to use. The external evaluation of the programmes showed that it was impossible to quantify the benefits derived from microprojects, or even to establish incontrovertibly the total number of beneficiaries. The evaluation of the seventh EDF programmes highlighted the absence of quantitative data and based its conclusion (an extremely favourable one) on qualitative indicators, the substance of which, however, is not explained in detail.

Continuity of response to needs often uncertain

48. The response of the multiannual microproject programmes to the needs of the people behind the projects is easier to assess if the distinctive characteristics of the main areas

concerned (education, health and rural economic development) are taken into account. Even though not referred to in the Lomé Convention, the sustainability of this response is an essential criterion in assessing the result.

49. The initial quality of the works is still the primary guarantee of their sustainability. Even so, an effective support policy is still needed in order to ensure their durability. Where works generate revenue, a maintenance budget is allocated to them. Conferring ownership on the beneficiaries is a further condition of the viability of completed projects.

50. At the end of the missions carried out in the six selected countries the Court considers that the efforts made to secure the sustainability of the microprojects are satisfactory. With few exceptions, sustainability conditions for the projects inspected were seen to be satisfactory or, in the case of the oldest projects, they were in an acceptable state of preservation. However, as indicated above, the fact no studies have been devoted to the oldest projects makes it difficult to have any knowledge of the overall sustainability of microprojects. In the context of most African countries, whether or not microprojects can be seen to be operating satisfactorily at a particular moment is still uncertain. The main criterion of sustainability continues to be the support of the national authorities, whether central or local.

Social sectors: education and health

51. The education and health sectors have special characteristics which stem from the beneficiary communities, the technical complexity of the microprojects and the need for expertise and assistance from national or local authorities.



Many secondary schools successfully built or equipped

52. In the education sector, the microproject programmes finance the construction and renovation of primary and secondary schools and in some cases their equipment in the form of furniture, books and laboratory equipment. This sector is well-suited to microprojects. The level of education and motivation of the project promoters, teachers and parents of pupils, is a primary success factor. The simplicity and standardisation of the school buildings are another favourable factor. The resources needed to fund small-scale maintenance work are obtained by the national authorities where the school is free, or by parental contribution where it is not free. The sociological reasons set out above mean that these resources are generally well administered.

53. In the health sector, microprojects are subject to greater constraints and the results obtained are more vulnerable. The programmes finance construction and renovation of clinics, small hospitals, lodgings for health-care staff and the acquisition of simple medical fittings. Supplying medication is the responsibility of the national authorities. One of the inherent difficulties in this sector is due to the fact that the population of beneficiaries is more diverse and they are less positively involved than the parents of schoolchildren, even though users' committees play an active role. Moreover, the regularity of the medical supplies provided by the national authorities is a more sensitive question than the provision of educational equipment, which is renewed less frequently.



Can clinics continue to operate on a regular basis?

54. Projects for the supply of drinking water and sanitation, such as wells and latrines, contribute to the improvement of public health but are subject to fewer constraints.

Box 12**Microprojects in the social sectors**

1. Ghana: most of the infrastructure inspected was being used as originally intended, although there were a few, rare cases of misuse. A rural clinic financed by the fourth programme was also doing duty as a nurse's kitchen and living quarters; her original accommodation was being used by a midwife and a primary school teacher. Another clinic had seen no medical use for over a year. Approximately one quarter of the infrastructure inspected had obvious problems, such as cracks, that required repair work often beyond the capacity of the beneficiaries and necessitated intervention by the district authorities. As well as the funding of major repairs, there were staffing problems because of the large number of schools located in isolated rural areas. Although the increased take-up of the public social services had clearly improved people's lives, the sustainability problems affecting the previous programmes (insufficient support by the technical ministries (Health and Education), failure to supply and replace equipment) had not been eliminated.

2. Madagascar: with the exception of one secondary school, all the projects visited were of a satisfactory standard and met the beneficiaries' needs

3. Malawi: microproject management committees are being set up and will take over the projects once they have been completed. Staff from the management units are conducting awareness-raising activities with these committees in order to engender the sense of ownership and responsibility necessary for the correct maintenance of infrastructure. Since the secondary schools are fee-paying, their management committees have set up permanent funds to meet regular maintenance costs. In the case of the primary schools, which are free, the beneficiary communities generally regard the government as responsible for regular maintenance and have not set up funds with parental contributions.

4. Uganda: the two programmes inspected are financing the building and renovation of primary schools. Particular importance is given to providing the children with school meals, which encourages attendance, and to housing teachers on the premises, which makes it easier to appoint motivated staff. The principle of free schooling is enforced by the State under the voluntary programme of universal primary education. In return, schools are allocated maintenance budgets. The schools and health centres visited were in a satisfactory state of repair, but there were huge disparities in the standard of furnishing.

5. Zimbabwe: the decision by the Council of the European Union to freeze all aid not directly benefiting the population has turned the spotlight on microprojects, the main objective of which is, in fact, to provide direct aid.

- The monetary situation in Zimbabwe is adversely affecting the poorest sections of the population, which should be the ones to benefit from EDF aid. In 2002, the financial budgets assigned to infrastructure projects under the twelfth multiannual micro-project programme thus proved insufficient on several occasions, owing to the combined effect of the very adverse exchange rate and sudden price increases suffered by contractors. As a result, additional packages were agreed and the work originally agreed was scaled down, to the detriment of the beneficiary communities, which had nonetheless paid their required contributions towards carrying out the projects.
- For example, a project to supply drinking water was completed only because of an additional contribution from the beneficiary community. Another project, although virtually complete, could not become operational, leaving the local population with no service at all. At one rural clinic located in a region given priority status because of the AIDS epidemic, funds had run out and only half of the equipment financed by the programme had been supplied. The beneficiary community had opted to retain the construction materials and to forgo the plumbing in the nurse's living quarters, together with additional medical equipment.
- The education objective of the ninth and twelfth programmes, which was to improve the standard of training being offered, was overwhelmingly attained. The installation of science labs in secondary schools will enable the schools to obtain a higher level of Ministry of Education accreditation and offer a higher level of qualifications. Considerable thought has been given to the housing of teachers. The EDF-funded equipment in the schools inspected was generally carefully stored and well maintained.

Economic sectors

55. The problems affecting projects that support revenue-generating commercial activities are linked to the low level of training in the communities in which projects originate, the technical complexity of the projects, the difficulty of fitting them into existing economic channels and climatic risks. In the event, the audit revealed a greater number of dysfunctions in this sector. There are fewer economic microprojects and the unit cost is often higher. Their need for expertise and technical assistance is greater. But the benefits which they bring in terms of development and lasting improvements in living standards is justification for the programmes that are exposed to these risks.



The profitability of this flour mill is by no means secure

56. The main activities in this sector are the construction of facilities needed, in particular, for irrigation (reservoirs, canals, pumps), crop storage (silos), their processing (mills), the marketing of produce (market places), their disposal (local roads) and veterinary care (vaccination crushes)⁽¹⁾. Local craft activities are also financed. Loans financing is practised in certain countries although it has been abandoned in others by reason of low levels of repayment or lack of management expertise in this area.

Box 13

Income-generating activities

1. Malawi: the main dysfunctions observed concerned loan-funded income-generating projects under the direct control of the national management unit. A pig farm run by a five-person team had received an initial 1½-year loan and a grant that had not been officially approved. As at the inspection date, repayments were subject to a five-month delay because the project team had been unable to feed the animals in such a way as to fetch a reasonable resale price. One project, a bakery, was ineligible because the loan had been awarded to a single beneficiary who, moreover, held an administrative post at the delegation on the date of the decision. Another project, a sawmill, was not operational because of an unrepaired technical fault.

2. Uganda: the use of loans to finance economic projects, as provided for in the Karamoja microproject programme, suffered a setback which resulted in its being transferred to an autonomous programme run by a specialised microloans unit. The microproject programme nonetheless subsidised the construction of several fenced enclosures, a veterinary building and a fiscal building for two projects to facilitate the holding of cattle markets and the collection of local excise duties on the sale of livestock. These construction projects, which had suffered interruptions preventing their official handover to the beneficiaries, were being under-used at the end of 2002. Less than three years after work had been completed, one of them had fallen into considerable disrepair (fencing not designed to withstand the pressure of livestock).

3. Zimbabwe: economic projects are grant-funded. The management unit favours simple low-cost technology such as gravity-fed irrigation. Notwithstanding major constraints such as silting and the rapid natural growth of the beneficiary population, the renovation of a gravity-fed irrigation system that had been started in the south-east of the country in 1932 is a positive example of aid for existing projects which have proved effective in the past and also offer significant development potential. By contrast, in the case of another irrigation system located in the same region, it was not possible to meet the condition set for the project's success — namely, the production and marketing of a good harvest. Being a plain, the area concerned necessitated the use of delicate technology (an electric pump) instead of the far more durable gravity-fed system. At the time of the visit, the threat to sustainability was serious, and the electric pump had already partly rusted and was liable to leak.

CONCLUSION AND RECOMMENDATIONS

Conclusion

57. While respecting the rules of the Lomé Convention and the principles of initiative and participation, the multiannual microproject programmes are able, with limited funds, to render a real service to people in poor countries. By doing so, they provide a convincing example of the effective, economical and efficient use of EDF resources (see paragraphs 38-40). Each country has been able to adapt implementation of the microproject programmes to its own structures and politics. The eligibility criteria for multiannual microproject programmes can differ greatly from one country to another, depending on the interpretation given to the terms of the Lomé Convention (see paragraphs 14-15).

58. Although the specific impact of the EDF programmes is not measured and appears difficult to measure except in relation to individual projects (see paragraphs 41-47), microprojects do

⁽¹⁾ A crush is used to immobilise animals that are to be vaccinated.

provide an appropriate response to essential needs in the great majority of cases.

59. The Court's audit has brought to light a number of management deficiencies and risks that are inherent in these programmes and which, although they are not an impediment to the continuation of the programmes, nevertheless call for corrective action or particular vigilance.

60. The Commission's central services have insufficient information about the multiannual microproject programmes, which limits any assistance that they might be able to give to the delegations (see paragraphs 17-20). Comparable programmes are not sufficiently taken into account in the design and appraisal of the EDF programmes (see paragraph 11).

61. The Commission has not drawn up internal rules and management guidelines dealing specifically with microproject programmes. This results in a proliferation of local guides of unequal quality (see paragraphs 21-23). The legal status of the management units is not adequately explained in programme reference documents (see paragraph 26). The management rules for programme estimates are not always followed rigorously, particularly as regards extensions of completion periods (see paragraphs 27-28). Harmful delays have been observed in the completion of programmes (see paragraph 9).

62. Although the accounting and financial management systems used for the programmes are generally satisfactory, there are weaknesses in the internal control procedures and in many cases the management information concerning projects is too little, too much, confused or irrelevant (see paragraphs 30-33).



Need to maintain the irrigation systems

63. There are no appraisals of national microproject programmes that have been carried out a long time after the programmes and which could provide useful information about the sustainability of older projects and enable similar questions to be taken into account in respect of future projects. Appraisals that relate to more than one country are too rare and too old to be of use to the Commission (see paragraph 10). The lack of reliable, consolidated information on financial aid to small-scale infrastructure in ACP countries means that it is not possible to assess the EDF's own contribution in this area (see paragraph 44).

64. Although projects were usually found to be in good condition several years later, their sustainability is still, in many cases, an open question and the quality of the service provided is uncertain, particularly in the areas of health and rural economic development (see paragraphs 53 and 55-56).

Recommendations

65. The Commission is requested to implement the following recommendations:

- (a) to organise its central services to receive and analyse relevant information concerning the general guidelines and overall results of multiannual microproject programmes, in order to be able to support, improve and promote this useful local development tool more widely;
- (b) to provide the delegations with a common microproject management guide which takes account of the specific characteristics of the instrument and the experience gained in this area;
- (c) to pay more attention to the legal status of microproject management units and provide a legal framework for relations between them and their partners, and local authorities in particular;
- (d) to ensure that implementation through programme estimates is better supervised so as to ensure that the project cycle is properly monitored and that time limits are observed in accordance with the priority expectations of the people;
- (e) to examine more closely the conditions affecting the sustainability of microprojects and, in particular, the part to be played in that by the local authorities at the different stages

of each project. The Court considers that a greater effort should be made to involve the local authorities in the ACP countries more clearly in the implementation of multiannual microproject programmes ⁽¹⁾;

- (f) to adopt realistic methods of measuring results for each country; to carry out more appraisals dealing with several countries, in order to identify best practice and circulate it to the delegations.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 17 and 18 December 2003.

For the Court of Auditors
Juan Manuel FABRA VALLÉS
President

⁽¹⁾ See similar recommendations in paragraphs 101-102 of the Court's Special Report No 2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the European Union, OJ C 93, 17.4.2003.

ANNEX I

MICROPROJECTS FINANCED BY THE SIXTH, SEVENTH AND EIGHTH EDFs
(situation at 31.12.2002) ⁽¹⁾

(million euro)

Country	Decided
Malawi	64,47
Zimbabwe	64,12
Nigeria	63,10
Ghana	47,72
Zambia	42,87
Togo	36,78
Uganda	33,32
Madagascar	20,88
Chad	18,10
Mali	17,91
Rwanda	15,78
Papua New Guinea	15,76
Congo	14,28
Angola	13,91
Lesotho	10,66
Swaziland	9,75
Senegal	9,70
Mozambique	9,21
Kenya	8,24
Burundi	7,78
Dominican Republic	7,57
Tanzania	7,53
Suriname	7,21
Comoro Islands	7,17
Guinea	6,25
Niger	6,18
Central African Republic	6,15
Côte d'Ivoire	5,64
Mauritius	5,36
Botswana	4,00
Namibia	4,00
Solomon Islands	3,18
Sudan	3,11
Fiji	3,03
Dominica	3,00
Cape Verde	2,65
Ethiopia	2,17
Samoa	2,05
Sierra Leone	1,96
Tonga	1,50
Haïti	1,00
New Caledonia	1,00
Benin	0,49
Gambia	0,31
Turks and Caicos Islands	0,26
Wallis and Futuna	0,25
Grenada	0,21
Seychelles	0,17
Trinidad and Tobago	0,09
Liberia	0,09
Guyana	0,06
Belize	0,05
Cameroon	0,02
20 countries without microprojects ⁽²⁾	
Total 6th, 7th and 8th EDF microprojects, all countries	618,03
Total microprojects for selected countries	273,37
Microprojects for selected countries as % of total 6th, 7th and 8th EDF microprojects	44 %
Total programmes audited in the countries selected	148,01
Programmes audited as % of total 6th, 7th and 8th EDF microprojects	24 %
Total aid under 6th, 7th and 8th EDFs	29 921,20
Total 6th, 7th and 8th EDF microprojects, all countries, as percentage of total aid under 6th, 7th and 8th EDFs	2,07 %

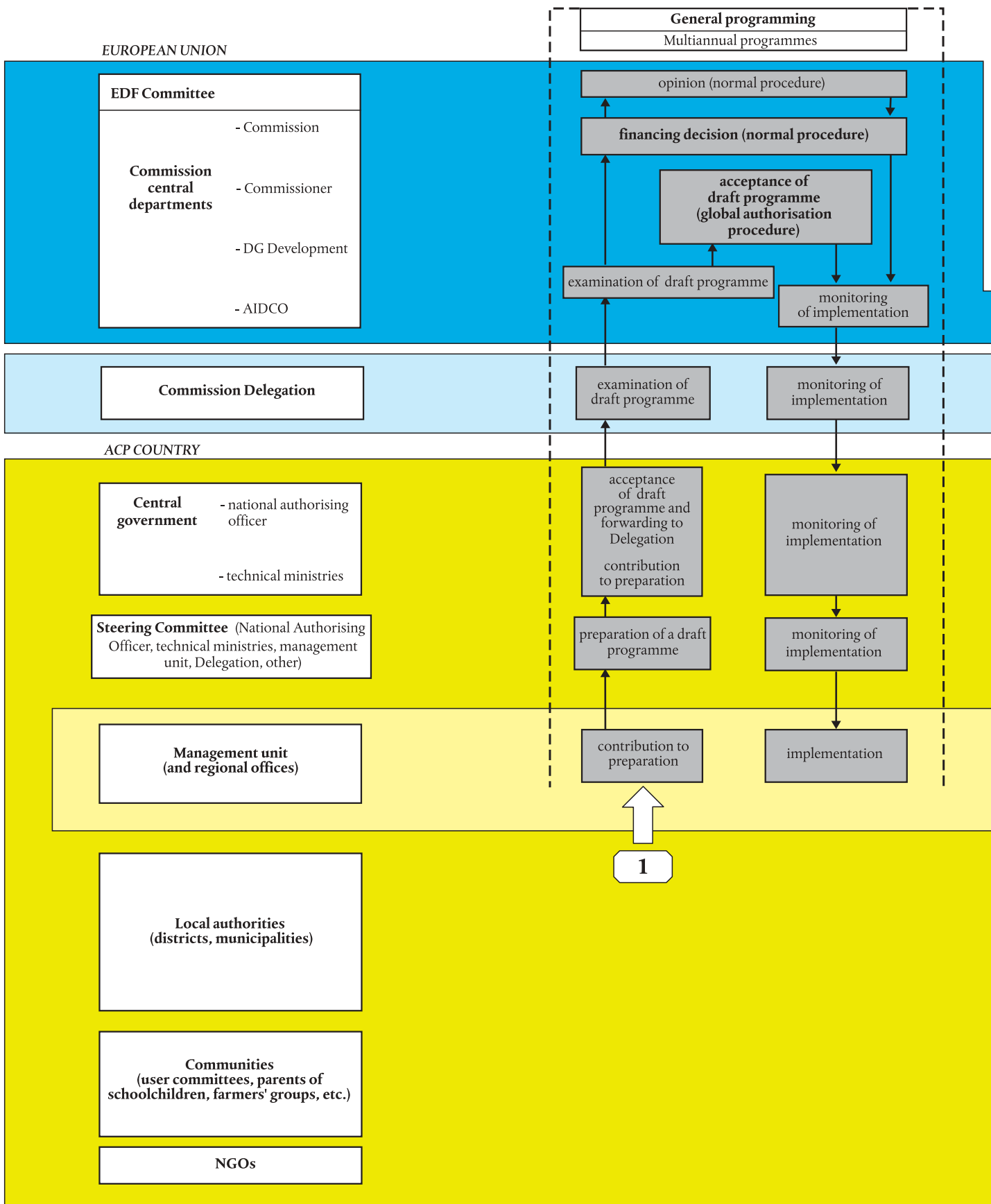
⁽¹⁾ The programmes inspected for this report are located in the countries printed in bold.

⁽²⁾ Antigua and Barbuda, Bahamas, Barbados, Djibouti, Eritrea, Gabon, Guinea (Bissau), Guinea (Equatorial), Jamaica, Kiribati, Mauritania, Democratic Republic of Congo, São Tomé and Príncipe, Somalia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Tuvalu, Vanuatu, Burkina Faso.

Source: Commission accounts at 31.12.2002.

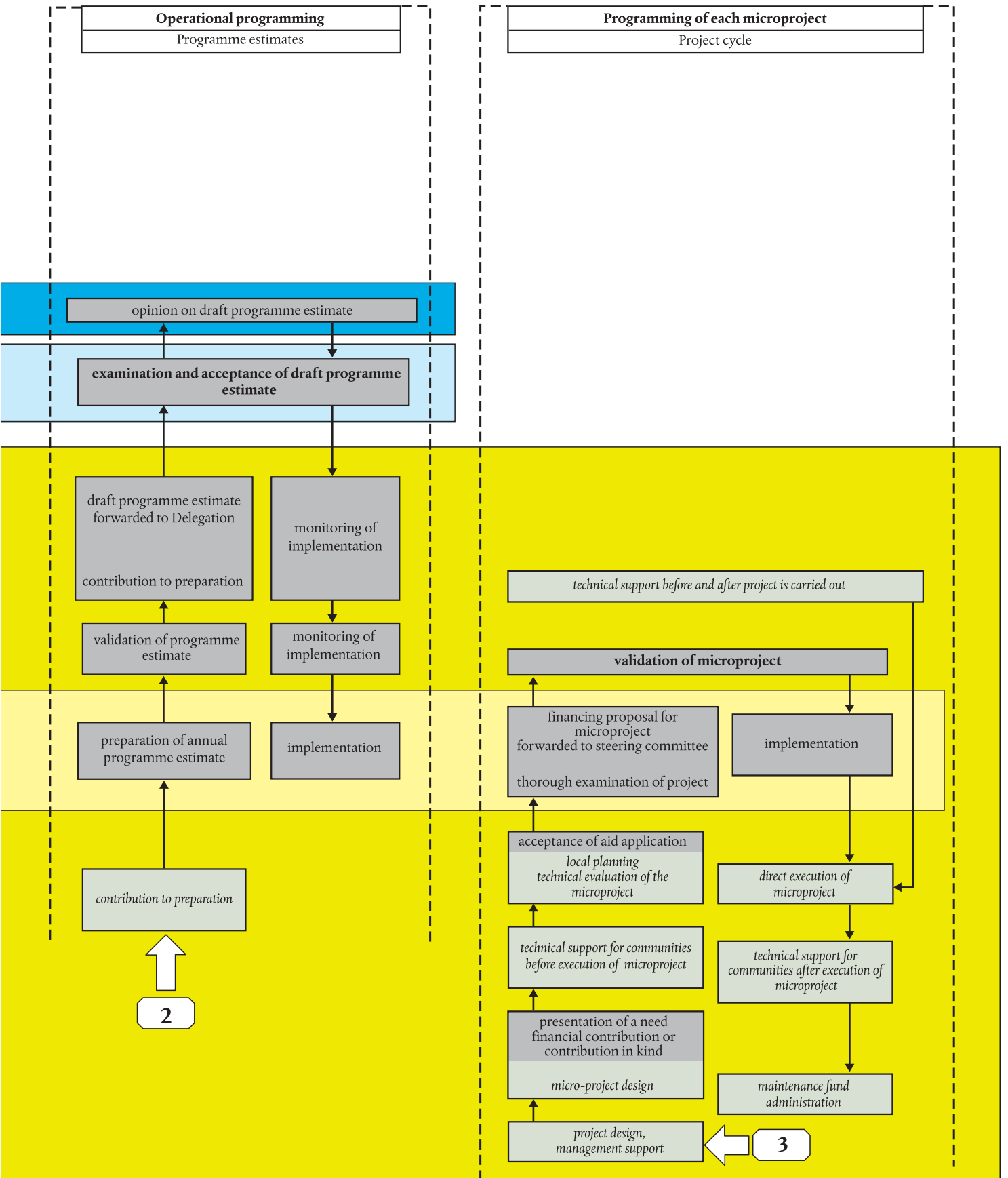
ANNEX II

MICROPROJECT PROGRAMMING AND MANAGEMENT



in italics: functions that exist in certain countries and certain circumstances.

1 2 3 The table should be read in the order 1, 2, 3, bearing in mind that, once set in motion, any of procedures 1, 2 or 3 interacts with the other two.



ANNEX III

MICROPROJECT PROGRAMMES SELECTED FOR THE COURT OF AUDITORS' AUDIT

(euro)

Country	Description	Decided	Committed	Paid		e (=d/b)	f (=d/a)	Date of FA/DGA ⁽¹⁾
		a	b	c (=b/a)	d			
Ghana	4th microproject programme, 7th EDF — first tranche	4 990 590	4 990 590	100 %	4 990 590	100 %	100 %	12.2.1997
	4th microproject programme, 7th EDF — second tranche	3 903 386	3 903 386	100 %	3 903 386	100 %	100 %	2.9.1997
	5th microproject programme, 8th EDF — phase 1	3 200 000	3 101 692	97 %	1 763 932	57 %	55 %	1.1.1999
	5th microproject programme, 8th EDF — phase 2	23 800 000	21 821 263	92 %	11 602 163	53 %	49 %	1.10.1999
	Subtotal Ghana	35 893 976	33 816 931	94 %	22 260 070	66 %	62 %	
Madagascar	3rd microproject programme, 7th EDF	311 362	311 362	100 %	294 267	95 %	95 %	1.4.1998
	3rd microproject programme, 7th EDF — balance from 5th EDF	788 166	788 166	100 %	743 641	94 %	94 %	1.4.1998
	PAICAL — Support Programme for Municipality and Local Association Initiatives - 8th EDF	8 000 000	5 483 512	69 %	2 344 064	43 %	29 %	8.9.1999
	Subtotal Madagascar	9 099 528	6 583 040	72 %	3 381 972	51 %	37 %	
Malawi	2nd microproject programme, 7th EDF	4 547 737	4 547 737	100 %	4 547 737	100 %	100 %	24.6.1996
	3rd microproject programme, 8th EDF	21 000 000	17 985 124	86 %	17 965 656	100 %	86 %	3.12.1999
	Subtotal Malawi	25 547 737	22 532 861	88 %	22 513 393	100 %	88 %	
Uganda	4th microproject programme — Karamoja region, 7th EDF	2 000 000	1 939 668	97 %	1 918 607	99 %	96 %	16.9.1996
	Aid for the Microproject Coordination Unit, 7th EDF	2 002 423	2 002 423	100 %	2 002 423	100 %	100 %	30.9.1996
	Technical assistance contract for the 8th EDF microproject programme	332 278	332 278	100 %	332 278	100 %	100 %	2.8.1999
	Microproject programme, 8th EDF	15 000 000	13 085 121	87 %	9 789 845	75 %	65 %	6.4.2000
	Subtotal Uganda	19 334 701	17 359 491	90 %	14 043 153	81 %	73 %	
Zambia	Microproject programme, 7th EDF (phase II)	5 000 000	4 837 682	97 %	4 820 681	100 %	96 %	16.2.1994
	Microproject programme, 7th EDF (phase III) — balance from 5th EDF	2 361 122	2 356 489	100 %	2 352 993	100 %	100 %	9.11.1995
	Microproject programme, 7th EDF (phase III)	260 850	260 850	100 %	260 850	100 %	100 %	9.11.1995
	Microproject programme, 7th EDF (phase IV) — balance from 5th EDF	711 494	700 392	98 %	691 208	99 %	97 %	10.6.1997
	Microproject programme, 7th EDF (phase IV)	788 506	760 000	96 %	644 514	85 %	82 %	10.6.1997
	Microproject programme, 8th EDF (phase I)	8 000 000	7 994 265	100 %	7 312 484	91 %	91 %	22.7.1998
	Microproject programme, 8th EDF (phase II)	14 500 000	14 444 942	100 %	11 472 246	79 %	79 %	14.12.2000
	Subtotal Zambia	31 621 972	31 354 620	99 %	27 554 977	88 %	87 %	
Zimbabwe	9th microproject programme, 7th EDF — balance from 5th EDF	720 336	720 336	100 %	720 336	100 %	100 %	15.4.1996
	9th microproject programme, 7th EDF	3 713 636	3 713 636	100 %	3 713 636	100 %	100 %	15.4.1996
	12th microproject programme, 7th EDF	7 821 379	3 860 723	49 %	1 343 538	35 %	17 %	3.10.2000
	12th microproject programme, 7th EDF — balance from 5th EDF	2 523 885	2 105 400	83 %	1 808 212	86 %	72 %	3.10.2000
	12th microproject programme, 8th EDF	12 454 736	9 693 368	78 %	6 181 905	64 %	50 %	3.10.2000
	Subtotal Zimbabwe	26 513 636	19 373 127	73 %	13 047 291	67 %	49 %	
	Total programmes in selected countries	148 011 551	131 020 069	89 %	102 800 855	78 %	69 %	

⁽¹⁾ FA = financing agreement; DGA = global authorisation decision.

Source: Court of Auditors.

ANNEX IV

NUMBER OF MICROPROJECTS INSPECTED BY THE COURT OF AUDITORS

Project type \ Country	Total	Ghana	Madagascar	Malawi	Uganda	Zambia	Zimbabwe
SOCIAL INFRASTRUCTURE	106	23	16	9	16	28	14
Education/culture	59	9	11	7	9	16	7
Primary schools	35	5	3	3	8	11	5
Secondary schools	15	3	4	4		2	2
Training centre	2	1				1	
School for deaf children	1					1	
Colleges of Education	1				1		
Sports facilities	2		2				
Accommodation for schoolchildren	1		1				
Perimeter walls	1					1	
Cultural centres	1		1				
Health	29	8	1	2	4	10	4
Local clinics	29	8	1	2	4	10	4
Water and sanitation	18	6	4		3	2	3
Construction of wells	3		2				1
Work on natural water sources	3				3		
Water supply systems	4		2				2
Sanitation	8	6				2	
ECONOMIC INFRASTRUCTURE	38	0	11	13	5	3	6
Agriculture	12		2	4	2		4
Vaccination crushes	3		2		1		
Water points for cattle	2						2
Irrigation systems	2						2
Maize mills	3			3			
Grain silos	1				1		
Pig units	1			1			
Markets	8		5		3		
Road infrastructure	5		3	2			
Bus stations	1		1				
Bridges	2		1	1			
Rural roads	2		1	1			
Other	13		1	7		3	2
Sawmills	1			1			
Microloan systems	3					3	
Reafforestation	4			4			
Electrification	2						2
Post offices	1			1			
Bakeries	1			1			
Flood barriers	1		1				
TOTAL PROJECTS INSPECTED	144	23	27	22	21	31	20
Number subject to on-the-spot and documentary checks	104	23	9	19	18	15	20
Number subject to documentary checks only	40	0	18	3	3	16	

Source: Court of Auditors.

THE COMMISSION'S REPLY

SUMMARY

II. The Commission welcomes the Court's broadly positive judgment on microproject programmes (MPPs).

While in the past central services have faced difficulties in monitoring MPPs more closely, they intend to play an increasingly important role in terms of thematic support and dissemination of best practice, and are preparing an overall guide for MPPs.

The legal status of the management units has still not been resolved but their main dealings with National Authorising Officers (NAO) are covered by a memorandum of understanding or contract.

Projects that invest a lot of time in preparation, although slow to start up and disburse funds, have the advantage that communities understand the projects better and enter into the spirit of the project.

The ninth EDF incorporates new rules which should make the management of programme estimates more reliable and efficient.

EuropeAid Co-operation Office has now completed a register of ongoing microprojects and those closed since January 2003.

The Commission attaches great importance to institutional capacity-building at all levels, so as to promote sustainability. Where possible, involvement of local administration and municipalities can support ownership and sustainability.

III. EuropeAid Co-operation Office will:

- Take on more of a support role.
- Translate best practice into a detailed guide and ensure more reliable and efficient programme management.
- Where possible, involve local administrations and municipalities with a view to supporting success and sustainability. The provisions set out under Cotonou allow a greater role for decentralised actors.
- Launch a systematic evaluation of MPPs on a cross-cutting basis in 2004.

THE DEVELOPMENT OF THE MULTIANNUAL MICROPROJECT PROGRAMMES

10. The Commission attaches great importance to evaluation activities and has evaluated each microproject programme individually. A more systematic evaluation on a cross-cutting basis will be launched in 2004.

11. A coordinated approach is beneficial to any activity and this should improve as more and more decision-making autonomy is given to Delegations in the context of devolution.

Box 1 — Comparable programmes:

1. *Malawi:* The lack of coordination with the World Bank — Government of Malawi project (MASAF) is because that project is at risk of frequent political intervention. But information is exchanged on requests presented by local communities. Only in very rare (and usually well justified) cases have the EDF and MASAF implemented/financed projects with the same communities in the same places.

3. *Zimbabwe:* The Delegation accepts the need for greater coordination between MPPs and other initiatives. In the case of the ZDCP, a recent evaluation found the process approach

applied to be very successful and also noted the similarity of projects. The MPP has taken a 'hardware' approach (building infrastructure), with ZCDP concentrating more on the 'software' (how to use infrastructure). The fact that similar projects emerged at the end of the process has been due to the ZCDP's difficulty in developing more innovative projects in its pilot phase. In the new programmes being developed for both the MPP and ZCDP, a key issue now being addressed will be the coordination and complementarity of the two programmes.

15. The diversity of approaches and the ability to adapt programmes to local structures and contexts are in fact one of the strong points of MPPs, as they can take account of the situation on the ground.

16. The level of involvement of local authorities depends on the state of decentralisation: if a country already has a tradition of decentralisation and strong local institutions with the capacity to manage the programme, there is every reason to promote a decentralised MPP. Where decentralisation is less developed, guidance and central support will be vital.

IMPLEMENTATION OF THE MULTIANNUAL MICROPROJECT PROGRAMMES

18-19. MPPs are an implementation tool rather than a sector. With regard to OLAS it is therefore difficult to assign a specific DAC code to MPP operations due to the wide range of activities covered. This has created some confusion.

EuropeAid has now completed a register of ongoing micro-projects and those closed since January 2003. The register includes information on areas of intervention by sector and sub-sector and provides a useful database for the monitoring and evaluation of microprojects. The register has for instance provided the database for a study of the activities supported by MPPs at sectoral level. The results of this study will be available in January 2004.

20. EuropeAid Co-operation Office intends to take on more of a thematic resource role, providing a guide to current MPPs (lessons to be learned) and basic information about activities funded and implementation models used in different scenarios. This is an achievable goal in the short term; in the medium to long term, a more detailed framework document could be provided. Since the Court carried out its audit, the results of MPP monitoring missions and lessons learned have been circulated to all Delegations, as will be other background documentation on MPPs (such as the Government of Botswana's report on their workshop on MPPs in East and Southern Africa, held in Novem-

ber 2002 — this is an excellent example of how individual experiences in this particular field can be disseminated to mutual advantage and is an exercise that other regions could take on board).

Information on mid-term reviews (timings, feedback etc) will be collected systematically.

21-22. Dissemination of lessons learned could improve design, but not necessarily through a one-size-fits-all approach. Experience shows that countries have different needs and very different levels of capacity. A recent report shows that adaptation to particular country needs produces the best results — it states that MPP designs are best when the design reflects the country's situation — and that no one design is correct for all countries. The overall guide for MPPs in preparation will stress flexibility and provide basic ground rules and acceptable practice. It should be available by March 2004.

23. The divergence of projects from the terms set out for MPPs under the Lomé Convention is an aspect that should be improved under Cotonou with closer attention to design. The new provisions also allow a greater role for decentralised actors, and involve non-state actors more closely in preparation than before.

26. The mandate given by the national authorising officer to the project management unit, and the arrangements for management and execution of the project, are set out in a memorandum of understanding (where the PMU is a public-sector body) or service contract (where it is a private-sector body). The mandate lays down the responsibilities of the management unit, its links with the ACP State, and the level of powers delegated by the NAO to conclude and award contracts, which gives project management units considerable legal autonomy.

The Commission is aware that powers are not always uniformly delegated; this should be resolved under the ninth EDF with the adoption of the new practical guide to the management of direct labour operations. It is true that the issues of legal capacity that the Court mentions may be problematic and the Commission will hold discussions with its partner countries about how to deal with them.

27-29. Projects that invest a lot of time in preparation, although slow to start up and disburse funds, have the advantage that communities understand the projects better and enter into the spirit of the project.

In some cases the running time of programme estimates is affected by the postponement of the closure stage (which as a rule should be not later than six months after the end of operations) but this does not undermine the purpose of the programme-estimates.

Box 6 — Programme estimates

4. *Zimbabwe*: The move in 2001 to a batch commitment system was intended to avoid the existence of a single large commitment which could not be closed down due to the large number of projects allocated under it, all with different closing time frames. The move to a batch system was supposed to allow commitments to be closed more easily and on schedule. The search for a more user-friendly system is continuing.

29. Projects that invest a lot of time in preparation, although slow to start up and disburse funds, have the advantage that communities understand the projects better and enter into the spirit of the project. Rules and procedures give management the means to control their projects and allow communities to understand the nature of the agreement which they have entered into.

Box 7 — Programme implementation rate

1. *Ghana*: Physical implementation suffered delays. One of the reasons was the central government's delay in disbursing the District Common Fund tranches to the districts.

The Commission services and the NAO will examine how to get all microprojects completed and will start work on a successor programme, in order to avoid a hiatus in activities between MPP 5 and the successor programme.

2. *Malawi*: To rectify the situation the steering committee decided in late 2002 to suspend approval of new projects and to carry out an extensive systemic organisational audit covering the whole project period (MPP I, II and III). The steering committee amended its terms of reference in 2003 following the audit's recommendations. The regional offices are due to get additional resources under MPP 4.

3. *Uganda*: The fact that several programme estimates are open simultaneously and/or have been extended is due to delays in the work and payment to contractors of the 10 % retained, resulting in difficulties in closing the commitments. As from 2003/04, they will be consolidated into a single work

programme combining commitments (liabilities) carried over and new activities, and the old programme estimates can therefore be closed within a few months.

5. *Zimbabwe*: The economic problems facing Zimbabwe have led to some activities being cut. However, with the new exchange rate the MPP is reviewing all recent projects to provide supplementary funding for projects which had to reduce or cut out certain initiatives and ensure that they are completed.

30. Where the project management unit is a private-sector body a bank deposit is put up to cover the risk. For direct labour operations ultimate financial responsibility to the Commission lies with the national authorising officer. Advance payments are only replenished after expenditure has been checked. These control arrangements should as a rule ensure that operations are properly conducted and managed.

33. Under the ninth EDF, for externalised direct labour operations a service contract will specify the tasks delegated to the public or private sector body responsible for project execution. Such contracts must make suitable provision for controlling the use of EDF resources, which should make the management of programme estimates more reliable and efficient.

Box 8 — Financial organisation and organisation of the accounts

1. *Ghana*: The mid-term evaluation took place during implementation of the second cycle and prior to the start of the third cycle. Its conclusions and recommendations will be studied, and if found appropriate will be taken into account for the implementation of the third cycle.

2. *Madagascar*: Municipalities do manage the project account, into which they pay their own cash contribution. The arrangements for the AMCD's payments to the municipality are set out in the financing agreement between them. In addition to the contractual provision there is a letter of contract between the municipality and the contractor (endorsed by the AMCD in its capacity as programme supervisory authority). As work progresses the AMCD pays the successive instalments into the municipality's account. The municipality then pays the contractor the agreed sum and the AMCD verifies the payment.

3. *Malawi*: The project's over-centralised financial management is a recognised problem, affecting both the steering committee and the project management; it was mentioned in the organisational audit carried out in 2003. As a result of the audit the Government of Malawi, to prevent a recurrence of the problem, is expected to put forward proposals for increasing the role of decentralised bodies. The results of the certification audits by external audit firms are a crucial element for the

replenishment of accounts. The project management is now in charge of presenting the results and recommendations of external audit reports at each meeting of the steering committee.

4. *Uganda*: Starting in the fourth quarter of 2002, the audit and training/advisory functions have been separated and another audit firm has been contracted for this purpose.

The microprojects financed by MPP are part of the District Development Plan, involving district accountability; so the microprojects accounts are in principle already audited by the Auditor General. However, the AG does not inform the MPP about his findings and the districts are reluctant to share them. The accounting performance of districts therefore has to be evaluated by means of the MPP's own internal monitoring and audits, backed up by the assessment reports from LGDP (Local Government Development Program, financed by the World Bank and other donors).

36. The monitoring and general follow up of programmes is a key factor in the success of any initiative. The verification and adaptation of overall design and individual initiatives needs to be well planned at the design stage of the programme and should as far as possible include the beneficiaries' input. The programmes must be flexible enough to allow constant evaluation and action in response to findings.

Box 9 — Technical monitoring of infrastructure

1. *Madagascar*: With very few exceptions project quality is satisfactory. Following the Court's recommendations a system has been set up to check the progress of the work before each instalment is paid. A two-hour inspection visit to some of these projects may involve a day's travel by dug-out canoe or a 40-kilometre walk.

37. The Commission agrees with the need to further improve and simplify the monitoring and reporting system at implementation level, and in most cases the Delegations have already taken the necessary steps.

Box 10 — Information systems

1. *Ghana*: The design of the monitoring system is now complete and currently undergoing field testing. The response at community level is rather unsatisfactory, often due to a lack of literate villagers able to complete monitoring forms.

2. *Madagascar*: The system has been revised, consolidated and streamlined with the aim of speeding up and simplifying direct access to information. There is now a single monitoring support. Full particulars can be obtained from the technical and financial reports.

3. *Malawi*: This issue was covered by the organisational audit in 2003. Its recommendations were discussed in full by the steering committee, which decided in 2003 to replace the project manager.

Following the 2003 audit the programme acquired the PAS-TEL® programme with a view to improving the management of accounting data. When MPP 4 gets under way a database will be set up for technical reports, evaluations etc..

4. *Uganda*: The reporting procedures bring the total number of reports to around 70 per year, but these are condensed into less than 10 reports for external distribution.

5. *Zimbabwe*: See reply to box 6.

RESULTS OF MULTIANNUAL MICROPROJECT PROGRAMMES

39. It is encouraging to note the Court's broadly positive judgement on microproject programmes.

41. An overall needs assessment must be part of programme design. This will result in clear criteria for selection of individual projects and equally clear impact indicators. The logframe should be used as a development tool and be updated and acted upon throughout the duration of the programme/individual projects.

42. Any programme should seek to work within the framework of national strategies and plans. However, microprojects are not just designed to match traditional indicators (such as number of water pumps), they also deal with capacity-building. Whilst it is true that in this context the impact of microprojects is difficult to measure it is not impossible, depending on the advancement of a country's policy framework and priorities.

44. EuropeAid Cooperation Office has put in place a register of MPPs, and information on mid-term reviews (timing, feedback etc.) will be collected systematically. EuropeAid Cooperation Office is putting in place a system to monitor MPPs more closely.

45. Sufficient flexibility is necessary for microprojects to be effectively 'process projects'. A log-frame approach is relevant but sometimes it is not used as a working tool and is too vague, with unrealistic indicators. Indicators should be refined during the whole lifetime of the project.

46. Indirect impact is mostly a favourable phenomenon but can also be the opposite. This again should be taken into account in design, implementation and monitoring.

47.

Box 11 — Measuring impact

1. *Ghana*: Assessment of the performance of the fifth MPP by beneficiaries was always considered to be necessary and important. Because of this, during MPP 5, assessment by beneficiaries was included as an integral part of MISME (Management Information System Monitoring and Evaluation).

Community and district response, however, proved to be rather unsatisfactory (see also comment on box 10, paragraph 1). Districts and communities lack experience in beneficiary assessment. Completion of forms at community level is hampered by the high level of illiteracy. It is therefore planned to contract one or more local NGOs during the first quarter of 2004 for comprehensive beneficiary assessment studies.

2. *Madagascar*: It is difficult to measure results for socio-organisational development and rural organisation. It is worth noting, however, that the participatory and socially consensual way in which PAICAL activities were implemented produced a much lower rate of project failure/discontinuation than earlier microprojects. Ex post evaluation and consolidation of PAICAL are scheduled for 2004. This will not be a study carried out on conventional lines; it will place the emphasis on participatory methods.

3. *Malawi*: The MPRSP (Malawi Poverty Reduction Strategy Paper) identifies a number of indicators but not many of them are suitable for microprojects. However, the launch of MPP 4 will be accompanied by studies to establish baselines and a set of objectively verifiable indicators.

4. *Uganda*: The programme's logical framework was revised in the second half of 2002 and measurable and verifiable indicators were established for activities, results and purpose. The programme established baseline data sets in the course of 2002/03 and its effects and impact can be monitored (measured) with reference to the base year (June 2000). This can be done at the level of provision (activity), access (result level) and utilization of social service facilities (purpose), which is directly related to the quality of life of the population.

The accuracy of the data sets has further been improved by the availability of the 2002 census data (population and administrative units).

Capacity-building results are monitored through qualitative targets as (1) functioning of Project Implementation Committees, (2) quality of proposed microprojects and (3) procurement, contract management and accountability of the district administrations.

49. Involvement of local administrations and municipalities (where possible) can support success and sustainability. The 25 % contribution required does not create ownership alone and is something that must be cultivated. Without ownership, there will always be the danger that projects become purely construction projects rather than community building projects.

50. The systematic learning of lessons from old programmes should be improved by the monitoring exercise being undertaken by the Commission and the planned systematic evaluation phase (see above). Microprojects are often seen as a panacea for countries where more traditional types of programme are difficult to implement due to poor governance. However, they should be clearly linked to institutional capacity-building at all levels to promote sustainability.

Box 12 — Microprojects in the social sectors:

1. *Ghana*: The quality of constructions and quality-control aspects need to be improved. The mid-term evaluation proposed that all microprojects under the first and second cycle should be assessed by quality control engineers in order to determine case by case whether corrective measures will have to be taken and if so, what they should be.

The need to improve the sustainability and maintenance of microprojects has been taken into account in the revised Memorandum of Understanding between the District Assemblies, the MPMU, the NAO and the Delegation, which will become effective as of the third cycle physical implementation.

5. *Zimbabwe*: The economic problems facing Zimbabwe have led to some activities being cut. However, with the new exchange rate the MPP is reviewing all recent projects to provide supplementary funding for projects which had to reduce or cut out certain initiatives and ensure that they are completed.

CONCLUSION AND RECOMMENDATIONS

59. The Commission is taking various steps to improve its management of microprojects, as set out in the following paragraphs.

60. While in the past central services have faced difficulties in monitoring MPPs more closely, in the context of devolution EuropeAid plays now an increasingly important role as a thematic resource, providing guidance to current MPPs (lessons to be learned), and basic information as to what activities have been funded and implementation models used in different scenarios. EuropeAid has now completed a register of ongoing MPPs and those closed since January 2003. The register provides a useful database for the monitoring and evaluation of microprojects. The results of MPP monitoring missions and lessons learned have already been circulated to all Delegations, as will be other background documentation on MPPs. An overall guide for MPPs is in preparation, which will present basic ground rules and acceptable practice, while stressing flexibility as regards implementation arrangements.

It is clear from evaluations, mid-term reviews and monitoring missions that (as is the case with all development projects) the most successful programmes are those that are well planned and designed in consultation with potential beneficiaries and with other interlocutors such as donors, NGOs and the national administration. A coordinated approach is beneficial to any activity and this should improve as Delegations acquire greater decision-making autonomy in the context of devolution.

61. As EuropeAid takes on more of a support role, Delegations feed back progress on MPPs in a more systematic fashion; this is being translated into a guide on best practice and advice on accepted intervention arrangements.

Dissemination of lessons learned could improve design. Any guide, however, must respect the right of the NAO to choose implementation arrangements and be sufficiently flexible to take into account local conditions and priorities. An overall guide for MPPs (in preparation) will provide basic ground rules and acceptable practice.

The Commission will look with its partner countries at ways of settling the legal status of certain management units but would point out that memoranda of understanding and contracts are drawn up which regulate the NAO's relations with these bodies and set out their mandate from the NAO, along with the project management and implementation arrangements. The mandate lays down the responsibilities of the management unit, its links with the ACP State, and the level of powers delegated by the NAO to conclude and award contracts, which gives project management units considerable legal autonomy.

The divergence of projects from the terms set out for MPPs under the Lomé Convention is an aspect that should be improved under Cotonou with closer attention to design.

Projects that invest a lot of time in preparation, although slow to start up and disburse funds, have the advantage that communities understand the projects better and enter into the spirit of the project. Rules and procedures give management the means to control their projects and allow communities to understand the nature of the agreement which they have entered into.

62. Under the ninth EDF, for externalised direct labour operations a service contract will specify the tasks delegated to the public or private sector body responsible for project execution. Such contracts must make suitable provision for controlling the use of EDF resources, which should make the management of programme estimates more reliable and efficient.

63. The Commission attaches great importance to evaluation activities and has evaluated each microproject programme individually. It is clear, however, that the sustainability of programmes can only be properly judged some time after their completion. A systematic evaluation of MPPs on a cross-cutting basis will be launched in 2004.

65. (a) EuropeAid intends to take on more of a thematic resource role, providing a guide to current MPPs (lessons to be learned), and basic information as to activities funded and implementation models used in different scenarios. This is an achievable goal in the short term; in the medium to long term, a more detailed framework document could be provided.

EuropeAid has put in place a register of MPPs, and information on mid-term reviews (timings, feedback etc) will be collected systematically. EuropeAid is putting in place a system to monitor MPPs more closely.

(b) As EuropeAid takes on more of a support role, Delegations will feed back progress on MPPs in a more systematic fashion: this can then be translated into a detailed guide on best practice and advice on accepted intervention arrangements.

An overall guide for MPPs is in preparation, which will stress flexibility but will provide basic ground rules and acceptable practice.

(c) The Commission will look with its partner countries at ways of settling the legal capacity of certain management units.

(d) The Commission is already taking a more structured approach and hopes in this way to observe time limits for implementation of microproject programmes; it is well aware of the expectations these programmes raise for the beneficiary communities.

(e) Involvement of local administrations and municipalities (where possible) can support success and sustainability. Without ownership, there is a danger that projects become

purely construction projects rather than community-building projects. The provisions set out under Cotonou allow a greater role for decentralised actors, and involve non-state actors more closely in preparation than before.

(f) The Commission attaches great importance to evaluation activities and has evaluated each microproject programme individually. A more systematic evaluation on a cross-cutting basis will be launched in 2004.
