

*Evaluation of European Commission's
Cooperation with El Salvador –
Country level Evaluation*

Final Report

Volume 1 : Main report

March 2010

Evaluation for the European Commission





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

LOT 4:
**Evaluation of EC geographic co-operation strategies for
countries/regions in Asia, Latin America,
the Southern Mediterranean and Eastern Europe
(the area of the New Neighbourhood Policy)**

**Ref.: EuropeAid/122888/C/SER/Multi
Request for Service: 2008/166326**

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Co-operation with El Salvador**

Country level Evaluation

FINAL REPORT

March 2010

This evaluation was carried out by ADE



The evaluation was managed by the Joint Evaluation Unit (EuropeAid, DG DEV and DG RELEX).

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

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Acronyms

€	Euro
€ bn	Billion Euros
€ m	Million Euros
\$	US Dollars
AIDCO	EuropeAid Co-operation Office
APREMAT	Apoyo al Proceso de Reforma de la Educación Media Técnica
ARENA	Alianza Republicana Nacionalista
ALA	Asia and Latin America (1992 Regulation)
AP	Apoyo Presupuestario (i.e. Budget Support)
BDS	Business Development Services
BID	Banco Interamericano de Desarrollo
Budget	Budget of the European Commission
BS	Budget support
C	Conclusion
CA	Central America
CACM	Central American Common Market
CEPAL	Comisión Económica para América Latina y el Caribe
CNSP	Consejo Nacional de Seguridad Pública
COM	Communication of the European Commission
Commission	European Commission
COMURES	Corporación de Municipalidades de la República de El Salvador
CONADEL	Comisión Nacional de Desarrollo Local
CONAMYPE	Comisión Nacional de la Micro y Pequeña Empresa
Council	European Council
CRIS	Common RELEX Information System
CSP	Country Strategy Paper
DAC	Development Assistance Committee of the OECD
DCI	Development Cooperation Instrument
DCI-NSAPVD	Non State Actors – Pays en Voie de Développement
DDH	Démocratie et Droits de l'Homme
DEV	Directorate General Development of the European Commission
DG	Directorate General of the European Commission
DP	Devis-programme
EAMR	External Assistance Management Report

EC	European Commission
ECD	European Commission Delegation
ECHO	European Commission's Humanitarian Aid Office
ECLAC	Economic Commission for Latin America and the Caribbean
EIDHR	European Instrument for Democracy and Human Rights
ENV	Environment
EQ	Evaluation Question
EU	European Union
FA	Financing Agreement
FISDL	Fondo de Inversión Social para el Desarrollo Local de El Salvador
FMLN	Frente Farabundo Martí para la Liberación Nacional
FOOD	Food security (thematic budget line)
FOEX	Fondo de Fomento a las Exportaciones
FOMYPE	Fortalecimiento de la Competitividad de las Micro y Pequeñas Empresas en El Salvador
FORGAES	Fortalecimiento de la Gestión Ambiental en El Salvador
FTA	Free Trade Agreement
GoES	Government of El Salvador
HDI	Human Development Index
I	Indicator
IDB	Inter-American Development Bank
IL	Intervention Logic
IMF	International Monetary Fund
JC	Judgement Criterion
LA	Latin America
LAC	Latin and Central America
LL	Lesson learnt
MARN	Ministerio de Medio Ambiente y Recursos Naturales
MDGs	Millennium Development Goals
MINEC	Ministerio de Economía
MINED	Ministerio de Educación
MN	Meeting Notes
MoU	Memorandum of Understanding
MS	Member States (of the European Union)
MSE	Micro and Small Enterprises
MYPE	Micro y Pequeña Empresa
NGO	Non Governmental Organisation

NGO	NGO Cofinancing (thematic budget line)
NIP	National Indicative Programme
NTM	Non-Tariff Measure
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PAPES	Programa de alivio a la pobreza en El Salvador
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PIU	Project Implementation Unit ('entidad gestora')
PMU	Project Management Unit ('unidad de gestión')
POA	Programa Operativo Annual (<i>Annual Work Plan</i>)
POG	Programa Operativo Global (<i>Overall Work Plan</i>)
PREVDA	Programa Regional de Reducción de la Vulnerabilidad y Degradación Ambiental
PROARES	Programa de Apoyo a la Reconstrucción de El Salvador
PROCALIDAD	Programa de Fortalecimiento del Sistema Nacional de Calidad en El Salvador
PRO-EDUCA	Fortalecimiento de la Cohesión Social en el Sector Educativo de El Salvador
PROJÓVENES	Prevención Social de la Violencia y Delincuencia Juvenil en el Gran San Salvador
PRRAC	Programa de Reconstrucción Regional para América Central
RECODEL	Red de Cooperantes para el Desarrollo Local
REH	Rehabilitation/Refugees
RELEX	Directorate General for External Relations of the European Commission
ROM	Results-Oriented Monitoring
RSP	Regional Strategy Paper
SIMPLE	Sistema de Mapeo, Planificación y Evaluación
SME	Small and mid-sized enterprise ¹
TA	Technical Assistance
TAP	Technical and Administrative Provisions
TBD	To be determined

¹ This report refers generally to MSE (Micro and Small Enterprise) rather than SME (Small and Medium-sized Enterprises), conforming the EC cooperation strategy in El Salvador and the usage in this country (respectively MYPE and PYME in Spanish).

ToR	Terms of Reference
UGP	Unidad de Gestión del Proyecto
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States
USD	US Dollar
VA	Value-added
WB	World Bank

Executive Summary

Subject

This evaluation assesses the **European Commission's (EC) cooperation with El Salvador over the period 1998-2008**. It aims at providing an **overall independent assessment** of the entire EC cooperation strategy and support in the country and to provide **key lessons** to improve current and future EC strategies and programmes.

Methodology

The evaluation applied a rigorous methodology. Firstly, the assessment was structured in eight Evaluation Questions embodying 29 Judgement Criteria and 114 Indicators. Secondly, it applied a three-phase gradual approach consisting of desk, field and synthesis work. Thirdly, study was based on a sample of interventions representing 70% of the funds. And fourthly, it used a combination of different information sources and tools, including 232 documents and 86 interviews with 150 interviewees from EC Headquarters and Delegations, national authorities, implementing partners, final beneficiaries, civil society, and other donors.

Context

National context (1998-2008):

The main characteristics of the Salvadorian context are the following:

- A small, densely populated country of 5.7 million inhabitants (in 2007), with an additional 2 to 3 million living abroad;
- An industrious middle-income country, with a relatively high GDP average growth rate over the period (3% in constant terms);

- High dependency of the country on remittances (*remesas*) and offshore factories (*maquilas*);
- No IMF programme and hence no Poverty Reduction Strategy Paper;
- One third of the population affected by poverty; high inequality; and a large gap between urban and rural areas;
- A 12-year long civil war, ended with the 1992 Peace Accords, and followed by a high degree of polarisation in national politics – but political stability since then with successive right-wing governments until 2009;
- One of the highest levels of crime and violence in the world, related in particular to youth gangs (*maras*); and
- High vulnerability to natural disasters, such as Hurricane Mitch in 1998 and the earthquakes in 2001.

International cooperation:

Total international cooperation has represented a non-significant part of the resources of this middle-income country in recent years, with 1.4% of its GDP (in 2007). The main donors were the US, Spain, Japan and the EC. The EC and the European Union (EU) Member States accounted together for 51% of the \$1.6bn ODA grants over the period 2001-2007.

EC cooperation with El Salvador:

The EC committed a total of €195m over the period 1998-2008 for country-specific interventions in El Salvador, mainly through RELEX-AIDCO (€171m) in addition to ECHO (€23m). Essentially, this consisted of a few large interventions in the range of €9m-€37m each, in the field of secondary technical education, juvenile delinquency, social infrastructure (through budget support), micro and small enterprises, and the environment,

besides the reconstruction programmes following the 1998 hurricane and 2001 earthquakes. Further, there were a number of smaller projects, funded mainly on EC thematic budget lines.

Conclusions and Lessons Learnt

The EC strategy and interventions responded well to the main needs and priorities of the population of this country. They also proved flexible in adapting to urgent needs relating to natural disasters, and to emerging opportunities such as support to a new national poverty-reduction programme.

In doing so, the EC was able to find, as far as possible, common ground with national policies, which was a difficult exercise given the high polarisation of the successive right-wing Governments. There was indeed little Government concern in EC priority areas such as poverty, inequalities, decentralisation, or small and medium enterprises, during most of the period. There were hence few national policies for the EC to support in these areas. There was for instance initially a repressive approach towards juvenile delinquency that was considered by most specialists as “doomed to fail”. The EC met this challenge by introducing a preventive approach based on internationally-agreed good practices, with the agreement of the Government, although in contradiction with national policies.

Overall, EC achievement of objectives was satisfactory in its three priority areas that were granted substantial funding. In the field of social violence, it contributed to the reduction in juvenile delinquency in the municipalities in which it intervened, and contributed to the change in the controversial Government policy. In secondary technical education, it facilitated the formalisation and use of

new methodologies at national level, and the creation of 22 centres of excellence. In basic infrastructure, the EC met its objectives, notably in terms of access to potable water and sanitation. **But in the field of local micro and small enterprises there have been limited results overall.** Funding at country level was additionally low with regard to EC objectives in the fields of decentralisation and trade and regional integration.

EC bilateral cooperation supported new dynamics at a national level, through pilot interventions pursuing concrete results at the level of direct beneficiaries but also seeking changes at the level of national policies and approaches. It used hereby the main EC value-added of providing substantial funding, which enabled attainment of sufficient results in pilot projects for providing convincing evidence for future extension on a broad basis.

The EC also proved successful in its flexible approach with regard to budget support. It enabled the matching of the EC willingness to launch budget support, with the Government’s desire to fund a specific, already designed national programme (Red Solidaria). It consisted of general budget support directed towards a specific component of that national programme. This approach combined some advantages and characteristics of the budget support modality (incl. efficiency gains, institutional strengthening, inclusion in public finance processes, and respecting Paris Declaration principles), with advantages and characteristics of support to a particular programme (notably identifiable results). EC value-added in budget support experience was clear in that it played a pioneering role among grant donors in using this modality in the country.

Coordination in the country was limited, due to the overall weak donor framework and a low level of ownership by the Government. Despite consultations and roundtables and while seeking alignment with priorities of the people and the Governments, EC cooperation was little coordinated with other donors and followed generally its own programming logic and modalities.

Furthermore, institutional memory on EC cooperation with El Salvador was problematic. It was mainly due to structural EC problems relating to information systems and internal organisation. It led to specific difficulties such as a lack of continuity in EC thematic expertise and weaknesses in policy dialogue and coordination in the country.

Recommendations

Continue focusing on priorities of the population, while finding alignment with Government policies as far as possible.

Ensure hereby the division of labour among donors, considering the sector/thematic value-added of the EC. Leverage on the opportunities resulting from the recent entry into force of the EU Lisbon treaty, notably the fact that EC delegations will become EU delegations (representing hereby also the EU Member States).

Subsequently, choose the channel/modality most appropriate to the context and offering the most value-added, particularly in terms of ownership, capacity building, overall efficiency and effectiveness. **Prefer hence, to the extent possible, funding through budget support** (to the Government) **and delegated management** (to EU member states or international organisations), to respect the principles of the Paris Declaration and the Accra Agenda for Action, but also given the constraints of the other current EC management modalities for bilateral cooperation.

Maintain flexibility in budget support in order to take account of the national context and opportunities, which proved successful in the general budget support of 2005. In doing so, preserve the fundamental rules of being a support to a public policy and including a policy dialogue.

Continue providing substantial funding to nationally-owned interventions with wide impact potential. Focus support on pilot projects or on policies / practices at country level. Provide hereby substantial funding (EC's main value-added) to allow attainment of a sufficient level of evidence on results/impacts, which would convince on the usefulness of replication in the country/region. Support hereby national dynamics, so as to favour ownership, sustainability and overall impact.

Finally, tackle the structural EC organisation problems, which contributed to the lack of institutional memory in EC cooperation.

Maps

The maps below show the position and relative size of El Salvador in the world and in the region. A map of the country is provided on the next page.





Map No. 3203 Rev. 3 UNITED NATIONS
 May 2004

Department of Peacekeeping Operations
 Cartographic Section

1. Objectives and scope

The *Evaluation of the European Commission's co-operation with El Salvador* has been commissioned by the Joint Evaluation Unit of the European Commission (EC) EuropeAid Cooperation Office (AIDCO) and the Directorates-General (DGs) for External Relations (RELEX) and Development (DEV), hereafter referred to as the Joint Evaluation Unit. The evaluation is closely followed and validated by a Reference Group (RG) consisting of members of the EC DGs RELEX and AIDCO, and of El Salvador's permanent mission to the European Communities, and chaired by the Joint Evaluation Unit.

This Final Report takes account of comments on its draft versions, made by the Reference Group and by participants to the Seminar in El Salvador on 4 February 2010.

1.1 Objectives and scope of the evaluation

The Terms of Reference (ToRs) for this evaluation specify two main objectives:

- to provide the relevant external Co-operation Services of the EC and the wider public with an **overall independent assessment** of the EC past and current cooperation relations with El Salvador; *and*
- to identify **key lessons** in order to improve the current and future strategies and programmes of the EC.

The ToRs state that the evaluation should cover the EC co-operation strategies with El Salvador and their implementation during the **period 1998-2008**. It is hereby understood that for the period 1998-2008 the evaluation will assess the implementation of the EC cooperation, focusing on relevance, effectiveness, impact, sustainability, and efficiency; while for the period 2007-2013 it will review the *intended* effects. Furthermore, the evaluation will also assess the coherence of European Community cooperation with other EC policies, and the value-added by the European Community and the issues of coherence, coordination, and complementarities.

1.2 Structure of the report

This Final Report is structured in six chapters, following the sequence required in the Terms of Reference:

- Chapter 1 provides a brief overview of the evaluation **objectives** and the **scope** covered
- Chapter 2 presents the **context** and **subject** of the evaluation, including the framework of the cooperation and inventory of funds channelled ;
- Chapter 3 presents the main features of the **methodology** applied and the challenges and limits of the evaluation ;
- Chapter 4 provides the **answers to the seven evaluation questions** – for each question a self-standing summary box with the answer is proposed ;
- Chapter 5 presents the **conclusions and lessons learnt** of the evaluation, based on the answers to the evaluations questions in chapter 4; *and*
- Chapter 6 presents the **recommendations** of the evaluation, based on the conclusions and lessons learnt in chapter 5.

2. Context

The present chapter presents a brief overview of (i) the national political, economical and social background; (ii) the EC cooperation framework with El Salvador; (iii) the EC's intervention logic; and (iv) the inventory of EC funding in the country over the period 1998-2008.

2.1 National background²

El Salvador is the smallest and also the most densely populated country in Central America. It borders the Pacific Ocean between Guatemala and Honduras. It lies on the Gulf of Fonseca, as does Nicaragua further south. It has a population of approximately 5.7 million people as of 2009 on 21,000 km². The capital city of San Salvador is, by some distance, the largest city of the republic.

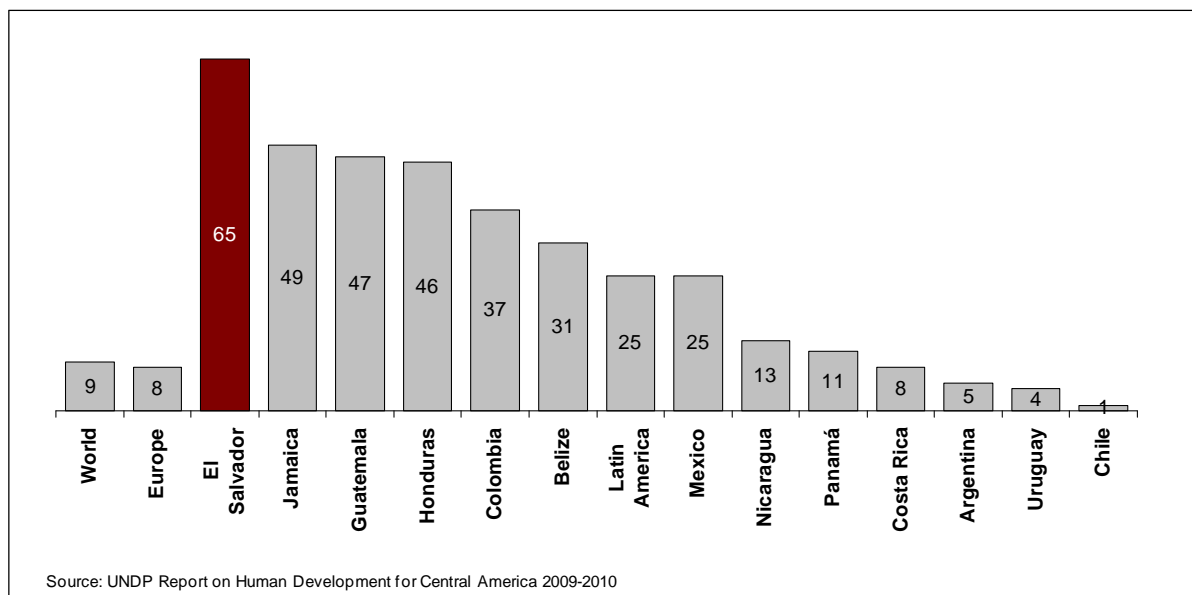
2.1.1 Political background

El Salvador's recent decades have been profoundly dominated by the **12-year long civil war** in the 1980s, which ended with the signature of Peace Agreements in 1992. Since then the country has experienced progressive political stability and democratisation. A process of demilitarisation was undertaken, democratic institutions were set up, and democratic procedures were defined. But there is still a high degree of **polarisation** in national politics, along the lines of the divisions of the armed conflict. The two dominant forces are the right-wing coalition ARENA (Alianza Republicana Nacionalista) and the left-wing umbrella front FMLN (Frente Farabundo Martí para la Liberación Nacional). ARENA was in Government following the 1992 peace agreements, but was recently defeated in the parliamentary elections of 18 January 2009, and in the March 2009 presidential contest which were won by the FMLN. This constitutes a major shift in power balance at country level with executive power now held mainly by the former revolutionary guerrilla organisation.

2.1.2 Social background

- **Crime and violence** have been a major concern in the country since the 1980s. As illustrated by the figure on next page, El Salvador is one of the most violent countries in the world and is characterised by an omnipresent influence of youth gangs ("*maras*" or "*pandillas*"). This generalises insecurity, undermines social relations, impedes access to basic services, increases the importance of the illegal sector and so forth. Social cohesion is also challenged by the **gap between rural and urban areas**, with rural areas scoring significantly lower in key indicators of social and economic development, for example with GDP per capita three times lower in rural than in urban areas.

² See Annexe 5 for more details

Figure 1: Murders per 100,000 inhabitants, 2006

- **Poverty** was significantly reduced during the 1990s, with poverty levels decreasing from 58% to 35% and extreme poverty from 33% to 14%. However, progress in the fight against poverty slowed after 2002 and the poverty level has increased sharply since the 2007 food crisis followed by the general financial and economic crisis.
- **Inequalities** are high but slightly less than in neighbouring countries such as Nicaragua, Honduras or Guatemala (the GINI coefficient was 49.7 in El Salvador in 2007³).
- Despite the fact that **health** indicators in El Salvador have shown a slight improvement in recent years, health remains a cause for concern. The main problems relate to limited access to drinking water, malnutrition, lack of sanitation, environmental pollution and degradation. Health management overall and social security are also weak.
- Improvements in **education** have also been observed (i.e. an increase in the net enrolment rate in second-level education), although profound challenges in terms of infrastructure and quality remain to be tackled.

2.1.3 Economic background

El Salvador is a middle-income and a middle-human-development country, ranking 106 of 182 countries according to the 2009 UNPD report. From a traditional agricultural economy (coffee, sugar, shrimp, and cotton) it moved to depend more on services and “*maquila*” business (offshore assembly products) which represented 45% of exports in 2007. It also relies increasingly on remittances (*remesas*) which were equivalent to almost 17% of GDP and 93% of

³ The GINI coefficient measures income inequalities on a scale from 0 to 100, 0 indicating a perfect equality (everyone has the same income), and 100 a perfect inequality (one person concentrates all the country's incomes). Other values in 2007 were: Honduras 55.3; Guatemala 53.7; Nicaragua 52.3; Mexico 48.1; Costa Rica 47.2, USA 40.8. Source: UNDP Human Development Statistic Index 2009

exports in 2007. This dependence on *maquilas* and *remesas* explains that the economy is particularly exposed to international economic shocks. However, the relative “wealth” of El Salvador compared to its neighbours, despite a long civil war, is often related to the industriousness of its people⁴. The main other economic characteristics are the following:

- A relatively high GDP growth rate during the evaluation period (almost 3% on average in constant terms).
- A significant emigration flow: between 2 and 3 million Salvadorians live abroad and the 2007 census discovered that the country had “lost” around 1.5 million inhabitants compared with the estimations commonly used until then.
- Trade flows essentially directed towards the USA and Central America, Europe being a non-significant and decreasing trading partner (6% of imports and 7% of exports in 2007).
- An economy fully dollarized since 2001.
- No IMF programme during the period and consequently no Poverty Reduction Strategy Paper either. But the country followed a self-made PFM reform and applied “first generation” economic reforms such as trade liberalisation, re-privatisation of the financial sector and other state enterprises and tax reform. However the tax burden is still very low (around 14% of GDP) and regressive (land owning tax– *impuesto predial* - is non-existent).

2.1.4 El Salvador’s national development policy

A few major policy documents set the basis for the national development policy and programmes of the Government of El Salvador over the evaluation period:

- The “**Plan de Nación**” process was launched in 1997;
- in 1999 the newly elected government presented the “**Plan de Gobierno 1999-2004**” (*Nueva Alianza*);
- the same government presented additionally the “**Plan de Recuperación**” in March 2001 aiming at recovery from the two earthquakes which had just hit the country;
- in 2004 the newly elected Government issued its “**País Seguro: Plan de Gobierno 2004-2009**”; and
- the social plan “**Oportunidades**” was launched in the same context, with the objective of strengthening social cohesion, particularly in rural areas. It consists of five large programmes, one of which, **Red Solidaria**, was the first programme in the country focused specifically on poverty reduction.

⁴ See the UNDP 2007-2008 human development country report on El Salvador, titled “Employment in one of the most industrious countries in the world”.

2.2 EC cooperation framework⁵

2.2.1 The (Sub-) Regional Cooperation Framework

Relations between the European Commission and Latin and Central American countries date back to the 1960s, but were strengthened significantly following the entry of Spain and Portugal to the European Community in 1986. They have consisted of policy dialogue, preferential trade agreements, and a cooperation framework. It is necessary to differentiate between regional level (Latin America), sub-regional level (Central America), and bilateral level (El Salvador). Cooperation at (sub-)regional levels is described in this section; the bilateral level is addressed in section 2.2.2.

At regional level (Latin America), a policy consultation forum was established in 1986: the **Rio Group**. Annual meetings with the EU have been organised since then at ministerial level to build up understanding and facilitate strategic partnership. This dialogue has materialised in numerous horizontal cooperation programmes such as AL-Invest, Al-Urban, and Eurosocial.

The **1992 ALA Regulation** from the European Council relating to Asia and Latin America provides a legal basis for the main regional, sub-regional and bilateral budget lines and establishes priority sectors. This Regulation gives priority to strengthening the cooperation framework and to promotion of sustainable development and social, economic and democratic stability by means of institutional dialogue and economic and financial cooperation.

At sub-regional level (Central America), **policy dialogue** specific to Central American countries was initiated by the EC and the EU MS in the 1980s. During its first years the so called “**San José Dialogue**” targeted the peace-building process and democratisation of the region. This process was also supported by a significant increase in development aid and adoption of the **GSP-drugs measures** (Generalised System of Preferences)⁶. During the 1990s the EU-Central America (EU-CA) dialogue evolved to integrate new issues such as regional integration and disaster prevention and rehabilitation. In 2002 the EU-CA dialogue was renewed in the XVIII Ministerial Conference of San José, and was confirmed and completed in 2004 at the EU/LAC Guadalajara Summit with a focus on social cohesion.

Preferential trade agreements at sub-regional level, in the form of a EU-CA Association Agreement, have been under discussion since 1994, but no such agreement has yet been signed.

Structuring of the cooperation framework at Central American level started in 1998 with the first Regional Strategy Paper (1998-2000). The subsequent strategies have up to now shown a clear continuum, mainly in support of regional integration.

⁵ See Annexe 6 for details

⁶ The GSP is a formal system of exemption from the more general rules of the World Trade Organization (WTO), in favour of the countries of Central America. In 2005 the Commission adopted the GSP-plus, which includes an incentive regime aimed at adoption before 31 December 2008 of labour and environmental legislation.

2.2.2 The EC cooperation strategy with El Salvador

In this section a brief overview of the EC strategy over the evaluation period 1998-2008 is presented (*see Annexe 6 for details*). It is based on the official EC strategy documents for cooperation with El Salvador, namely:

- the Country Strategy Paper (CSP) 2002-2006; *and*
- the Country Strategy Paper 2007-2013.

Before 1998, cooperation with El Salvador was directly linked to emergency interventions and to cooperation with the other countries of the region with which the EC has adopted a number of common instruments (regional cooperation agreements and programmes etc.). This has materialised in EC contributions to more than 50 interventions since 1984 to a total amount of approximately \$107m. From 1998 the “project aid” approach appropriate to the post-war phase was gradually replaced by a sector approach.

A **Memorandum of Understanding** between the European Community and the Republic of El Salvador was signed in **March 2001**. Five “sectors of cooperation” were defined in this MoU, for a total available amount of €60m for the period, in coherence with the government plan entitled “*La Nueva Alianza*” and in line with the EC CSP for the period 2002-2006. This document established the role of national coordinator, and entrusted the Salvadorian authorities with greater responsibility in the execution phase.

The first EC Country Strategy Paper (CSP) for El Salvador covered the period **2002-2006**. It originated during a period in which El Salvador needed a set of policies and interventions for consolidating the democratisation and institutional reforms. It differed from strategies and policies which applied in the direct post-war period (demobilisation, demilitarisation, etc.). In accordance with this CSP and with the 2001 MoU, the Multi-annual Indicative Programme proposed a total budget of €60m in support of this strategy, and defined the intended annual allocations by area and sector over the period 2002-2006.

The second EC Country Strategy Paper for El Salvador covered the period **2007-2013**; it was accompanied by a **second Memorandum of Understanding**, signed in 2007. This new CSP acknowledged that the challenges described in the first CSP still applied, including consolidation of democracy and good governance, but specified two “focal sectors” for the new cooperation period: fostering of social cohesion and human security (focal sector 1), and Economic growth, regional integration and trade (focal sector 2). The following figure illustrates the changes over time in the three main areas of cooperation.

Table 1: Overall view of the EC priority cooperation areas by period

MoU 2001	CSP 2002-2006	CSP 2007-2013
Sectors of cooperation	Priority areas	Focal Sectors
<ul style="list-style-type: none"> • Modernisation, democratisation and improved safety 	<ul style="list-style-type: none"> • Democratisation and modernisation of the State, security of the citizens, greater involvement of Civil Society 	<ul style="list-style-type: none"> • Reduced social violence, human capital and promotion of young people (<i>focal sector 1</i>)
<ul style="list-style-type: none"> • Socio-economic development in the rural sector • Support for the health sector • Support for environmental sustainability 	<ul style="list-style-type: none"> • Support for integrated and sustainable local development 	<ul style="list-style-type: none"> • Access to basic services: health, and water & sanitation (<i>focal sector 1</i>)
<ul style="list-style-type: none"> • Development of the private sector 	<ul style="list-style-type: none"> • Equitable economic growth and employment 	<ul style="list-style-type: none"> • Expansion, diversification, competitiveness and productivity of domestic private sector (<i>focal sector 2</i>) • Enhanced position on international markets (EU and Central America), in the multilateral trade system, and in regional integration (<i>focal sector 2</i>)

2.3 EC intervention logic

This section provides a brief overview of the intervention logic of the EC cooperation with El Salvador during the evaluation period, which is presented in detail in Annexe 3. The intervention logic is indeed fundamental for this evaluation, delineating the set of objectives against which the EC interventions are assessed. The evaluators had reconstructed the hierarchy of objectives and expected impact pursued by the EC⁷. It is based on the official documents that set out the EC strategies in the country, in particular the two Country Strategy Papers for El Salvador, covering the periods 2002-2006 and 2007-2013. The evaluators attempted to stay as close to the texts as possible, in line with the enunciated strategy.

The intervention logic is presented in the form of an expected impact diagram (*see figure below*). It differentiates between four levels of expected impact which correspond to four levels of objectives, and the intended activities for attaining the results:

- Global impact (corresponding to global objectives, in the long term);
- Intermediate impact (corresponding to intermediate objectives, in the medium term);
- Specific impact (corresponding to specific objectives);
- Results (corresponding to operational objectives);
- Activities

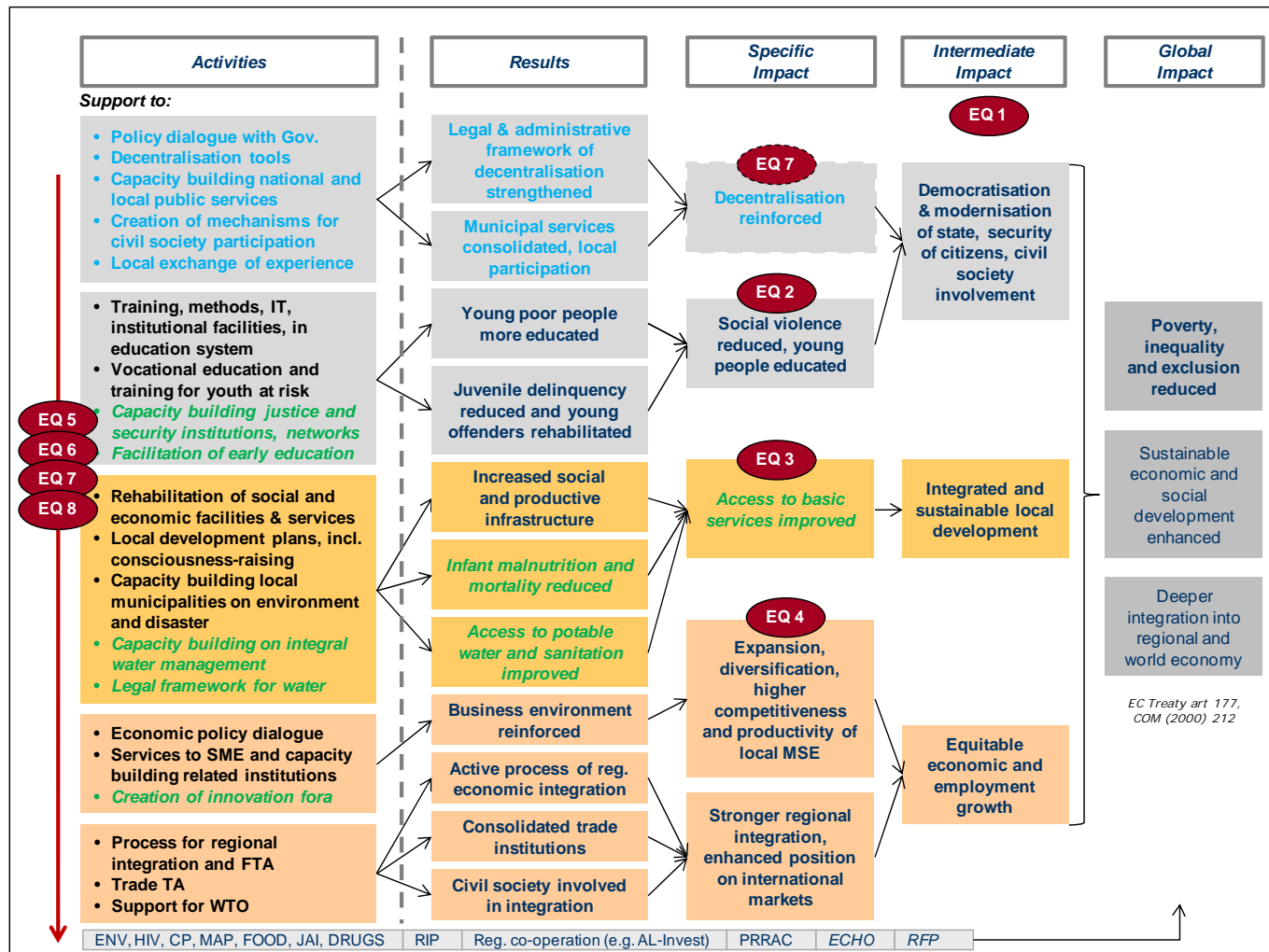
The hierarchical links for attaining these expected impacts are made explicit in the figure. Additionally, the diagram shows other EC instruments with their own objectives and expected impact, such as centralised budget lines, (sub-)regional programmes, ECHO projects, and others, which all also benefited El Salvador. The diagram further differentiates between the expected impacts and activities of the two main periods (*see the figure's footnote*).

The figure also shows the main areas of the intervention logic which are covered by the eight evaluation questions⁸.

⁷ Unlike reconstructing the intervention logic of a project, where the logical framework provides the rationale, in this case the intervention logic of a country strategy consists of a number of objectives and expected impact expressed in subsequent strategy documents over the years. As such, the intervention logic reflects the EC overall intentions and approach in an aggregate form, and is not oriented to an analysis of specific interventions or contributions.

⁸ Details on the intervention logic and its expected impacts, results and activities are provided in Annexe 3 of the present report.

Figure 2: Intervention Logic : Expected Impact Diagram and Coverage by Evaluation Questions⁹

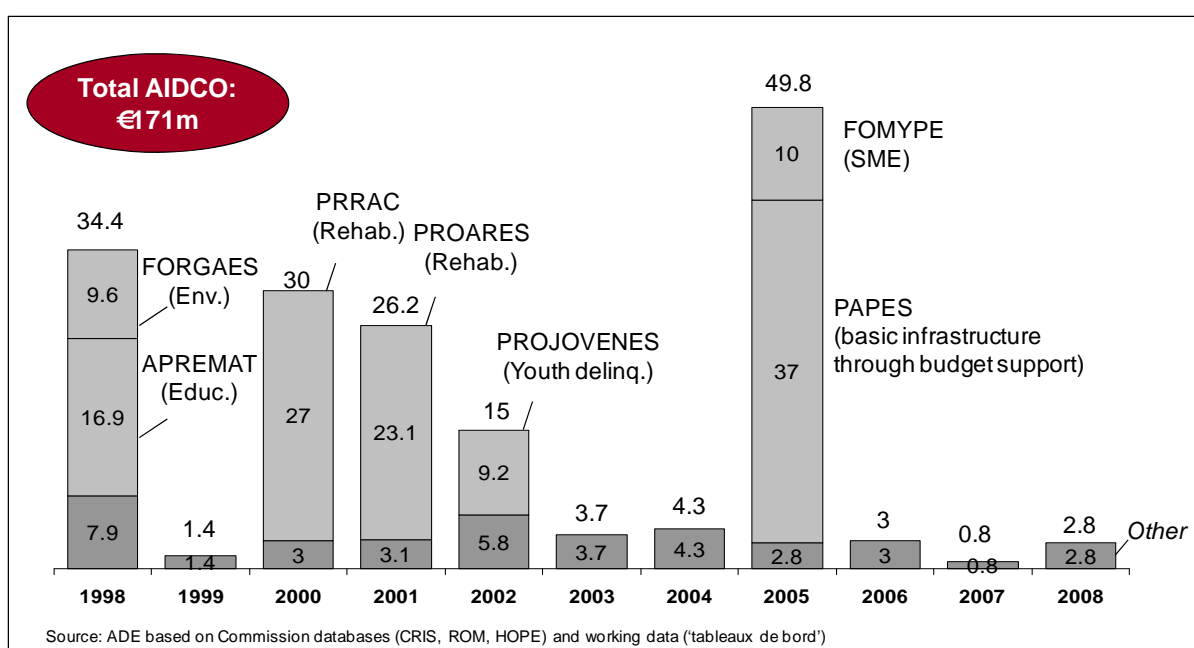


⁹ The text in blue font refers to expected impacts and activities expressed only in the CSP 2002-2006, the text in green italic font to those in the CSP 2007-2013, the text in black to those expressed in both CSPs 2002-2006 and 2007-2013.

2.4 EC funding – Inventory

The EC committed a total of €195m for projects and programmes specific to El Salvador over the evaluation period 1998-2008¹⁰. It consisted mainly of AIDCO funding¹¹, that is €171m which represents 88% of the allocated resources for the execution of 78 projects and programmes. ECHO (humanitarian) funding, on the other hand, amounted to €23m or 12% of the total, for the execution of 71 projects and programmes. The chronology of commitments was marked by peaks over the years, in particular in 1998, 2000-2002, and 2005, as shown in the figure below.

Figure 3: AIDCO + ECHO funding to El Salvador, commitments in €m per year, 1998-2008



These peaks correspond mainly to commitments to large programmes such as for post-disaster reconstruction in 2000-2001 and the PAPES and FOMYPE in 2005¹². Following the 1998-2008 evaluation period, four large programmes are currently in preparation: PRO-EDUCA (€25m), PRO-CALIDAD (€12.1m), PROJÓVENES II (€11.3m) and PARE-ES (€24.2 m).

The table below provides an overview of the 20 largest AIDCO contributions in El Salvador over the evaluation period. For the ECHO projects, the largest contributions totalled €600,000; a third of ECHO contributions (23/71) were made in 2001 in the aftermath of the earthquakes and drought which occurred during that year. Annexe 7 provides a list of all 78 AIDCO and 71 ECHO interventions.

¹⁰ Funding in scope for this evaluation, see definition of the scope under 1.1 (e.g. excluding regional programmes)

¹¹ AIDCO funding here refers to projects and programmes under the management of DG RELEX and AIDCO.

¹² See Acronyms section at the beginning of this report.

Table 2: AIDCO funding to El Salvador, commitments in €m, 1998-2008 – 20 largest contributions

Intervention Name	Commitment	Year
Programa de Alivio a la Pobreza en El Salvador (PAPES)	37.0	2005
Programa de Reconstrucción Regional para América Central Subprograma El Salvador (PRRAC)	27.0	2000
Programa de apoyo a la Reconstrucción de El Salvador (PROARES)	23.1	2001
Apoyo al Proceso de Reforma de la Educación Media en el Área Técnica (APREMAT)	16.9	1998
Fortalecimiento de la Competitividad de las Micro y Pequeñas Empresas en El Salvador (FOMYPE)	10.0	2005
Fortalecimiento de la Gestión Ambiental en El Salvador (FORGAES)	9.6	1998
Prevención Social de la Violencia y la Delincuencia Juvenil en El Salvador (PROJÓVENES)	9.2	2002
Apoyo a la reinserción socio económica de las poblaciones afectadas por el conflicto en 10 municipios marginales de El Salvador	3.6	1998
Programa de transferencia de tierras	3.5	1998
Block Grant 2002	2.4	2003
“Las Dignas” Programme for the promotion of women’s employment and participation in local development and non sexist education in El Salvador	2.1	2000
Programa País El Salvador (Programa Plurianual Democracia y Derechos Humanos en América Central)	1.8	2002
Establecimiento de 225 sistemas productivos sostenibles familiares-empresariales en 8 comunidades de La Bermuda – el Salvador	1.4	2005
Fortalecimiento de la economía rural de familias pobres en los departamentos de Cuscatlán y La Libertad – El Salvador	1.4	2003
Gestión comunitaria para la conservación y uso sostenible del Bosque de Cinquera, El Salvador	1.1	2005
Concientización y rehabilitación social y ecológica en 8 municipios – El Salvador	1.0	2001
Block Grant 2003	1.0	2004
Block Grant - Cofinanciación ONGs	1.0	2005
Proyecto de Manejo de Abejas y del Bosque (PROMABOS)	0.9	1999
Organización y desarrollo integral de los jóvenes rurales de las microrregiones MESSES e IDES – El Salvador	0.9	2002

Source: ADE based on EC databases (CRIS, ROM, HOPE,) and working data (*tableaux de bord*)

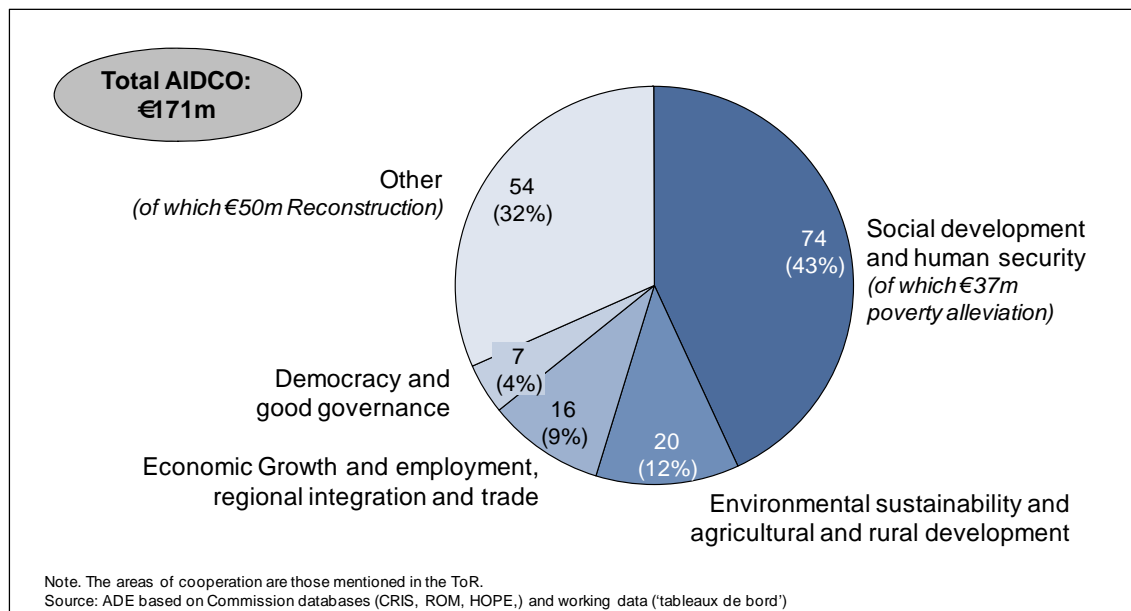
In terms of payments, the CRIS data extract shows that 82% of funds contracted by AIDCO were disbursed at the end of 2008 (€122m payments on the €149m contracted for the interventions reported in CRIS)¹³.

With regard to the four areas of cooperation mentioned in the ToRs for this evaluation, 43% of AIDCO funding was committed to the area of social development and human security (*see figure below*). The three other areas together represent a quarter of the funding.

¹³ Payments in CRIS are aggregated disbursement data from signature of contract to date of extraction (16 January 2009), for contracts signed since 2001. Less information is thus available on payments *vis-à-vis* commitments (e.g. breakdown per year).

The remainder consisted essentially of €50m funding for post-disaster reconstruction projects and programmes.

Figure 4: AIDCO funding to El Salvador, commitments in €m, 1998-2008 – per area of cooperation



A further breakdown indicates that the sectors receiving most funding over the evaluation period, in addition to reconstruction, were poverty, education, MSEs¹⁴, the environment, and juvenile delinquency (*see Annex 6*). No AIDCO intervention can be explicitly and primarily linked to the water sector, but 17 such ‘water’ interventions were funded by ECHO. However an intervention may tackle several sectors, examples being the PROARES reconstruction intervention which includes among other things a drinking water and sanitation sector policy, and the poverty-reduction programme PAPES.

Budget support has materialised once in El Salvador (in 2006), with the following General Budget Support programme:

- PAPES: a financing agreement for €37m in support of the “Programa de alivio a la pobreza en El Salvador” (PAPES) was signed in December 2005.

In addition, three other budget support programmes are currently under preparation, but none of them had their financing agreement signed in 2008. These consist all three in Sector Budget Supports:

- PRO-EDUCA: €25m in support of the programme “Fortalecimiento de la Cohesión Social en el Sector Educativo de El Salvador”;
- PROCALIDAD: €12.1m in support of the “Programa de Fortalecimiento del Sistema Nacional de Calidad en El Salvador”; *and*

¹⁴ Micro and small enterprises – *see Acronyms section*

- PARE-ES: €24.2m in support of the “Programa de Apoyo a la Recuperación Económica de El Salvador”, funding the anti-crisis plan (PAC) and the five-year National Development Plan 2010-2014.

These four budget support programmes represent together €98.3m. A significant part of EC contributions over recent years thus consists of budget support.

Funding originated in several EC **budget lines**. The geographical ALA budget line accounts for the predominant proportion, with 78% of funding through ten projects, as shown in the table below. In terms of number of projects, it is however the thematic budget line for co-financing with NGO which stands out, representing more than half of the projects (41/78).

Table 3: AIDCO funding to El Salvador, commitments in €m, 1998-2008 – per budget line

Budget Line	Commitments	Share	# Projects
ALA	134.0	78%	10
ONG	18.9	11%	41
REH	4.0	2%	2
ENV	2.7	2%	3
DDH	2.4	1%	2
FOOD	1.9	1%	5
DCI-NSAPVD	1.7	1%	6
EIDHR	1.1	1%	6
TBD	4.6	3%	3
Grand Total	171.2	100%	78

Source: ADE based on EC databases (CRIS, ROM, HOPE) and working data ('tableaux de bord')

In addition to the 149 AIDCO and ECHO interventions specific to El Salvador which fall within the scope of the inventory for this evaluation, El Salvador also benefited from EC funding through **regional measures and programmes**. Such funding was covered in the regional evaluations of the EC cooperation with Latin America and Central America¹⁵, and thus falls outside the scope of the present evaluation.

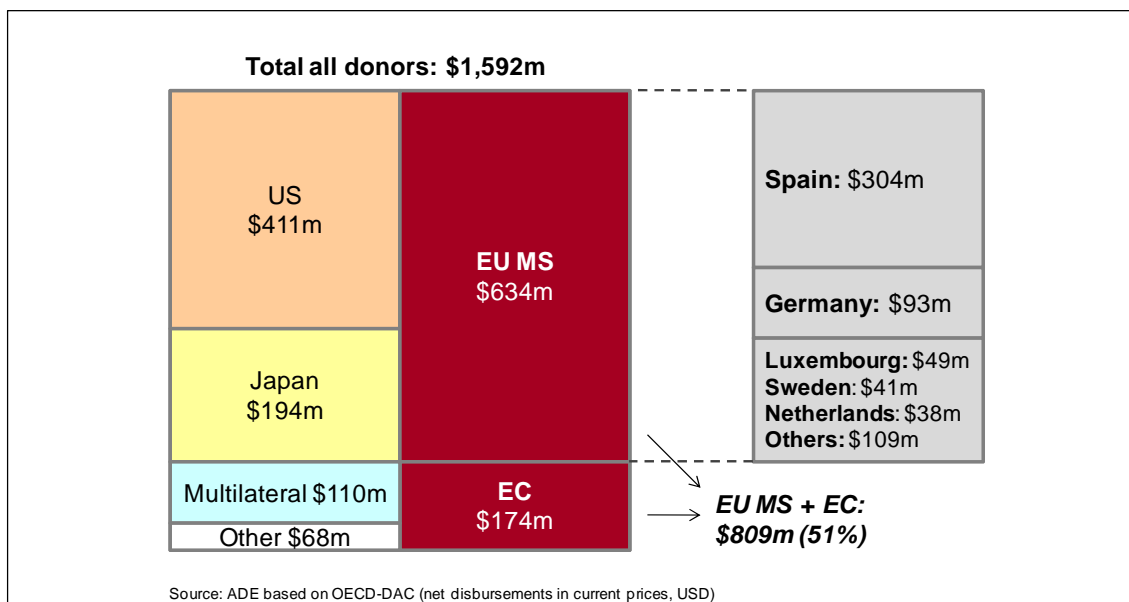
¹⁵ Evaluation of EC regional strategy in Latin America (DRN, 2005), Evaluation of EC regional cooperation in Central America (DRN, 2007)

2.5 Other donors' cooperation

El Salvador received a total of \$1,592m net disbursements of official development aid (ODA) from the donor community over the period 2001-2007, according to OECD-DAC data. This represented 1.4% of its GDP, ODA thus representing a **non-significant part** of the country's resources. Average ODA *per capita* was \$31 in 2007.

The EC and EU MS together accounted for half (51%) of ODA during the 2001-2007 period, as shown in the figure below. The EC itself accounted for 11% of total ODA to El Salvador and Spain 19% (i.e. half of the eighteen EU MS' contributions). Furthermore, contributions from Germany, Luxembourg, Sweden, the Netherlands, the UK, and France exceeded \$20m over the period. Besides the EU, two donors provided a substantial part of the total resources: the US with 26% (\$411m), and Japan with 12% (\$194m).

Figure 5: Donors' ODA to El Salvador, 2001-2007, by donor



ODA disbursements from the donor community over recent years were highest shortly after the earthquakes and drought which affected El Salvador in 2001, with annual levels of around \$250m. Over the following years it decreased somewhat to within the range \$170m-\$240m.

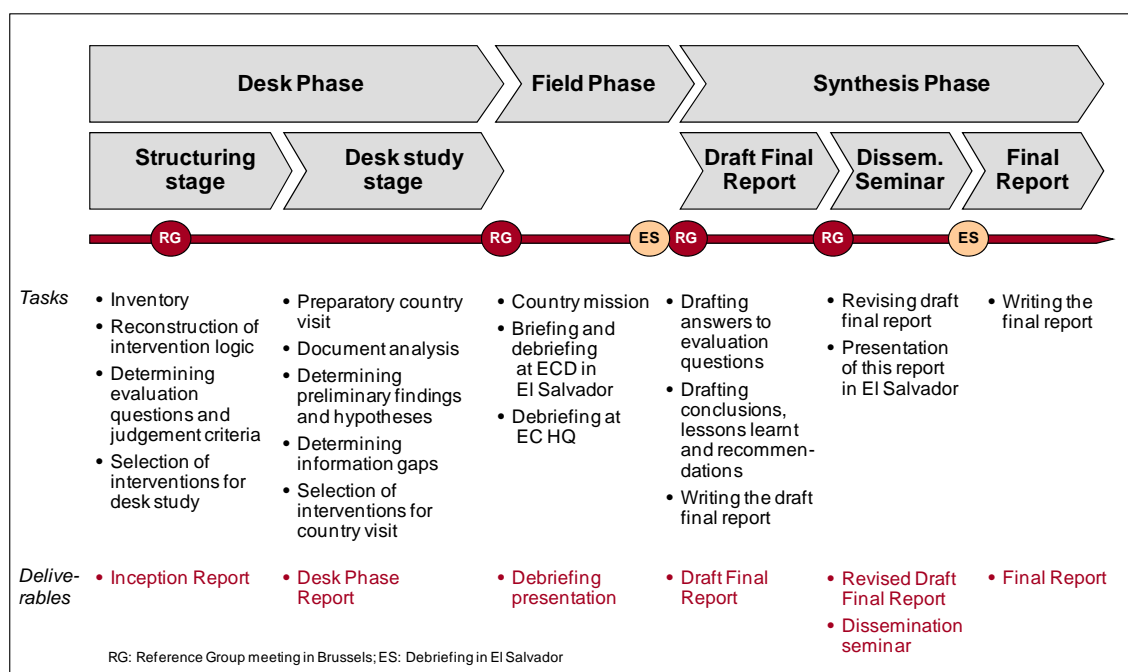
3. Methodology

This section presents the main features of the methodological approach for the evaluation, in particular (i) the evaluation process; (ii) the data collection method; and (iii) the challenges and limits of this exercise.

3.1 Evaluation process

The evaluation was based on a structured process consisting in a sequence of distinct and well-defined phases. The figure below provides an overview of this process, specifying for each phase the activities carried out and the deliverables produced. It also specifies the meetings with the Reference Group (RG) and with the EC Delegation in El Salvador.

Figure 6: Evaluation phases



3.2 Data collection

Data collection and analysis followed a **structured process**, also shown in the figure above. During the **Structuring stage**, information on the national context and EC cooperation was collected and studied, including on EC funding in the country. During the **Desk study stage**, documentary sources available on a desk basis were collected and reviewed by the evaluation team, and interviews were undertaken with EC Headquarters’ staff. During the **Field phase**, the team complemented the collection of documentary evidence and undertook visits to selected projects and a large number of interviews with a variety of stakeholders. Information was hence triangulated as far as possible by collecting it through different types of sources.

Three main categories of information have been collected and analysed:

- **Context information** on the situation and its evolution, of the countries and the region and of the cooperation policy of the EC. This information is necessary to understand the main issues addressed, or that should have been addressed, by the EC support, and to have an overview of the evolution of the situation of the country in relation to these issues so as to form a first idea about the possible contribution of the EC support to the observed trends.
- **General information on the EC cooperation with El Salvador** such as analysis of EC strategy and programming documents, alignment with the GoES' policies, inventory of EC funding, etc.
- **Information on the selection of interventions for desk study.** A set of interventions (*provided below*) has been identified and selected at the beginning of this evaluation for analysis during the desk and field phases. Available documentation on these interventions have been screened and studied in detail at the level of every relevant Judgment Criterion and Indicator.

The data collection and analysis were based on a **structured framework** consisting in 8 Evaluation Questions and their 29 Judgment Criteria and 114 Indicators (*see Annexe 4*), in accordance with the methodological framework defined at the beginning of the evaluation. Findings of this evaluation are presented per Evaluation Question at the level of the Judgment Criteria (*see Chapter 4*), based on data collected at the level of the Indicators, in a so-called “Data Collection Grid” (*provided in Annexe 9*).

**A total of 232 documents provided information for this evaluation,
complemented by 86 interviews with 150 interviewees.**

The **bibliography** for this evaluation presents the list of documents that have provided information for this evaluation (*see Annexe 11*). The list of persons interviewed is provided in Annexe 10.

The **selection of interventions** for desk and field study consisted of the EC contributions to the following programmes:

Table 4: Selection of interventions^{16 17}

Acronym	Name	EC Commitm.	Year
PAPES	Programa de alivio a la pobreza en El Salvador	€37m	2005
PRRAC – El Salvador	Programa de Reconstrucción Regional para América Central, Subprograma El Salvador	€27m	2000
PROARES	Programa de Apoyo a la Reconstrucción de El Salvador	€23m	2001
APREMAT	Apoyo al Proceso de Reforma de la Educación Media Técnica	€17m	1998
PROJÓVENES	Prevención Social de la Violencia y Delincuencia Juvenil en el Gran San Salvador	€9m	2002
FOMYPE	Fortalecimiento de la Competitividad de las Micro y Pequeñas Empresas en El Salvador	€10m	2005
FORGAES	Fortalecimiento de la Gestión Ambiental en El Salvador	€10m	1998
“Las Dignas”	Programa para la promoción de empleo y participación en el desarrollo local de las mujeres y de la educación no sexista en el Salvador	€2m	2000

This selection widely covers the EC contributions in the country and the most relevant dimensions for this evaluation, that is in terms of the size and status of projects, financial instruments, sectors, and periods, viz.:

- a large proportion of the funding (€126m or 70% of AIDCO funding during 1998-2008), including all contributions with commitments of €10m or higher;
- the single budget support programme (PAPES);
- the main sectors covered by the Evaluation Questions, *plus* reconstruction and the environment;
- different sizes of intervention (from €2m to €37m);
- different periods (commitments from 1998 to 2005);
- different budget lines (ALA and NGO); *and*
- seven projects which implementation is terminated, and the single ongoing bilateral cooperation intervention (PAPES)¹⁸.

¹⁶ Showing EC commitments and years of signature of the financing agreement.

¹⁷ It was agreed at inception of this evaluation to cover the regional PPRAC programme (set up in the aftermath of hurricane Mitch in 1998) in the present evaluation only to the extent of the coherence of its El Salvador sub-programmes with the EC interventions specific to El Salvador. The PPRAC was indeed considered in the *Evaluation of EC regional cooperation in Central America* (DRN, 2007) and was globally evaluated by TRANSTEC in 2009.

¹⁸ The financing agreement of PROJÓVENES II has been signed in August 2009 (but fall outside of the 1998-2008 evaluation period).

3.3 Challenges and limits

The limitations of the analysis are firstly closely related to the **quantity and quality of the information**. This related in particular to (i) building a comprehensive inventory of EC interventions over the whole evaluation period; (ii) obtaining key documents relating to the selected interventions; (iii) obtaining important strategic documents; and (iv) interviewing people formerly involved in EC cooperation with El Salvador. Such difficulties in information collection relate primarily (but not exclusively) to the first half of the 1998-2008 evaluation period. They are mainly due to a number of structural problems with EC information systems, the lack of strong capitalisation mechanisms, and significant changes in EC organisation over the period (with first the devolution from Brussels to Managua and then the transfer from Managua to the new EC Delegation in San Salvador). More information on information availability and related problems is provided under indicator I-6.1.2 in Annexe 9. The team tackled this challenge by multiplying the sources of information (e.g. CRIS, ROM, HOPE, “*tableaux de bord*”, other stakeholders’ systems, interviews, field visits, debriefing meetings, etc.). It then triangulated as far as possible all information collected in the analysis (*see information in the Data Collection Grid in Annexe 9*).

A **strategic-level country evaluation** is further a challenge *per se*. It goes beyond the mere addition of evaluations of multiple interventions and tackles several criteria and key issues. It also covers a large scope and period (ten years). This challenge is tackled mainly by the specific structured methodological approach of the Joint Evaluation Unit, based notably on reconstruction of the EC intervention logic, definition of Evaluation Questions, Judgment Criteria and Indicators, and determination of a selection of interventions for the desk and field study (*see above*).

4. Answers to the Evaluation Questions

The answers to the eight Evaluation Questions are presented in this chapter. Three different levels have been used for providing three levels of reading:

- **Answers** to each Evaluation Question (EQ) provided in the form of **summary boxes**;
- **Findings and analysis** on which each answer is based are provided in the remainder of the text – indication is provided on the Judgment Criteria (JC) on which they are based;
- **Facts** on which the findings are based are provided in the Data Collection Grid in **Annexe 9** – they consist in specific information for assessment at the level of the indicators (I), under the Evaluation Questions and Judgement Criteria to which the different sections of this chapter refer.

The table below provides a synthetic overview of the set of Evaluation Questions.

Table 5: Overview of the Evaluation Questions

EQ 1	Relevance and Alignment
EQ 2	Education and Social Violence
EQ 3	Social Services and Infrastructure
EQ 4	MSE development
EQ 5	Budget Support
EQ 6	Efficiency
EQ 7	Cross-cutting issues
EQ 8	Coherence, Coordination, Complementarity

Details on the Evaluation Questions as such and their Judgment Criteria and Indicators are provided in Annexe 4, along with the justification for and coverage of each question. They were defined at the beginning of the evaluation during the Structuring stage. They cover the main sectors/themes of EC cooperation (based on the reconstructed intervention logic) and the main EC criteria for the evaluative questioning (relevance, effectiveness, impact, sustainability, efficiency, coherence and EC value-added), cross-cutting issues and coherence, coordination and complementarity (*see the table on next page*). They form together with the intervention logic the backbone for the whole evaluation.

Table 6: Coverage of evaluation criteria and key issues by the EQs

<i>Evaluation criteria</i>	EQ1 Relevance and Alignment	EQ2 Education, Social Violence	EQ3 Social Services & Infrastr.	EQ4 MSE Develop- ment	EQ5 Budget Support	EQ6 Efficiency	EQ7 CCI	EQ8 Coherence, Coord., Complem.
Relevance	■	□	□	□	□			
Effectiveness		■	■	■	■		□	
Impact		■	■	■	■		□	
Sustainability		■	■	■	■		□	
Efficiency						■		□
Coherence	□							■
EC added value	□	■	■	■	■			□
<i>Key issues</i>								
Cross-cutting issues							■	
3Cs	□				□	□		■

■ Largely covered □ Tackled

4.1 EQ 1 on Relevance and Alignment

EQ1: To what extent did the EC strategy in El Salvador: (i) respond to the needs, problems and issues of the population, and (ii) address the priorities set by the successive Governments of El Salvador in their development policies?

This question assesses the relevance of EC's strategy. A relevant strategy is defined as being based on a clear identification of the priorities of the population and addressing those defined by the Government. This question also checks whether the EC commitments reflect the intended strategy. In addition to what was initially proposed, the relevance of the different interventions is also analysed.

EQ 1 on Relevance and Alignment – Answer Summary Box

The EC strategy was relevant both at a general and at a project level. The strategy addressed issues that are considered as important for the population and its financing showed flexibility by reacting quickly to natural disasters even if thereafter implementation was slow. Strategy and interventions were generally aligned on GoES plans and the main exception found (PROJÓVENES I) was shown to be an insightful decision because it demonstrated the validity of alternative approaches to youth delinquency and was later accompanied by a change in public policy.

The EC commitments reflected the designed strategy, except for a major discrepancy between intended and actual funding to Decentralisation and to Regional Integration and International Trade. The EC also showed flexibility with respect to its own planning procedures by using sub-used NIP lines for interventions not initially envisaged.

4.1.1 EC strategy as a response to the priorities of the people (JC 1.1)

At programming level

The 1992 Peace Agreement, although aged and somewhat forgotten, is still a basic and unique reference reflecting a consensus on what should be the Government priorities in order to tackle the needs of the people. Since then no consultation or survey has been organized in order to update information on these priorities.

EC undertook consultations on both CSP but more as a formality than as a means to take stakeholders' views into account. The main stakeholders of international cooperation (GoES, Civil Society, MS, other donor) were consulted during the preparation process of the 2002-2006 and 2007-2013 CSPs, and more formally in the later than in the former. However most stakeholders interviewed on this matter recall that these consultations were a formality and that the opinions expressed were little taken into account (*see I-1.2.4 in Annexe 9*).

Nevertheless, the EC CSPs' priority areas addressed generally issues that are considered as important for the population, as is widely recognised by documentary sources and interviewees. These issues are, notably, social violence, local employment, education and basic infrastructure.

The EC strategy showed flexibility by adapting rapidly to new needs, as can be seen by its reactions to the 1998 hurricane Mitch by launching the general rehabilitation and development PRRAC programme, and to the 2001 earthquakes by an important housing programme through PROARES and by adding funds to San Vicente Productivo and FORGAES (*see I-1.3.3 in Annexe 9*). The EC was quick in reacting but slow in implementing: it took PRRAC three years to start operating and the first new houses related to the PROARES intervention were delivered 5 years after the earthquake¹⁹.

At implementation level

Little evidence was found of consultation of the population at the project identification and formulation levels in the projects where this information is available. The main exception is FORGAES where, according to the POG, the formulation mission organised an extensive consultation of a wide variety of stakeholders (*see Annexe 8, FORGAES fiche*).

According to documentary evidence confirmed by interviews, almost all projects studied responded to issues widely recognised as priorities of the population, with the relative exception of FORGAES which, despite the consultation process followed, confronted a scarce consciousness on environmental problems inside the population and at municipal level (*see I-1.1.2 and I-1.2.1 in Annexe 9*).

All projects studied are considered as relevant by the main stakeholders. PROJÓVENES I and II tackled the problem of juvenile delinquency which is a widespread concern for the population; PAPES supports Red Solidaria which is a response to the pervasive problem of rural poverty and inequality; APREMAT aimed at improving technical education which is a sectoral priority; FOMYPE tried to improve the MSE sector where most Salvadorians are employed; even FORGAES is considered as highly relevant by its main stakeholders because of the importance of the environmental issues in El Salvador. PRRAC and PROARES were relevant because they responded to urgent reconstruction needs.

4.1.2 EC strategies as a response to government priorities (JC 1.2)

At programming level

There were clear GoES priorities through Governmental Plans and Presidency Programmes (*see Annexe 5 and I-1.1.1 in Annexe 9*) but, with the exception of the 2002 Nation Plan²⁰, these can be considered more as the product of a political party internal work than as State strategies. No consensus exists on a national development plan and there is no PRSP (Poverty Reduction Strategy Paper) because there was no International Monetary Fund (IMF) programme.

¹⁹ However, most delays suffered in emergency interventions are due not to the EC as such, but to problems suffered by the national implementation agencies (e.g. for purchase of land in PROARES).

²⁰ Product of a two year consultation process (*see Annexe 9, I-1.1.1*).

This said, according to documentary sources and to stakeholders **EC's strategy was globally coherent with the GoES' plans and programmes and reflected the GoES priorities²¹**, with one important exception (PROJÓVENES I before 2005).

Generally the GoES was little proactive in cooperation matters, with a weak *Secretaría Técnica de Financiamiento Exterior* –SETEFE- (part of the Foreign Affairs Ministry and official partner of the external cooperation agencies) partially compensated by a stronger *Secretaría Técnica de la Presidencia* -STP²²- (defining national policies and directly controlled by the President). El Salvador is a middle-income country with little interest in cooperation matters which have a light budgetary impact. (see *Annexe 5*). Therefore cooperation was traditionally donor driven. Budget support has marked an important change in this respect since 2006, because it supported a programme set up by the GoES with strong national ownership (see *Box 1 under EQ5*).

At intervention level

Different sources coherently show that PROARES, FOMYPE, PAPES, APREMAT were generally aligned on the GoES's policy and priorities, but with some differences in the case of FOMYPE which is a sector-wide approach, while the GoES has a territorial approach (see *I-1.2.1 in Annex 9*). In the area of MSE promotion, public policies and programmes are still in a building process (see *I-1.2.3 in Annex 9*). PROARES was very relevant, even out of the context of the 2001 earthquakes, because it addressed the important housing deficit. Finally, PAPES is the first public programme of poverty alleviation since the civil war.

PROJÓVENES is an interesting case of an intervention which at first went against the government policy toward juvenile delinquency, but which has helped a re-orientation of this policy towards a more preventive approach.

The PROJÓVENES programme, launched in 2002, which was geared towards youth delinquency, showed at first an important strategic difference with the GoES' plan since it based its intervention on prevention, rehabilitation and integration while the GoES was implementing the “*mano dura*” and “*super mano dura*” policies based on repression. These policies were so extreme that they were judged anti-constitutional in El Salvador and openly criticized by the UN²³. However, since 2005 the Government has begun to switch to new plans, such as “*mano amiga*” or “*mano extendida*” proposing a stronger emphasis on prevention and on an integrated approach to intervention in this area. The causal relationship between the final success of PROJÓVENES I and this change of public policy is a debated question but most interviews show that the EC intervention had some influence on a new approach towards a policy more based on prevention than on repression (see *I-2.1.3 in Annex 9*).

²¹ The gender issue cannot be considered as a priority in the successive Governments' policies and therefore cannot be expected to be reflected in the EC strategy. See *Annexe 9, JC 1.2*.

²² See Indicator I-1.2.1 in *Annexe 9*.

²³ The Supreme Court of El Salvador ruled for instance unconstitutional the first Anti-Maras Law, and the United Nations Child Right Committee called for non-application of the second Anti-Maras Law for children under eighteen years of age.

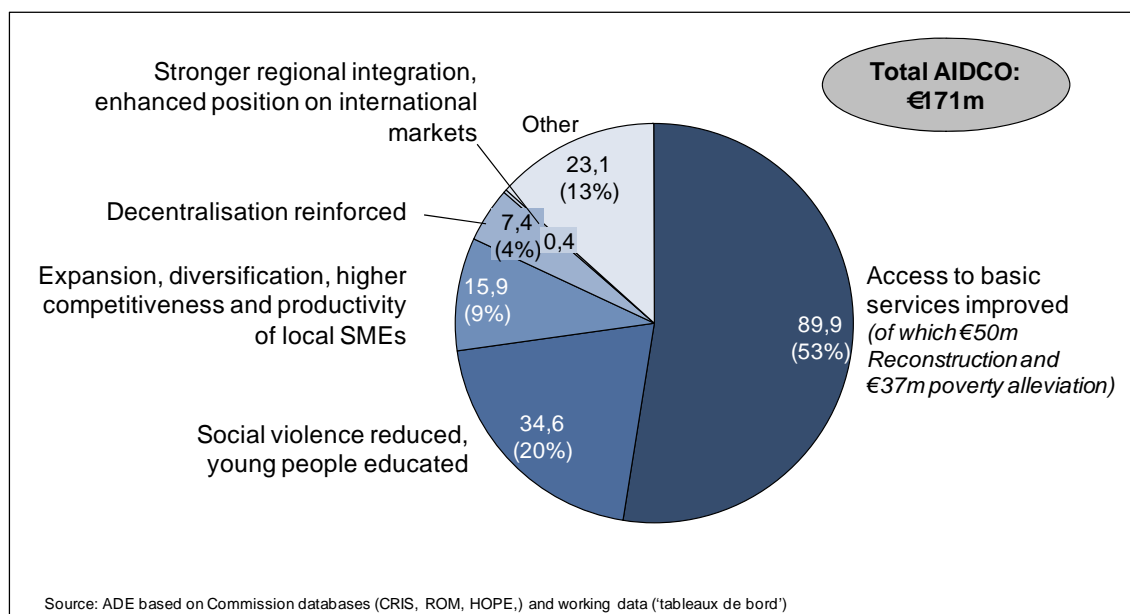
FORGAES was in line with the public policy but did not respond to a real GoES priority. It supported the recently created MARN (Environment Ministry) which had little political weight inside the Government.

4.1.3 Correspondance between EC interventions and its strategy (JC 1.3)

All the interventions studied are in line with the EC strategy such as expressed in the two successive CSPs and the 2001 MoU. However few resources were committed to Decentralisation (see section 4.7.2 below) and to Regional Integration and International Trade²⁴.

The relation between EC objectives (or strategy) and its actual commitments, is presented in the figure below which illustrates the very unequal share of means allocated to the different EC objectives. This figure also shows that, globally, EC has implemented a limited number of interventions, but each with a significant amount of funding.

Figure 7: AIDCO funding to El Salvador, commitments in €m, 1998-2008 – per Intervention Logic specific impact²⁵



Some further comments on strategy, internal coherence and planning can be made:

- PAPES is a general budget support programme geared towards poverty alleviation and was funded partly on a 2002-2006 CSP NIP line on decentralisation (€33m) and partly on a line on the environment and the fight against poverty (€4m). In the 2007-2013 CSP no further provision was made for a “poverty alleviation” line in the NIP. In order to fund a new budget support (the so-called “PAPES II”) in a near future, it was

²⁴ Regional Integration is partly covered by the regional programme, which may explain its light weight in total commitments at bilateral level.

²⁵ See the Inventory in Annexe 6 for more information on EC funding in El Salvador.

decided to use the NIP 2 (2011-2013) line “Social cohesion and human security” (€48.4m) which can be understood as including “poverty alleviation”. This shows that the EC was able to provide a much needed flexibility with respect to its own planning procedures.

- The negative aspect of this flexibility is that there will be a gap between PAPES I (ending in 2009 with a last small remnant disbursement planned for the beginning of 2010) and the new programme (PAPES II) which will probably not begin before 2012. There is also a gap between PROJÓVENES I (ended in March 2009) and PROJÓVENES II (which framework agreement has been signed by the newly elected government in August 2009).
- Although the planning of PAPES II and PROJÓVENES II show a significant effort to build upon successful experiences taking into account past lessons learnt, the same did not apply to APREMAT²⁶. FORGAES does not have a forecasted succession either. Discontinuities are inevitable when they take place during a long term process of concentration on a more limited number of focus sectors, such as is the case in El Salvador.

²⁶ The positive effects and lessons learned in APREMAT have possibly had certain continuity in the PROEDUCA programme. But PROEDUCA's approach is more wide, being a sector budget support, and is not strictly linked to the Secondary Technical Education. Moreover, almost five years passed between APREMAT's closure in 2005 and approval of PROEDUCA in 2009.

4.2 EQ 2 on Education and Social Violence

EQ2: To what extent did EC interventions contribute to improvements in education for poor young people and reduced social violence by juvenile delinquents?

The purpose of the question is to assess the effectiveness, impact and sustainability of EC support in the field of education and vocational training, and of reduction of juvenile delinquency.

EQ 2 on Education and Social Violence – Answer Summary Box

In these fields, the EC has intervened essentially over the last decade (i) in reform of the secondary technical education system (and related increase in youth employability) through a large 1998-2005 project; and (ii) in prevention of juvenile delinquency through a large 2002-2009 project tackling a ‘security of the citizens’ dimension of its 2002-2006 country strategy. These two interventions included a dimension of building successful pilot cases for possible replication in the country.

The support to the national reform of the **secondary education system**, through the APREMAT intervention, delivered results notably in terms of creation of excellence centres and the introduction of specific learning methodologies, which have been adopted at national level, such as a skills-based syllabus in technical education, both at secondary and post-secondary levels. There has also been progress in the degree of formalisation of the secondary technical area: official recognition of technical qualifications and creation of a specific area inside the Ministry of Education related to Technical Education. In terms of impact at national level, positive outcomes of EC intervention in this area have started to spread, but it is difficult to assess to what extent these have reached the education network as a whole.

The EC also tackled **access to employment** for young people through its support to secondary technical education. Improvements in employability were related to those in education quality, as a consequence of better trained and qualified teachers, better adapted and more flexible curricula and, in some cases, better facilities and equipment. But in terms of impact at national level, spreading these positive outcomes on direct beneficiaries to the national level is slow.

In its support to **juvenile delinquency** the EC adopted a pioneering approach, in focusing on prevention while GoES’ policies were initially characterised by repressive plans. It contributed with PROJÓVENES to the decrease of juvenile delinquency in the areas where it intervened. However, the main interest of these local impacts lies in its potential to be reproduced; this has not materialised so far. Moreover, it may be claimed that the European Commission, by means of PROJÓVENES I, has contributed to a change of direction in the policies to fight violence in El Salvador; this can be considered as a significant overall impact as such.

The response to this question presents (i) a quick overview of the EC support to education, employment and social violence, and then an assessment of the impact of the EC support (ii) on education and employment, and (iii) on social violence.

4.2.1 EC support to education, employment and social violence (JC 2.1, 2.2, 2.3)

The EC support to young people's education and their access to employment mostly focused on the improvement of secondary technical education through one large intervention. The EC supported with €21.2m during the period 1999-2005 the improvement of the quality of El Salvador's secondary education system, in particular secondary technical education, through the APREMAT project²⁷. It withstood the national reform of secondary technical education laid out in the national ten-year plan (1995-2005) through actions aimed at transforming 22 public secondary technical schools, referred to as "centros focales - key centres", that would serve as a reference for the rest of the secondary technical schools.

The EC also supported young people's education and employment through other interventions not directly targeted to these areas. Two interventions (PRRAC sub-programme²⁸ and PROARES) were post-reconstruction programmes following respectively the 1998 Mitch hurricane and the 2001 earthquake that financed the rehabilitation of school infrastructure. Moreover, the basic social service infrastructure component of Red Solidaria (supported through PAPES) also tackled building and rehabilitation of schools although this was not one of its highest priorities. Finally, PROJÓVENES I (2003-2009) and II (agreed in 2009) included vocational training activities with a direct view to improve access to employment.

The EC support to the reduction of violence and juvenile delinquency materialised in one programme during the evaluation period. PROJÓVENES I proposed an integrated approach based on prevention and improvement of opportunities for young people. It covered 13 municipalities (1,537,171 inhabitants) and 57 communities (179,949 inhabitants or 38,225 families). There were 70,915 young people aged between 10 and 25 as direct beneficiaries according to the project's final report (compared with 50,000 envisaged in the financing agreement). Its action is being pursued by the follow-up programme PROJÓVENES II, which financial agreement has been signed in August 2009, i.e. a few weeks after entry into office of the new government.

4.2.2 Impact on education and employment (JC 2.1, 2.2)

The EC support through APREMAT made a positive contribution to secondary technical education. The final evaluation of the programme and the field mission pointed out several positive achievements of APREMAT and impacts after its completion:

- The 22 key centres supported by APREMAT became centres of excellence for teaching-learning innovation;
- The Ministry of Education (MINED) is taking APREMAT's methodologies as a reference to strengthen technical education (e.g adoption of the skills-based syllabus

²⁷ Total commitments for APREMAT amounted to €25.4m, consisting of €21.2m from the EC and €4.2m from the GoES – see *Annexe 8 for details*.

²⁸ The regional PPRAC programme is covered in the present evaluation only to the extent of the coherence of the overall programme with EC interventions specific to El Salvador (*see section 4.8.1*).

methodology introduced by the programme and development of secondary and post-secondary levels through the State initiative MEGATEC); *and*

- Progress is observed in formalisation of the secondary technical area :
 - Technical Secondary Education qualifications were officially recognised by the Ministry in 2007;
 - The Office of Technical Education & Technology was created in 2007 within the Ministry of Education, with the purpose of providing administrative support to an educational area of growing importance.

However, diffusing the positive outcomes of this pilot project across the country was slow. The Ministry of Education has started spreading the lessons learnt from the 22 key centres targeted by the programme to the whole network of technical education centres in the country. Although skill-based methodology has been adopted by the Ministry for the whole technical secondary education network, the process of materialising in every school is slow, due to difficulties in teacher training, adapting *curricula* and access to suitable equipment. There is no quantitative evidence on what the extent of this spread is. Determining the wider impact of EC support beyond the programme's direct beneficiaries is thus difficult.

The educational dimension of PROJÓVENES had no tangible impact. The intervention, which mostly aimed at the early prevention of delinquency, was supposed to have an indirect impact on education (e.g improvement of the rates of school attendance) but this has not materialised so far.

The EC contributed to post-earthquake rehabilitation of nine schools through PROARES, but the impact was limited to final beneficiaries of those infrastructures. Results were higher than planned, with nine schools instead of four. Moreover, with that remodelling, a phenomenon of increase in school enrolment ('matriculas') occurred– this posed in turn a problem of overcrowding of school infrastructure (*see I- 2.1.1 in Annexe 9 for details*)

The EC contribution to employability and access to employment has been relatively satisfactory for direct APREMAT beneficiaries, but replication was limited, and few results were obtained in this respect with PROJÓVENES:

- With its support to secondary technical education (APREMAT), the EC partly contributed to improved access of young people to the labour market. Learners from the 22 key centres where the project was implemented achieved good levels of professional skills and training. However, results of career guidance initiatives, with a special emphasis on gender equality, were not satisfactory, according to APREMAT's final evaluation and field visit observations. Moreover, the EC contribution in this area will largely depend on MINED's capacity to incorporate and successfully reflect APREMAT's positive outcomes in education policies. To date, very little evidence has been found on the impact of MINED's initiatives in terms of employability and no measures regarding access to employment have been taken in schools or colleges.
- With PROJÓVENES, the EC embraced aspects related to vocational training, access to employment and support to self-employment, with poor outcomes. These aspects are identified as points for improvement in PROJÓVENES II.

4.2.3 Impact on social violence (JC 2.3)

The EC contributed to the decrease of juvenile delinquency in intervention areas, despite difficulties in the first years of implementation. The project encountered a number of difficulties in the initial years (2003 – 2005), as was reflected in the conclusions of the mid-term evaluation. These difficulties consisted of a lack of understanding between the different parties involved, uncertainty as to the objectives, and problems of efficiency and effectiveness that contributed to levels of performance well below the scheduled targets. The mid-term evaluation and the implementation of some of its recommendations entailed a turning point in the project. In this sense, most of the actual implementation was carried out between 2006 and 2009. The project's final technical report provides information on achievements (*see I-2.3.1 in Annex 9*), which can be summarised as follows – however, no independent final evaluation of the project has taken place and there is little information available for verifying these data or attributing them directly to the project:

- a 25.2% reduction in the number of cases opened at Juvenile Courts;
- a 23.7% reduction of the number of detentions of minors carried out by the National Police;
- a 70% reduction of the reports of child abuse and family violence.

Notwithstanding the project's outcomes, social violence remains a serious issue in the country. Youth delinquency still represents one of the main national problems and remained at high levels over the evaluation period. The UNDP and most other sources consider that El Salvador remains one of the most violent countries in the world²⁹. In that respect, the repressive policies implemented in 2003 and 2004 have had a negative impact on the restructuring and institutionalisation of gangs. In this context, the EC project's results have not had an overall impact at national level (so far). But it might have such an impact in the future if this approach is reproduced at the level of the country (*see below*).

The EC apparently contributed to the change of direction of GoES' policies to fight violence. The EC programme PROJÓVENES was launched in 2002 in a context where national policies against juvenile delinquency were characterised by repressive plans (*"Mano Dura"* and *"Mano Super Dura"*) and the application of severe laws (*as explained in section 4.1.2 above*). Its design differed from the GoES' repressive strategy: the programme proposed to tackle juvenile delinquency through prevention and institutional collaboration. As of 2005, GoES' policies have undergone a change of approach which fitted more with the one proposed by the EC: the government issued plans that put stronger emphasis on prevention and on an integrated approach to intervene in this area (*"Mano Amiga"* and *"Mano Extendida"*). Although this is difficult to verify, most interviews show that the EC intervention had some influence on this new GoES approach towards a policy more based on prevention than on repression. The follow-up project PROJÓVENES II (agreed in 2009) aims at contributing to the consolidation of national policies in support of the juvenile condition and hereby also reproduction of the positive outcomes of the first programme at a national level, even if it will focus on 14 municipalities..

²⁹ See for instance UNDP's Human Development Report for El Salvador, 2007-2008.

4.3 EQ 3 on Social Services and Infrastructure

EQ3: To what extent did EC interventions contribute to improving the social services and particularly for the poorest, focusing on infrastructure for and access to basic health and water services?

The purpose of the question is to assess the EC contribution to improving basic social services and infrastructure. The question focuses on health and water services, which reflect key themes of declared objectives in the EC Country Strategy Papers for the periods 2002-2006 and 2007-2013.

EQ 3 on Social Services and Infrastructure – Answer Summary Box

Investment in social infrastructure was an objective of the 2002-2006 EC strategy, complemented explicitly by a focus on health and water in its 2007-2013 strategy. The EC contributed in this field mainly through a significant 2005 budget support programme directed to the basic infrastructure component of a national poverty-reduction programme. A follow-up budget support programme in this field is being envisaged for the period 2007-2013. The EC also contributed in social infrastructure through two large reconstruction programmes agreed earlier in 1999 and 2001 relating to natural disasters.

Achievements of the national Red Solidaria programme funded on the PAPES budget support in health and water (the focus of this evaluation question) can be considered as positive in the sense that targets for variable tranche indicators in the fields of health and water have been reached and even exceeded. This support also reached the poor in that it was centred on the poorest rural communities in the country.

For rehabilitation following the 2001 earthquakes, EC achievements in the field of health and water consisted mainly of providing access to water and sanitation in all houses built and to rehabilitation of a few health centres. Not all conditions were fulfilled, however, for making this infrastructure fully useable (e.g. connection to the water system). These results in health and water can be considered reasonable, and their impact is recognised in terms of poverty reduction. However, the overall impact of this support does not reach beyond direct beneficiaries. For rehabilitation following the 1998 Mitch hurricane, the PRRAC is recognised in this field for successful implementation of integrated “water-health” projects.

The EC further happened to fund support for establishment of a legal framework on water management, through the environmental programme FORGAES. But resulting proposals lacked political consensus to become effective. Despite this, advancement is recognised in terms of capacity-building and consciousness-raising in this field.

4.3.1 EC support to health and water (JC 3.1 and 1.3)

Improved access to basic services, notably in health and water, was a priority objective in the EC country strategies. The 2002-2006 CSP and related Multiannual Indicative Programme considered “Support for integrated and sustainable local development” as one of its three priority areas, including in the area of health and water and waste management. The 2007-2013 CSP and related National Indicative Programmes (NIPs) considered explicitly “Access to basic services (health and water & sanitation)” as a key dimension of the first of its two focal sectors.

The EC contributed mainly in this field with the PAPES budget support programme, directed to a poverty-reduction GoES programme component on basic infrastructure, which included health and water infrastructure. This 2005 general budget support was clearly directed towards basic services, including health and water (*see below*). With its €35m on ALA resources, it covered entirely the €33m envelope envisaged in the 2002-2006 Multiannual Indicative Programme for integrated local development. With regard to the 2007-2013 CSP/NIPs, a follow-up budget support programme in this field is being envisaged for the period 2007-2013.

Significant funding in health and water was also provided earlier in reconstruction programmes. PROARES, which was set-up in 2001 in the aftermath of the earthquakes earlier that year, also included two components on reconstruction of health and water infrastructure, in addition to its central activity of housing reconstruction. The regional PRRAC programme that was agreed in 2000 following the 1998 Mitch hurricane also intervened in health and drinking water and sanitation in El Salvador through its specific €10.4m PRRACSASS sub-programme³⁰.

The EC also funded support to the establishment of a legal framework on water management. FORGAES contributed mainly to the development of a proposal for a “water law” (*ley de agua*), in addition to its core activity of environment-related capacity-building.

EC funding further supported ten other small health and water projects. In addition to the above-mentioned bilateral cooperation programmes, there have also been ten relatively small³¹ EC interventions specifically in the field of health and water during the evaluation period, funded through thematic budget lines.

4.3.2 Aid for health and water through budget support (JC 3.1, 3.2, 3.3, 5.3)

The Government used almost half of the funds of its Red Solidaria basic infrastructure component supported by the PAPES for health and water. Although the 2005 PAPES was a general budget support programme³², it was clearly directed towards the ‘Basic social service infrastructure’ component of the national poverty-reduction programme Red Solidaria (RS) – *see Box 1 under section 4.5.1*. PAPES supported that specific RS component with €35m. The information on execution provided by the GoES shows that 48% (\$36m) of all that component’s funding over the period 2005-2007 (\$74m) was dedicated to health and water, i.e. 14% to the extension of health services and 34% to drinking water and basic sanitation. RS built or rehabilitated health and water infrastructure when these were given priority by the local coordination councils. This infrastructure could

³⁰ The regional PRRAC programme is covered in the present evaluation only to the extent of the coherence of the overall programme with EC interventions specific to El Salvador (*see section 4.8.1*).

³¹ Commitments between €120,000 and €750,000 according to available information.

³² PAPES is a general budget support programme and is assessed as such in EQ 5. But as it was directed to a GoES field-level programme, the evaluators consider it justified to provide an indication of the part of this GoES poverty-reduction programme which tackled health and water, and to provide information on the results attained by this GoES programme.

also benefit from the construction of rural roads and from connections to the electric network financed by this same component.

Three of the nine PAPES variable tranche indicators were oriented towards extension of the drinking water and sewage services coverage. Red Solidaria targets for 2006 and 2007 were successfully achieved. The PAPES framework agreement specifies that these three indicators should be measured in the 32 poorest of the 100 municipalities covered by Red Solidaria (out of the 262 municipalities in the country). All three indicators attained their objective for the first year (2006), and even exceeded them significantly as shown in the table below (*see I-5.1.3 in Annex 9 for details*). As a consequence, the 2007 targets were ‘upgraded’, and equally so successfully attained. This owed notably to both national and international community efforts in Red Solidaria, including EC funding.

Table 7: PAPES’ Adjusted Indicators Matrix – Extract

Objective	Result indicators*	Baseline 2005	Target 2006	Result 2006	Target 2007	Result 2007
Extension of the drinking water and sewage services coverage	6. Population with access to potable water	60.3%	62.3%	67.0%	75%	75%
	7. Population with access to toilets/latrines	72.6%**	69.2%	77.0%	84%	84%
	8. Schools with access to potable water	56.9%	66.9%	85.0%	90%	90%

* Measured for the 32 poorest municipalities covered by Red Solidaria

** Adjusted data

Source: ADE, based on PAPES adjusted indicators matrix

EC funding through the PAPES clearly targeted the poorest, in the sense that it funded the (poverty-reduction) Red Solidaria programme that supported the 100 poorest rural municipalities in the country, and that PAPES variable tranche indicators were measured in the 32 poorest of them.

4.3.3 Health and water in reconstruction programmes (JC 3.1, 3.2, 3.3)

Infrastructure of eight health units/centres in the country was improved through PROARES (a partial achievement of the programme’s target). Furniture and equipment were not part of the programme but highlighted as a problem. PROARES’ final evaluation considered that the programme considerably improved the condition of existing health infrastructure, despite some deficiencies. Effectiveness of health-related expected results was considered as ‘good’, comparing the achievement of 7 health units increased or remodelled and 1 health centre remodelled with the objective of building 11 health-infrastructure projects. It was actually mostly remodelling of existing infrastructure versus building of new infrastructure – there was thus no increase in health coverage, but improvement of service. Sustainability of the rehabilitation of health centres was considered ‘acceptable’ overall, but furniture and equipment were highlighted as a problem. There was no funding envisaged in the programme for this purpose, as PROARES contributed to the rehabilitation of infrastructure but not to access to health services as such.

EC support laid the basis for access to water and sanitation in all PROARES' infrastructure, but conditions were not fulfilled for making them all useable for final beneficiaries. The programme's final evaluation specified that all houses planned were built (the main objective and achievement of the programme), and that all infrastructures (mainly houses) were capable of having access to water and sanitation. However, it noted problems in terms of high water service fees in a number of municipalities and connection to the water system in three housing projects. Additionally, maintenance and operationality were not ensured for a large part of the sewerage infrastructure.

EC contributed to poverty reduction in municipalities tackled by PROARES. The programme did not tackle the impact beyond those direct beneficiaries. Its final evaluation stated that the programme did contribute to poverty reduction in supported municipalities, notably by providing basic services to most affected and fragile beneficiaries (in particular single women with children). Nevertheless, many municipalities, and in particular the poorest, could not benefit from the programme as they could not buy land (a local counterpart condition). Certain of the poorest population groups had also problems with qualifying with the criteria for benefiting from the programme (e.g. settlers, people living alongside railways or roads). Evidence from that final evaluation and field visits shows further that the programme had an important impact on direct beneficiaries (mainly in terms of housing). But it is improbable that it would contribute in a decisive manner to achievement of the general objective, as it is an isolated exercise in the context of a structural (housing deficit) crisis at national level.

The EC contributed successfully with integrated "water-health" projects in the context of post-Mitch reconstruction in El Salvador. Although not formally in the scope of this evaluation, we mention that the 2009 PRRAC final evaluation report mentioned that integrated "water-health" projects could be implemented with success, given the decentralised character of the PRRAC in El Salvador (*see section 4.7.2*).

4.3.4 Legal framework for water management (JC 3.3)

In addition to infrastructure, the EC supported the establishment of a legal framework for water management, although resulting proposals lacked political consensus for materialising. The EC supported the establishment of a legal framework for water management with its 2002-2007 FORGAES environmental programme, notably with agro-environmental tribunals and a "water law" ("*ley de agua*"). These two final objectives did not materialise. With regard to the *ley de agua*, EC support resulted in a concrete bill supported by the then Ministry of Environment and Natural Resources (MARN) according to civil servants. But this bill did not get the final signature of the government as a whole for the absence of political agreement. There is actually little chance of having this done in the short term, according to a representative of the newly-elected government, who stressed that the focus should rather be on putting into practice interesting existing laws rather than introducing new ones. Civil servants mentioned that FORGAES delivered good work, but that its role stops there with the bill, finding the necessary political compromise being an internal Salvadorian matter. Nevertheless, they mentioned that the main impact of FORGAES was awareness-raising and capacity-building of MARN staff on these issues. It also contributed through capacity-building on environmental issues at the level of Municipal Environmental Units (*see I-7.4.3 in Annexe 9*).

4.4 EQ 4 on MSE Development

EQ4: To what extent did the EC interventions contribute to the development of and employment in local micro and small enterprises, and ultimately increased economic growth?

The purpose of the question is to assess the effectiveness, impact and sustainability of EC support on Micro and Small Enterprises (MSE) development.

EQ 4 on MSE Development – Answer Summary Box

The EC supported MSE promotion and socio-economic development through one main intervention: FOMYPE.

The EC contribution through FOMYPE has been extremely limited:

- At **macro** level, it helped design the national SME policy (“*libro azul*”), but scarcely helped improve the norms and legal framework.
- At **meso** level, its contribution to capacity building in the institutions in charge of business development service provision to MSME was limited and showed low levels of sustainability partly due to a misconception of capacity building.
- At **micro** level, it helped deliver improved business services to 7.3% of the 174,400 MSME registered universe, reaching hereby 80% of its quantitative target, but only a small part of those enterprises was in the priority targeted industrial and agro-industrial sectors.

The lack of an adequate internal monitoring and evaluation system and, in particular, of a base line survey, makes it impossible to measure to what extent the EC contributed to employment and economic growth through FOMYPE.

The response to this question presents (i) a quick overview of the EC support to MSE, and an assessment of the impact of the EC support (ii) on the business environment and (iii) on employment and economic growth.

4.4.1 EC support to MSE (JC 4.1, 4.2)

Support to local Micro and Small Enterprises (MSE) with a view to fostering “equitable growth of economy and employment”, was one of the three priority objectives in the EC 2002-2006 Country Strategy Paper and the related National Indicative Programme.

Over the evaluation period, the EC support to local MSEs materialised mainly through one programme: FOMYPE (“*Fortalecimiento de la Competitividad de las Micro y Pequeñas Empresas en El Salvador*”, 2005-2009)³³. With its €10m commitment on ALA resources, this programme

³³ See Annexe 8 for a short description of this intervention.

filled entirely the €10m envelope envisaged in the 2002-2006 National Indicative Programme for “Equitable growth of economy and employment”. A much more modest contribution was made to employment –and quite specifically to women labour conditions– with the Las Dignas’ project financed under thematic budget lines. Finally, there is still one more programme forecasted in this field for the period 2007-2011: PROCALIDAD, a large budget support programme which is still in the pipeline because a certain number of conditions are still unfulfilled.

FOMYPE was aimed at strengthening MSE’s productivity and competitiveness in El Salvador through a three-tier intervention: a) policy and legal framework development (macro level); b) capacity building of the main public and private providers of technical and financial Business Development Services (BDS) (meso level); and c) provision of better, diversified and geographically more accessible BDS to the Salvadorian Micro, Small and Medium Enterprises (MSME) (micro level).

To address MSME development in El Salvador as a means to boosting the national economy and employment, offered great possibilities in so far as, according to the Ministry of the Economy (MINEC)’s 2005 statistics, there are around 174,400 MSMEs registered in the country and those enterprises generate 65% of total domestic employment, although the great majority of MSME work in the commerce and service sector and, as family enterprises, do not use employees as such.

4.4.2 Impact on business environment (JC 4.1, 4.2)

The programme’s final evaluation and field mission evidence show that it only registered a few results at macro, meso and micro levels.

At macro level, EC contribution through FOMYPE to the national policy and legal framework on MSEs has helped design the national policy but has been scarcely efficient as far as norms and legal framework are concerned (see I-4.1.1 in *Annexe 9 for more details*):

- FOMYPE supported the drafting of the national policy in favor of MSMEs, which the MINEC made public in 2007 (known as the “*libro azul*”);
- Regarding norms for MSMEs, FOMYPE contributed to the design of a National Innovation System; and it supported the creation of the National Quality and Productivity System, which will not bring any results while the 4 institutions (Metrology, Technical Regulation, Normalisation and Registration) on which the system is based are not working effectively.
- Regarding laws for MSMEs, FOMYPE failed to take advantage of FEDECACES’ experience and knowledge about remittances to help analyse and adapt the financial and legal framework so as to improve the use of remittances at national and local level. And the “Ley de Calidad” -much expected as a result of the recent EC’s cooperation strategic change from programme support to budget support- was still pending approval in September 2009, impeding the EC from launching its budget support programme PROCALIDAD as planned in the 2007-2013 CSP.

At meso level, the EC contribution to increased and improved services and facilities for MSE development through FOMYPE has been limited (see I-4.2.1 in Annexe 9 for more details), as illustrated in the figure hereunder:

Figure 8: Results of FOMYPE as regards services and facilities for MSE

Expected results	Results	Comments
<p>ER 2 : “Strengthened capacity and efficiency of the public and private institutions and programmes which provide technical and financial support to MSEs; with special emphasis on University as technical service providers”</p>	<p>CONAMYPE, FOEX, MINEC and CONACyT strengthened</p>	<p>Capacity building benefits restricted to quite few institutions while a significant number of public and private institutions were originally meant to be strengthened</p>
<p>ER3 : “MSEs have developed their management, production and marketing capacity as a result of having access to a higher quality, more diversified and territorially extended provision of services of specialized technical assistance”</p>	<p>Creation of Business Development Centres in 3 regions</p> <p>New specialized BDS entities installed but not in function</p> <ul style="list-style-type: none"> • 2 institutions qualified as quality service provider (Business Development Centres and FOEX) while 2 others failed • FOMYPE failed to help CONAMYPE to ISO 9000 certification • Training of local MSE staff benefited to a limited and selected number of MSE 	<p>FOMYPE helped deconcentration of service provision</p> <p>FOMYPE attempted to diversify service provision but failed to provide new financial services</p> <p>FOMYPE: mixed results regarding the improvement of quality of services provided</p>

Results have been limited for 3 main reasons:

- First, the programme’s capacity building activities meant to strengthen institutions in charge of BDS provision to SMEs converged mainly on 4 institutions³⁴ and left aside important business and financial service providers, such as universities, Technical Assistance Fund (*FAT*) operators, technical institutes, non-bank financial institutions.
- Second, activities mostly focused on operational capacity building such as the creation and installation of CONAMYPE’s 3 Business Development Centres, leaving aside institutional management (effectiveness, efficiency, credibility), knowledge and financial strengthening (CONAMYPE’s yearly budget is not higher than an NGO’s).
- Third, institutional strengthening has been misunderstood and a great part of the capacity building funds were used to pay salaries and administrative expenditures, to the detriment of technical and knowledge capital, which explains the low level of sustainability of the intervention in the end.

³⁴ These are the following: CONAMYPE, with the creation of three Business Development Centres; the *Fondo de Fomento a las Exportaciones* (FOEX), with its improved e-services; MINEC, with the design of the Quality and Productivity National System (SNCP); MINEC again together with CONACYT (Conejo Nacional de Ciencias y Tecnologías)³⁴, with the design of the National Innovation System.

At micro level, the EC intervention benefited predominantly enterprises in non-priority economic sectors. The programme was expected to benefit micro and small enterprises, providing priority attention –due to its competitive potential– to a group of 16,100 export-oriented industrial and agro-industrial enterprises (90% micro, 8% small, and 2% medium-sized respectively), selected from a universe of some 50,000 micro and 6,000 small enterprises (MSEs), equivalent to no more than one third of the 174,000 registered MSMEs in the country according to MINEC’s 2005 Economic Census.

Actually, as stated in the final evaluation, FOMYPE provided services to a total of 12,786 enterprises (75% micro, 23% small and 2% medium-sized), benefiting therefore a number of MSE equivalent to 80% of its quantitative target. Yet, qualitatively, insofar as a majority (58%) of the enterprises it supported was operating in the commerce sector and only 39% in the priority targeted industrial and agro-industrial sectors, the programme stayed short of its expected results. All the more so if we consider that, as a whole, it has benefited 7.3% of the 174,000 MSME universe of MINEC’s 2005 economic census (*see I-4.3.1 in Annexe 9*).

According to the final evaluation and to the stakeholders, the main reasons for the lack of success of FOMYPE, at a global level, are the following:

- The lack of an identification study impeded benefiting from adequate data on the universe and characteristics of the beneficiaries and hereby better targeting the intervention;
- The lack of a precise targeting led to a contradiction between the objectives and methods of the project rather directed towards the small and medium enterprises and the supposed beneficiaries which should have been the micro enterprises. The absence of a mid term evaluation did not permit to correct this problem – and others- on time;
- The complexity of the contracting procedures imposed important delays since the beginning of the project, and thus created strong incentives to deliver the easiest services rather than the most necessary; *and*
- Management problems were pervasive due to the lack of a qualified pool of local and regional experts

4.4.3 Impact on employment and economic growth (JC 4.3)

It is difficult to assess the EC contribution to employment and economic growth due to the absence of internal monitoring tools within FOMYPE and of a baseline survey. Indicators, defined at design stage so as to assess the contribution of FOMYPE to the socio-economic development of the country (e.g. the contribution of MSEs to GDP and to regional and extra-regional trade), have not been monitored during implementation. Consequently, there is a lack of statistical data which explains why the final evaluation could not assess to what extent MSMEs which benefited from FOMYPE have contributed to economic growth and employment in El Salvador.

4.5 EQ 5 on Budget Support

EQ5: To what extent have the EC interventions through Budget Support been adapted to the national context, and to what extent have they contributed to improving the framework for public policy and expenditure?

The purpose of the question is to assess the effects of one budget support intervention (PAPES) at the “direct output” level and to examine whether there have been some concomitant changes at a public policy management level (“induced outputs”). It will be seen whether an eventual causal relation between the two can be established. The concept of Public Finance Management is broadened to include local finance, which, for PAPES is a more relevant level than the national level.

EQ 5 on Budget Support – Answer Summary Box

The EC launched the first grant budget support in El Salvador. It was precisely directed towards “Red Solidaria”, an innovative and well-designed poverty alleviation programme strongly backed by the Government and started in 2005. This type of support proved the EC capacity to adapt to the needs and priorities of the GoES and offered clear advantages such as strengthening the capacity of the implementation agency or diffusing result-based monitoring systems. But importantly:

- It was adapted to the national context
- It improved the inclusion of external assistance in public policy and the public finance process
- It led to a Public Expenditure and Financial Accountability (PEFA) evaluation which could offer a significant value-added, especially as a Public Finance Management (PFM) base-line for the future.

However it also suffers from some disadvantages which are at least partially the reverse of its qualities:

- Being so precisely focussed, it was weakly related to PFM improvement, with the potential exception of PEFA and albeit a variable tranche indicator linked to tax revenues.
- It showed some positive results on PFM at municipal level through its technical assistance programme, but this assistance was targeted towards municipalities which are not amongst the poorest (and are not included in the Red Solidaria programme), and with no continuity and scarce sustainability.
- It had no influence either on the design or improvement of public policy towards poverty alleviation.

4.5.1 Adaptation to the national context (JC 5.1)

The evidence collected indicates that the EC intervention through budget support has been adapted to the national context.

The box below presents the context of Red Solidaria and the PAPES.

Box 1: The Case of the PAPES

History of Red Solidaria

Red Solidaria (RS) was established by the GoES in 2005. It was conceived by a small group linked to the Secretaría Técnica de la Presidencia, as a network (not an institution) based on a strong inter-institutional coordination including national and local public as well as private (NGO) organisations, which are active in rural areas. It was designed as an integral programme which would: (1) offer a social security network to some of the poorest rural families through a conditional transfer system; (2) improve basic infrastructures and services in the 100 poorest rural municipalities; (3) support small scale production mainly through microcredit. This integrated approach appealed to the IDB and WB which provided a first technical support to the design of the programme and to the drafting of its operating manual. The design proposed a simple and transparent targeting system for the selected municipalities as well as for the families benefiting from conditional transfers. These two IFIs approved loans to ES up to US\$ 85m for the financing of the RS programme.

At the beginning of 2005 the EC sent missions to El Salvador in order to identify a General Budget Support programme. The GoES showed an immediate interest (this was the first offer of a grant BS) and suggested that this GBS would in fact finance RS and so complement the IFI loans. A common agreement was rapidly reached so that the BS would be directed towards the second component of the RS programme (basic social infrastructure). The FA was signed in December 2005 and the first disbursement took place in 2006.

But in 2006 the Salvadorian Parliament did not approve the Government's proposal of a loan package from IDB and WB. After this setback the EC became the main donor in RS, joined by others such as KfW, AECI, Luxemburg, Junta de Andalucía which brought it up by an additional €30.5m. Until 2009, international financing amounted to 46% of total RS revenues.

In June 2009 the new GoES decided to continue the RS programme (now called *Comunidades Rurales Solidarias*) and intends to expand it to urban areas and give it a clearer social security profile.

What is special in PAPES?

Although PAPES is a GBS, it is clearly directed towards RS and more precisely towards its second component (basic infrastructure). It can not be compared to a traditional project, nor to the EC model of targeted BS: it shares all the characteristics of a budget support, it obeys the EC double tranche system and its ex-post result-based evaluation and there is no ex-post financial control or disbursement organised by EC. But it is also clear for all that this EC financial contribution is precisely targeted towards RS, so that (albeit fungibility) it is not subjected to a different allocation decision of the Ministry of Finance than that initially planned, or to a negotiation inside the GoES. The GBS modality was preferred to the sectoral modality because this last mode implies the existence of well-defined sectoral policy which did not exist. But from the point of view of the GoES, PAPES offers all the advantages of a sectoral BS (is on treasury and on budget, follows strictly all national procedures, follows precise objectives, is easier to monitor and to evaluate annual performances). By orienting a budget support to a well-designed programme, GoES shows that external financing can be successful and respect all national procedures in disbursements, accounting, procurement, auditing and reporting.

The main evidence that shows adaptation to the national context are the following:

- This budget support, signed in December 2005 and started in 2006, committed €35m as GBS and an additional €2m as Technical Assistance. It slightly alleviated a moderate budget deficit (around 2% of GDP on average or US\$ 400m) by a direct transfer of more than US\$ 12m a year (on average) to the national budget from 2006 to 2008. This transfer represented about 3% of the budget deficit.

- The BS modality was proposed by the EC but its support to Red Solidaria was demanded by the GoES and decided after consultation with stakeholders (GoES and donors, especially the development banks).
- Both parts (EC and GoES) gradually adapted to this new aid modality and improved their administration of the programme.
- The beneficiary of this BS is a programme of poverty reduction (Red Solidaria) which, without being a PRSP, is the only public poverty reduction programme in El Salvador. EC showed flexibility by adapting to a kind of targeted BS which responded to the needs and priorities of the GoES.
- This programme was strongly supported by the GoES which, until April 2009, financed directly 54% of the US\$ 102.8m cumulated revenues of Red Solidaria.
- It consists of the usual fixed and variable tranches system, with three conditions linked to the fixed tranche and 9 indicators/targets attached to the VT disbursements, all of which have been negotiated with the GoES³⁵.

However, the application of the variable tranche system was linked to a planning of targets and indicators excessively rigid and little adapted to this kind of programme (*see I-5.1.3 in Annexe 9*).

4.5.2 Inclusion of external assistance in public finance process (JC 5.2)

PAPES improved significantly the inclusion of external assistance in the public policy and public finance process :

- According to the PEFA evaluation, in El Salvador external assistance is weakly integrated into the public finance process:
 - Project and programme financing are “off budget” (are not integrated into the State budget);
 - The main donors do not present regular reports on disbursements to the GoES;
 - Only 27% of external aid to the central government follows national procedure (procurements, disbursements, accounting, auditing and reporting).
- In contrast, the EC budget support (PAPES) is both on budget and on treasury and being a budget support, it follows strictly all national procedures. The first 4 tranches, covering 2006 to 2008, have been timely (respecting the schedule) disbursed. Therefore they were highly predictable³⁶.

4.5.3 PFM improvement at a national level (JC 5.2)

The PFM improvement at a central level, observable in El Salvador, can not be related to PAPES because the reform of PFM started long before EC’s intervention through budget support and did not improve significantly during this support. However the PEFA evaluation is expected to play a positive role in improving and assessing PFM in the future.

³⁵ In 2006, DELNIC suggested that given the level attained by most of the VT indicators in 2006, the objectives initially agreed on for 2007 could be incremented. GoES agreed and 7 of the 9 VT indicators were “upgraded”, sometimes very significantly (*see I-5.1.3 in Annexe 9*).

³⁶ Only the last tranche (the second variable tranche of € 10m.) due in the 1st trimester of 2009 (out of the scope of this evaluation) was disbursed in the 3rd trimester and 85% of the maximum amount was effectively disbursed.

El Salvador uses a relatively modern PFM system but one which leaves room for improvement:

- PFM entered into a modernisation process in 1994, and this process is considered as being rather successful although there is no recent action plan and no medium-term expenditure framework.
- The legislative Assembly has a clearly established role in the budget approval process but its ability to scrutinise budget execution, public finance and audit reports is much constrained (see I-5.2.2 in Annexe 9).
- The Court of Auditors (CCR) is functioning and its internal quality is improving although its relation with the Parliament is weak (see I-5.2.3 in Annexe 9).
- According to different PFM evaluations, transparency of expenditures is regular toward Parliament but poor towards the general public.
- The public perception of governance is improving in some aspects such as corruption and government effectiveness, but is declining in other aspects such as the rule of law. This probably expresses the government's failure in controlling violence³⁷.
- The PEFA evaluation, agreed on in 2008 and conducted in 2009 was financed by the EC and can be considered as an important by-product of the EC Budget Support. Indeed, the PEFA process would have not been possible without the incentive given by PAPES. PEFA is a base-line on PFM and should be used as such in the future. The PEFA report was approved on the last day of the previous government (May 31, 2009) and the new government does not feel necessarily concerned by its findings and recommendations. Therefore, the use and utility of this report will depend on the future appropriation of this assessment by the GoES, which in turn can be supported by a joint action of donors interested in macroeconomic policy and PFM.

4.5.4 PFM improvement at a local level (JC 5.2)

The Technical Assistance linked to PAPES had a positive but limited effect, in time and in space, on the management of municipal finance. A Technical Assistance programme (less than €2m) is attached to PAPES and consists mainly of four different technical support and training programmes executed by consultant companies supervised by four national institutions. According to representatives of these institutions, confirmed by field visits, this programme has strengthened PFM capacity of the local governments where it intervened.

However:

- It is a one shot intervention although the need of technical support and training in municipalities is permanent. Therefore it faces a continuity and sustainability problem.
- It is not directed towards the municipalities supported by RS, but (with the exception of the assistance supervised by the Ministry of Finance) towards less poor local councils.
- There is little coordination between the institutions offering financial technical assistance and this led to some duplication of efforts (*see I-5.2.7 in Annexe 9*).

³⁷ See, for example, «Informe sobre Desarrollo Humano para América central 2009-2010 – Abrir espacios a la seguridad ciudadana y al desarrollo humano», PNUD, octubre 2009, pp. 199 to 246.

<http://www.idhac-abrirespaciosalaseguridad.org/>

4.5.5 Support to public policy in poverty reduction (JC 5.3)

The EC support to the public policy of poverty reduction consisted mainly of its important financial contribution to Red Solidaria. It also strengthened the execution agency capacity but did not influence the public policy design (*see also Box 1*). **Indeed:**

- Red Solidaria was the first targeted public policy in the field of poverty reduction. Compared with other similar programmes in Latin America, it is considered as being innovative and rather successful;
- The support of the EC, as well as that of five other donors has been crucial in this success since external aid financed almost half of Red Solidaria's budget and half of this aid was provided by the EC;
- The PAPES execution agency (FISDL) stresses the benefits of the introduction of a result-oriented monitoring system, and the institutional strengthening due to the execution of a programme relying entirely on national procedures.

However:

- The EC began supporting RS when the programme was already totally designed with the help of the IDB and the WB: EC (and the other bilateral donors) did not participate in this design. Therefore there was no significant dialogue between the EC and the GoES on poverty reduction policy;
- The financial importance of the Red Solidaria programme should not be exaggerated: an estimation based on the 2009 budget of RS shows that its investment in basic social infrastructure (around \$ 25m) represents 3.5% of the public investment budget;
- Red Solidaria (transformed in “*Redes Solidarias rurales*”) remains institutionally fragile even if it has been confirmed by the newly elected government: it does not pertain to any line ministry and much of its success depended on the impulse given by its founders;
- While the level of relative poverty has considerably diminished during the 1990s, it has increased again strongly since 2007³⁸. GoES efforts to fight poverty were not sufficient to compensate the effects of international shocks.

4.5.6 Value-added of Budget Support intervention

The EC budget support through PAPES constitutes an added value *per se* because it is the first budget support programme based on a grant (and not on a loan) in El Salvador. PAPES partly compensated the disappearance of the IFI's loans in 2006 and constituted an incentive for other donors to join RS (the Spanish cooperation –AECID, for example). It benefited from the EC extensive experience on this matter and offered a significant quantity of financial resources to RS. It allowed also a gradual development of the management of this modality on both parts and a useful accumulation of experience for future supports of the EC and other donors. It is indeed possible that there is a learning curve for this modality in terms of policy dialogue and management efficiency (a high learning curve according to specialists, particularly for recipient countries).

The EC brought value-added in preparing, financing and conducting the PEFA process, according to all stakeholders interviewed (*see Box 2 under section 4.8.4*). This PFM evaluation could not have been financed by an EU MS present in El Salvador.

³⁸ Firstly because of the increase of food prices and secondly due to the international financial and economic crisis which reduced both remittances and exports from the *maquila* sector.

4.6 EQ 6 on Efficiency

EQ6: To what extent did the aid modalities used enhance timeliness and optimal use of human and financial resources for reaching objectives?

This question tackles efficiency of the cooperation specifically with relation to the type of aid modality of EC interventions in El Salvador. This focus goes beyond usual efficiency questions in EC country-level evaluations.

EQ 6 on Efficiency – Answer Summary Box

The EC interventions in El Salvador presented different management modalities, including (de)centralised management and budget support. The election of the type of management modality depended mainly on the possibilities at the time of identification.

National authorities and other stakeholders faced difficulties in being confronted with the complexity of such variety of modalities. Numerous implementation problems were also related to the requirements of the project approach in bilateral cooperation, through both centralised and decentralised management. Short implementation time was repeatedly a consequence, which affected in turn attainment of results in some cases.

Nevertheless, the PAPES has provided an interesting case in this respect in that the flexible use of the budget support modality proved to be an efficient way of supporting a national programme, in terms of time and resources at both the EC and the government sides. It was considered a success by all parties in the country. It benefited from the advantages of a results-oriented modality, relying on national procedures and management, and respecting the principles of the Paris Declaration.

The response to this question presents (i) a quick overview of the different modalities used, (ii) an overview of difficulties encountered with the project approach, and (iii) a description of the case of the PAPES budget support programme.

4.6.1 Variety of modalities used (JC 6.1 and 6.2)

The EC interventions in El Salvador were based on different management modalities. The figure below provides a schematical overview of the main types of management modalities used in EC cooperation with El Salvador, with indication of interventions funded. It shows that aid modalities used in *bilateral* EC cooperation with El Salvador were basically of three types:

- Project approach through ‘Centralised management’ by the EC, with PMUs (*Project Management Unit - ‘unidad de gestión’*) involving a national and a European co-director. This was used for two bilateral interventions committed in 1998 and 1999 (FORGAES and BINACIONAL³⁹);
- Project approach through ‘Decentralised management’, i.e. executed by the Government, with PIUs (*Project Implementation Unit - ‘entidad gestora’*) managed by the

³⁹ “Desarrollo binacional en las zonas fronterizas terrestres de Honduras y El Salvador”

Government within national institutions and integrating a European Technical Assistant. This was used for three bilateral interventions in 2001, 2002 and 2005 (PROARES, PROJÓVENES I and FOMYPE); *and*

- General Budget Support, with the PAPES in 2005⁴⁰.

Figure 9: EC management modalities in El Salvador, 1998-2008⁴¹

Management modalities			Interventions		
Geogr. coop. (ALA BL)	Bilateral coop.	Project Approach	Centralised management (by ECD)	Previously: with PMU (co-direction)	FORGAES 1998, BINACIONAL 1999
				Now: ECD direct	/
			Decentralised management (by GoES), with PIU (+TA)	Previously: through POA	PROARES 2001, PROJÓVENES 2002, FOMYPE 2005,
			Now: through DP	PROJÓVENES II 2009	
		Delegated cooperation	w. EU MS	/	
			w. Int'l Org.	/	
		Budget Support			PAPES 2005
	Regional cooperation (Latin and Central America)				E.g. ALFA, PAIRCA (out of scope)
Thematic cooperation (thematic BL: e.g. NGO, DDH, EIDHR, ENV), w. calls for proposals					E.g. Las Dignas, PROMABOS

The election of those types of management modalities depended mainly on the possibilities at the time of identification, rather than on efficiency (or effectiveness) considerations or even a strategy in this respect. 'Centralised management' was initially the classical implementation modality, followed later by 'decentralised management'. Budget support was not an option for the interventions funded before the PAPES, given the absence of a GoES poverty reduction strategy before 2005 (*see I-5.1.3 in Annexe 9*) and additionally of an eligible sector strategy (not existing in the field of MSEs for instance).

Specific set-ups were additionally used in a few interventions. Two interventions evolved for instance during their lifetime from a "project" approach to a form of institutional support, namely FORGAES with the MARN and PROJÓVENES with the CNSP⁴². And the post-Mitch PRRAC was intended as a regional response programme with a new type of centralised structure, but in the end consisted of financing agreements per country covering various distinct interventions in each country, with PMUs for the large projects⁴³.

⁴⁰ A sector budget support, PROEDUCA, was further signed in 2009 (i.e. after the evaluation period 1998-2008).

⁴¹ See Acronyms section at the beginning of the report

⁴² MARN : Ministerio de Medio Ambiente y Recursos Naturales ; CNSP: Consejo Nacional de Seguridad Pública

⁴³ See information under I-6.1.1, I-6.1.4, I-6.1.5 in Annexe 9 for details on interventions' specific set-ups.

The national authorities faced difficulties in being confronted with a variety of modalities and with changes of modality within interventions. The GoES had to deal with the variety of modalities it was confronted with through bilateral cooperation interventions but also through regional and sub-regional EC programmes (*see figure above*). All management modalities have their own rules and procedures (*see also section 4.8.3 below*). As stated in the Financial Agreement of the PAPES budget support programme: *“the GoES signalled the excessive costs of TA and studies, as well as the loss of time and human resources necessary for monitoring a multitude of projects with different execution modalities, as principal arguments for justifying the use of budget support as cooperation instrument”*.

Changes in the set-up of certain interventions during their lifetime posed difficulties. Examples include PROARES and FORGAES, and PROJÓVENES’ follow-up project. PROJÓVENES II will remain under the decentralised management modality, but will be subject to the so-called “devis-programme”⁴⁴ procedures. These initially ACP⁴⁵ procedures were made compulsory in 2008 for new decentralised management projects in the ALA⁴⁶ region. Introduction of a new type of procedures adds an additional layer of complexity and requires another learning curve for the GoES. Several EC staff members also expressed major efficiency concerns with these procedures, considering it actually a regression in relation to expressed EC intentions with regard to the Paris Declaration principles.

Changes in EC management also posed difficulties to the GoES. This included changes in European project co-directors such as in PROJÓVENES and in FORGAES, the latter change being accompanied by drastic changes in the intervention’s approach. GoES civil servants and other stakeholders also repeatedly referred to changes in EC interlocutors (while in turn EC staff reported changes in GoES interlocutors). Changes in EC managers related first to the devolution process from EC headquarters in Brussels to its Regional Delegation in Managua (as from 2000), and second to the gradual shift of responsibilities from this Regional Delegation in Managua to the Delegation in El Salvador (in 2006). This last transfer was also marked by a lack of clarity on the definition of responsibilities between Delegations (and still is to a certain extent). It also posed real problems of institutional memory, in terms of staff and information systems (*see I-6.1.2 in Annexe 9*). This being said, having permanent EC representation and management in San Salvador is widely recognised as beneficial to cooperation.

4.6.2 Difficulties with the Project Approach (JC 6.1 and 6.2)

Numerous implementation problems closely related to the aid modality were observed in interventions using the project approach, with centralised and decentralised management. These issues related mainly to the fastidiousness and rigidity of EC financial and contractual procedures such as the D+3 rule⁴⁷, procurement

⁴⁴ “Presupuesto-programa” in Spanish and formally “programme estimate” in English.

⁴⁵ The African-Caribbean-Pacific region.

⁴⁶ Asia and Latin America.

⁴⁷ The 2002 EC Financial Regulation provides in Article 166 that the maximum deadline for signing the individual legal commitments implementing a financing agreement is D+3 years from the Date of the global budgetary commitment. The 2007 revision of the Financial Regulation introduced as amendment to Article 166 a provision that the maximum deadline is now D+3 years from the date of the signature of the financing agreement rather than D+3 years from the date of the global budgetary commitment.

procedures, rules of origin (relieved in 2006), budget reallocations, visibility provisions or procedures for selection of experts. This was costly in terms of delays in overall planning, notably at the beginning of the intervention, and human resources, but also in direct financial terms notably owing to the rules of origin. EC control on project spending and management decisions remained high; even though it improved to a certain extent by the introduction of decentralised vs. centralised management, governmental sources mention that the European technical assistant in PIUs exercised the same type of control as the European co-director in PMUs. Nevertheless, EC supervision on expenses and deadlines was recognised as justified and helpful even by government civil servants in cases where the GoES lacked capacity or expertise (e.g. FOMYPE, PROARES, PROJÓVENES), and where there was interference of GoES institutions on the project management (e.g. PROJÓVENES, FOMYPE).

Short implementation time was repeatedly a consequence of these difficulties, which affected in turn attainment of results in certain cases. Different stakeholders provided the same testimony as the one in the box on the right.

Such problems affected key interventions such as PROARES, PROJÓVENES, FORGAES or FOMYPE. This resulted in tremendous time pressure, and in certain cases in addenda granting calendar extensions or in changes facilitating disbursement but affecting achievement of results (e.g. in FORGAES)⁴⁸.

“For a typical three-year EC project, setting-up the project requires one year, which leaves two years for implementation and disbursement. The project has then to close once it is reaching the top of the learning curve.”

4.6.3 Budget support as an aid modality (JC 6.1, 6.2 and EQ 5)

The case of the PAPES has proven that budget support can be an efficient way of supporting a national programme. This case of a general budget support programme whose resources benefit direct a government programme (*see Box 1 under EQ 5*) has proven an efficient modality for supporting a particular programme, in terms of time and resources from both the EC and government sides. It was considered a success by all parties in the country. It benefited from the advantages of a results-oriented modality relying on national procedures and management. In other words, it overcame the difficulties associated with the other EC modalities, which are process-oriented and involve direct EC management and procedures (with centralised management) or at least control (with decentralised management), as mentioned above. Using budget support implies additionally to a large extent respect of the principles of the Paris Declaration.⁴⁹

This being said, it should be stressed that the PAPES support to Red Solidaria complied with a basic condition for success, namely a well-designed and well-managed sector approach and programme with strong national ownership. In contrast, there is the example of the EC support to FOMYPE (through the decentralised management modality), also in 2005, which could not rely on such a national approach to SMEs.

⁴⁸ See the indicators ranging from I-6.1.1 to I-6.2.7 in Annexe 9 for details.

⁴⁹ Details on the case of the PAPES can be found in Box 1 under EQ 5 and under I-6.1.1, I-6.1.2 and I-6.1.3 in Annexe 9.

4.7 EQ 7 on Cross-Cutting Issues

EQ7: *To what extent were issues related to environmental sustainability, good governance and gender taken into account in the design and implementation of EC interventions, contributing thereby to improvement in those areas?*

The purpose of this question is to explore the degree to which specific cross-cutting issues have been taken into account in the EC cooperation with El Salvador and have achieved expected results. It considers notably environmental sustainability (including natural disaster prevention), good governance (mainly in relation to decentralisation and human rights), and gender.

EQ 7 on Cross-Cutting Issues – Answer Summary Box

EC funding related to cross-cutting issues benefited mainly relatively small projects through calls for proposals (on thematic budget lines). Only a small part of the 2002-2006 CSP-related envelope (of ALA resources) dedicated to non-focal sectors was used. No such envelope for cross-cutting issues was envisaged with relation to the 2007-2013 CSP.

Cross-cutting issues studied did not receive much attention overall in EC cooperation with El Salvador. The EC was not considered as an active participant in promoting selected cross-cutting issues besides funding. It has achieved overall limited impact over the evaluation period in terms of advancement of those cross-cutting issues in the country, through dedicated interventions or transversal consideration:

- Environmental sustainability: Despite recognised results in this field in early years through dedicated interventions, the importance given to the environment in EC cooperation with El Salvador has melted away in recent years;
- Good governance: Decentralisation was a priority area in the 2002-2006 CSP, but it did not materialise in terms of funding; it was nevertheless tackled indirectly in several interventions. Human rights were not a priority issue in the bilateral EC cooperation with El Salvador over the last decade; *and*
- Gender: This issue received little interest in EC cooperation in the country, although its attention to the theme increased somewhat in the last years.

The response to this question is structured per cross-cutting issue, in the following order: (i) environment, (ii) good governance, *and* (iii) gender.

4.7.1 Environment (JC 7.1 and JC 7.4)

Environment was given a certain importance in EC cooperation with El Salvador a decade ago, but this has melted away in recent years. Eight environment-specific interventions were funded during the evaluation period, for a total of €17m. The majority of them (6/8) were committed before 2002 (*see I-7.1.3 in Annexe 9*). The EC's 2002-2006 CSP considered "environment and vulnerability risk reduction" as one of its two non-focal sectors (the other being "regional integration") in this country affected by deforestation and erosion and by natural disasters (particularly earthquakes and hurricanes). The EC affected accordingly a €8.4m envelope for covering both non-focal sectors in its 2002-2006 Multiannual Indicative Programme. But commitments during this period were realised for only two interventions or €1.7m (and nothing direct for "regional integration"). The 2007-2013 CSP mentioned the environment as one of more than half a dozen cross-cutting issues, while the corresponding Multiannual Indicative Programme did not provide funding for any cross-cutting issue. No direct environment project was funded in 2007 or 2008, on ALA or even on thematic budget lines. In the same line, no extension or continuation project was foreseen for FORGAES, hereby not following the recommendation from its Intermediate Evaluation Report. EC staff members confirm that the environment has lost importance over the years in its cooperation with El Salvador, despite the recent importance given by the EC to the environment, through themes such as environmental sustainability, renewable energies or global warming. It is not clear what factors explain this decreasing focus, but interviewees note that it might be related to the willingness to focus on a limited number of (other) sectors in the 2007-2013 CSP.

Environment-specific EC interventions have achieved recognised results. FORGAES has achieved tangible results, as did PROCEDAMO and PROCHALATE⁵⁰ according to several GoES beneficiaries. Results were obtained notably in terms of institutional and local capacity building, consciousness raising, environmental frameworks, and innovation (*see I-7.4.3 in Annexe 9*).

Non-environment-specific EC interventions incorporated only standard mentions to the environment, or their intentions scarcely materialised. As a transversal issue, few results were obtained in terms of environmental sustainability. References to the environment (including natural disaster prevention) in the interventions' formulation documents generally did not exceed the standard EC mentions such as excluding irreversible damage or ensuring not breaking the law. And when there were explicit measures envisaged, they repeatedly did not materialise or did not achieve expected or significant results or impact⁵¹. EC staff members recognised this minimal role of the environment as a transversal issue in interventions.

⁵⁰ PROCEDAMO (PRRAC n°032): "Concientización y educación ambiental integral en el ámbito local y cuencas seleccionadas"; PROCHALATE: "Rehabilitation and Development Project of Areas Affected by Conflict in the Department of Chalatenango in El Salvador"

⁵¹ Exception: PROJÓVENES. This non-environment-specific intervention tackled this issue by means of reclaiming public spaces, green areas, etc. for the young people and rehabilitating municipal blights (*see I-7.1.2. in Annexe 9*)

The EC as such was not seen as an active actor in the field of the environment. Despite its successes through its environmental projects, the EC was not recognised as an active participant to discussion forums, conferences, high-visibility events, etc. As a stakeholder testified: *“We didn’t even know whom to contact at the EC for a recent event”*.

4.7.2 Good governance (JC 7.2 and JC 7.4)

This cross-cutting issue is essentially tackled in relation to decentralisation, and also to human rights, as mentioned above.

Decentralisation was a priority area in the 2002-2006 CSP, but it did not materialise in major interventions owing reportedly to the absence of a GoES strategy to support. The 2002-2006 CSP considered “Democratisation and modernisation of the state, security of the citizens, greater involvement of civil society” as one of its three priority areas, *“in particular by supporting the process of decentralisation currently underway (...)”*. The corresponding Multiannual Indicative Programme envisaged €33m jointly for this priority area and the one on “Integrated local development”. Only two small interventions dedicated to decentralisation were actually funded, representing together less than €0.5m (*see I-7.2.1 in Annexe 9*). EC and government representatives mentioned that this owed essentially to the absence of a public policy, or legal framework, or any specific institution in charge of the issue, to support. Decentralisation was rather a theme of the opposition than of the government at that time.

As a transversal issue in non-dedicated interventions, decentralisation was tackled indirectly in several –although not all– interventions. This corresponds to the reported EC intention behind the CSP 2002-2006 to support indirectly development at local level (*see section 4.1.3 above*). FORGAES aimed for instance among other objectives at strengthening capacities at the municipal level through ‘municipal environmental units’. The PRRAC project in the field of water and sanitation was managed from San Miguel (and not in the capital) and was directed towards municipalities or direct to communities. Eight of the nine variable tranche indicators of the PAPES budget support programme were related to progress at the level of municipalities supported by Red Solidaria. The €2m PAPES technical assistance envelope was further dedicated to capacity-building at municipal level.

On the contrary, PROARES’ impact in terms of local development or increase of municipalities’ capacities have remained relatively limited. And FOMYPE did not intend to work closer to local governments, although the municipalities had identified local economic development as a priority.

Human Rights were not a priority issue in the bilateral EC cooperation with El Salvador over the last decade. The EC reportedly funded human rights extensively during the 1990s, but this was no longer the case during the period 1998-2008. Human Rights are not even mentioned in the EC cooperation response in the CSP 2002-2006 or in its corresponding Multi-annual Indicative Programme. It is mentioned as a cross-cutting issue in the CSP 2007-2013, but the corresponding national indicative programmes do not provide budget for this issue (as for other cross-cutting issues). The inventory shows that a total of €6.9m was committed during the evaluation period 1998-2008 for 13 interventions tackling specifically “democracy / human rights”. All of them were funded on thematic

budget lines (DDH, EIDHR and NGO⁵²), except a €0.8m intervention on ALA resources in 1998 (*see I-7.2.1 in Annexe 9*). An EC staff member mentioned that human rights were not considered as a priority, also as a transversal issue in other interventions.

4.7.3 Gender (JC 7.3 and JC 7.4)

Gender has received little interest in EC cooperation in the country, although its attention to the theme increased somewhat in the last years. Gender equality was mentioned in the 2002-2006 Multiannual Indicative Programme as part of the ‘equal opportunities’ cross-cutting theme, although it was not mentioned as such in the CSP 2002-2006’s EC cooperation response. The CSP 2007-2013 and related National Indicative Programmes are more explicit, with gender equality being a clear cross-cutting issue. An EC staff member confirmed that gender has not been a priority issue in EC cooperation (nor for the GoES or the population in general actually) – reasons for this are not clear however. The inventory for this evaluation shows that nine EC projects specifically related to the gender issue were financed in El Salvador during the period 1998-2008 for a total amount of €4.6m, all on thematic budget lines (*see I-7.3.3 in Annexe 9*). One of these dedicated interventions was part of the selection for the present evaluation: “Las Dignas”⁵³. This €1.1m gender project aimed globally at eradicating gender subordination, and was implemented at the beginning of the 2000s. It achieved results in particular in the field of non-sexist education, which have influenced Government practices. Yet, insofar as those results have not been sustainable, the EC intervention has not meant changes at governmental level in the long run. In general, an EC staff member reports that there was impact at the level of individual projects, notably with regard to intra-family violence, sexual abuse, labour violence, patrimonial violence; but there was reportedly no impact at national level due to the isolated EC efforts. No summary document could however be found to corroborate this.

As a transversal issue, gender was essentially referred to as a standard reference or there was scarce materialisation of declared intentions. The gender issue was considered in some interventions not much more than through a standard reference in their framework agreement (PRRAC, PROJÓVENES in first year) and others did not even mention it (PAPES). Other interventions were more explicit on gender-specific measures or activities, but little was put into practice (APREMAT, FOMYPE, PROARES) or with suboptimal impact (FORGAES), or even with an inadequate approach (FORGAES) - *see I-7.3.1, I-7.3.2 and I-7.3.4 in Annexe 9 for details*.

The EC as such is not recognised as a key actor in gender equality. The EC was not recognised as an effective promoter of gender equality. Besides a few intervention results (including Las Dignas, FORGAES) and dedicated interventions, the EC is also being remembered in the country for a 2003 communication flop: participants and lecturers came from Europe, Latin and Central America to a large regional seminar for making public the newborn EC Gender Manual, to discover that that manual was not ready.

⁵² Thematic budget lines ‘Démocratie et Droits de l’Homme’ (DDH), ‘European Instrument for Democracy and Human rights’ (EIDHR), and ‘Cofinancing with NGOs’ (NGO),

⁵³ “Programme for the promotion of women’s employment and participation in local development and non-sexist education in El Salvador”, herein referred to as “Las Dignas” following the name of the implementing NGO.

4.8 EQ 8 on Coherence, Coordination and Complementarity

EQ8: To what extent did the EC country strategy cohere with its (sub-) regional strategies and with other European Community policies? To what extent was the EC co-operation with El Salvador coordinated with and complementary to those pursued by EU MS?

The answer to this question treats (i) the coherence between EC national and regional cooperation strategies; (ii) the coherence between European Community cooperation and other European Community policies; (iii) coordination and complementarities of EC cooperation with EU MS, other donors and the government; and (iv) the EC value-added in cooperation with El Salvador.

EQ 8 on Coherence, Coordination and Complementarity – Answer Summary Box

There were few linkages between EC regional and country strategy papers, between regional and national interventions, and between AIDCO and ECHO activities in post-Mitch reconstruction. Few contradictions have been observed, though.

Coordination with the government and the international community was marked by little national ownership and a weak donor framework, with consequently limited results. Overall EC coordination with EU MS has been weak over the last decade, owing notably to the limited EC presence in the country. This was also observed at the level of the interventions.

EC value-added was largely recognised in terms of amounts of funding. The EC also exercised a leading role in budget support, also in the sense of funding an evaluation of public finance management. Its macro-vision on general themes (e.g. Accra process) and its presence in most instances and countries were further considered useful. But in most other cases the EC was actually just another bilateral donor.

4.8.1 Coherence between EC national and regional cooperation strategies (JC 8.1)

There were no contradictions between the EC's country and regional strategy papers, and few concrete links. Mutual references between the EC's 2002-2006 and 2007-2013 Country Strategy Papers (CSPs) for El Salvador and its Regional Strategy Papers (RSPs) for Central America were rare. These documents did not provide details on how coherence and mutual support should be ensured between the regional and national levels (*see I-8.1.1 in Annexe 9 for details*).

Active pursuit of coherence between EC interventions at the national and regional levels was limited in general, owing to internal EC organisation. However, no contradictions were observed. Little evidence could be found on active search for coherence or synergies, or synergies themselves, between EC interventions at the national and regional levels. EC staff members interviewed indicated that it owed in particular to internal organisation issues, such as a lack of strong coordination mechanisms and

availability of dedicated human resources. Exceptions are reported mainly in the field of regional economic integration.

The PRRAC is a particular case in that it was intended as a regional programme and ended up with national sub-programmes. This programme was initially designed with a regional character as stated in COM(1999) 201, but the regional character was lost during implementation (*see I-8.1.3 in Annexe 9 for details*).

4.8.2 Coherence between European Community cooperation and other European Community policies (JC 8.1)

Other European Community policies were generally coherent with cooperation policies with El Salvador. There are actually limited linkages between Europe and El Salvador besides development cooperation. For instance, Europe represented 6.3% of El Salvador's exports in 2007, and 7.1% of its imports (*see Annexe 5*). The main sources on this subject, the "Policy Mix" annexes to the 2002-2006 and 2007-2013 CSPs, did not mention any major contradiction between Community cooperation and other Community policies (i.e. between RELEX and non-RELEX policies). Representatives from both the EC and the GoES confirmed this view. Nevertheless, while other policies might not be contradictory with CSPs and RSPs as such, the GoES raised a number of issues on Community policies, relating for instance to the Association Agreement, the Common Agricultural Policy (CAP), ILO labour rights, or the Rome Convention for the International Criminal Court – *see 8.2.1 in Annexe 9 for details*.

The EC response to the 1998 Mitch hurricane devastation was marked by weak linkage between ECHO's initial humanitarian relief and RELEX/AIDCO's subsequent rehabilitation aid through the PRRAC. The linkage between these two approaches was only abstract, with few exceptions. This hampered the strengthening of a global focus on LRRD (linking relief, rehabilitation and development). There was also no relationship between DIPECHO, the regional ECHO programme aimed at reducing the vulnerability of the population to disasters, and the PRRAC (*see I-8.2.1 in Annexe 9 for details*).

4.8.3 Coordination and complementarities with EU MS, other donors, and the Government (JC 8.3, 8.4)

Overall coordination in El Salvador

The donor coordination framework was weak in El Salvador and marked by little national ownership. There is no such multi-donor framework in El Salvador as in other Central American countries, such as Nicaragua. El Salvador did not sign the Paris Declaration before May 2009, for reasons that are not explicit but potentially linked to the relative lower importance of international aid for a middle-income country⁵⁴. The coordination of international donors was delegated by the GoES to the UNDP. Donor

⁵⁴ See section 4.1.2 above and Annexe 5.

coordination took place through a multiplicity of thematic roundtables and donor breakfasts. The GoES' ownership was generally considered limited, with participation and input in these meetings rather sporadic. Efforts directed at better coordination between donors and the GoES have been undertaken over the past two years. But when it took place, it turned out to be rather informative panels on the progress of government policies without any possibility of dialogue (*see I-8.3.1 in Annexe 9 for more details*).

Effectiveness of most roundtables was considered limited. The majority of international donors considered that this UNDP/GoES-led mechanism was suboptimal and brought only little tangible results, owing among other things to the limited GoES ownership (*see I-8.3.1 in Annexe 9 for more details*).

EC coordination and complementarity in El Salvador

EC coordination with EU MS and international donors has been generally weak over the last decade at country level, owing notably to the limited official EC presence in the country. Before the opening of a Delegation in El Salvador (in 2006), EC staff participated in certain technical roundtables with other donors, but to a limited extent; they had to travel from the regional Delegation in Managua. EC coordination has increased gradually since 2006, with particular emphasis on dialogue with EU MS in the context of ineffective existing coordination mechanisms involving the international community and the GoES (*see above*). This occurred mainly through meetings with the EU MS represented in El Salvador (Spain, Germany, Italy, and France) and with Luxembourg, with a view to identifying future programmes in the framework of the 2007-2013 CSP. However, these meetings were perceived by participants as being more informal information sessions than real dialogues on coordination or potential synergies. Stakeholders also mentioned difficulties in their interaction with the EC owing to organisational changes in EC staff and roles and lack of clarity on the distribution of roles between the Delegations in Managua and San Salvador.

An interesting case of EC-WB-IDB-AECID coordination was on the PEFA. A Public Expenditure and Financial Accountability evaluation was undertaken for El Salvador in 2008-2009, funded by the EC and executed with the participation of some WB experts. Interviewees noted that this case of successful coordination between a small group of donors using the same modalities delivered more than a proliferation of large donor Round Tables. GoES' enthusiasm was limited, however, as it required substantial effort and as it had recently undertaken a similar exercise (*see I-8.3.1 and I-5.1.2 in Annexe 9*).

Donor coordination relating to the PAPES budget support programme was limited, but alignment with the GoES was high. The EC was aligned with the GoES' strategy behind the Red Solidaria programme (*see section 4.1.2 above*). But coordination with EU MS contributing to that national programme (Germany, Spain and Luxemburg) was limited according to several interviewees, including agreement on the choice of management modality. The principle of budget support is however to lead to collective policy dialogue between a group of donors and the Government.

Coordination with other donors was weak also at the level of EC interventions, although a few areas of synergies could be observed. There has been little donor coordination for the EC interventions APREMAT, PROJÓVENES I, FOMYPE, FORGAES, PRRAC and PROARES. PROARES' infrastructures were nevertheless complementary to other local and international efforts, which was a key factor in the overall success and impact for final beneficiaries⁵⁵. Some complementarities or synergies were nonetheless observed in a few of those EC projects⁵⁶. On the contrary, there was a case of duplication of efforts in FOMYPE. Interviewees further mentioned for two interventions that the tight time left to implementation due to EC requirements (*see section 4.6.2 above*) made it difficult to search for synergies with other projects. The regional PRRAC programme is again a particular case, in that it was set-up on the request of the European Parliament and was in this sense a collective European response to the Mitch devastations.⁵⁷

The box on next page synthesises the value-added of EC to EU MS cooperation in El Salvador.

Alignment with GoES procedures⁵⁸

Alignment with national procedures depended largely on the type of EC financial aid modality (*see also section 4.6.1 above*):

- **Alignment with GoES' procedures is clear for general budget support.** PAPES made exclusive use of national procedures by its very nature. The level of PAPES disbursements explained that the EC was considered the donor that was most aligned on national procedures in El Salvador's recent PEFA evaluation. For the period 2006-2007, 63% of the EC disbursements (\$8.5m out of \$13.5m) were indeed totally aligned on the country's procedure in procurements, disbursements, accounting, audits and reporting;
- **Alignment with GoES' procedures was also a principle of decentralised management.** This was observed for instance for PROARES and FOMYPE, two interventions managed direct by GoES institutions (*see I-8.3.5 and I-8.3.6 in Annexe 9 for details*);
- **Other EC interventions in El Salvador used the EC's own procedures,** as they fell under centralised management or thematic budget lines. This repeatedly posed problems (*see section 4.6.2 above*).

⁵⁵ PROARES' construction/rehabilitation of houses and basic services infrastructure was complementary to achievements through other organisations/funding such as schools, mail offices, sports centres, churches, fields or productive centres – *see I-8.4.1 in Annexe 9*.

⁵⁶ E.g. in PRRAC with Lux-Development, in FORGAES with the BID, for PROJÓVENES II with the UNDP and GTZ

⁵⁷ See I-8.3.2, I-8.4.1, I-8.4.2 and I-8.4.3 in Annexe 9 for details on this paragraph.

⁵⁸ For alignment with GoES *policies*, see section 4.1.2 above.

Box 2: EC value-added

The large amounts of funding was widely recognised as the main EC value-added in El Salvador. The EC was indeed the fourth largest donor in the country⁵⁹ and contributed with significant amounts in the sectors of its bilateral cooperation interventions (in the range of €9m-€35m).

In terms of expertise, the main advantage of bilateral EC cooperation (vs. EU MS) in El Salvador was in its budget support experience. The EC's pioneer role among grant donors in budget support resulted in the country in a general budget support programme which was largely recognised as being successful. It also permitted undertaking a PEFA evaluation (*see section 4.5 above*). EC comparative advantage was also recognised in principle in the field of European Community policies such as trade and regional integration, although this was not narrowly linked to its bilateral cooperation (*see above*). In other sectors, the EC was considered by most stakeholders as "just another bilateral donor". Much less evidence could indeed be found of any comparative advantage in having the EC intervening vs. EU MS, for instance in the areas of education, juvenile delinquency⁶⁰, basic services or SME⁶¹. At the contrary, interviewees deplored the lack of capitalisation (mechanisms), institutional memory and continuity of staff at the EC, and hence the lack of thematic expertise and country experience, including in terms of relations with the government.

The EC value-added of coordination among EU MS was not much put into practice in El Salvador. EC presence has only grown gradually over the last decade, in a country marked by a relatively weak culture of coordination among EU MS. It could also not offer the same level of facilities in terms of logistics and staff (e.g. seminars) as in other EC Delegations such as in Managua. Nevertheless, several stakeholders mentioned EC comparative advantage in terms of macro-vision on general themes (e.g. Accra process) and its presence in most instances and countries. The European Code of Conduct was further considered useful when taken seriously.

This box relates to JC 8.4, 2.4, 3.4 and 4.4

⁵⁹ After the US, Spain and Japan, during the period 2001-2007 (*see Annexe 6*)

⁶⁰ The PROJOVENES programme had a pioneer approach in El Salvador in the field of juvenile delinquency. Nonetheless, it was not related to a thematic comparative advantage as such of having the EC intervening in this field vs. EU MS.

⁶¹ Exception: post-Mitch rehabilitation with the PRRAC, requested to the EC by the European Parliament.

5. Conclusions and Lessons Learnt

This chapter presents both conclusions and lessons learnt emerging from the evaluation findings and analysis (*presented above in Chapter 4 “Answers to the Evaluation Questions”*).

The **conclusions** are structured in a few clusters so as to facilitate an overall synthesis and to draw lessons for the purpose of programming, design and implementation. They are presented in the figure below and detailed thereafter. Each conclusion further refers to the EQs on which they are based.

Figure 10: Conclusions

Clusters	Conclusions
Strategy and EC value-added	C 1: Addressing well population priorities
	C 2: Alignment on GoES policies despite challenges
	C 3: EC value-added in fin. amounts & budget support
Results & Impact	C 4: Satisfactory achievement of objectives
Aid modalities	C 5: Innovative use of budget support modality
EC organisation	C 6: Acting alone
	C 7: Limited institutional memory

The most important conclusions relate to the good response to priorities in strategy and interventions (C1) and alignment with GoES policies (C2), and on the overall honourable attainment of objectives, notably by the effective EC support to national dynamics (C3). A particularly interesting conclusion is on the innovative use of the budget support modality in a specific case in El Salvador (C5). Other conclusions focus on the areas of EC value-added (C4), the limited coordination (C6) and the lack of institutional memory on EC cooperation with El Salvador (C7).

Lessons learnt of EC cooperation with El Salvador are presented hereafter.

5.1 Conclusions

Conclusion 1: Addressing well population priorities

The EC strategy in El Salvador addressed issues that were priorities of the population. It did so with flexibility and adapted well to this small middle-income country confronted with a high level of violence and strong inequalities.

Based on EQ 1 and Annexe 5

There is no recent official consensus document on people's needs and priorities. Since the 1992 Peace Accords, which are still the main reference although aged and somewhat forgotten, there is no consensual plan and no PRSP (as no IMF programme), but rather a succession of Government plans. The EC hence undertook consultations, on both CSPs. However, these were considered as rather formal. There was further little consultation at the level of the interventions.

Nevertheless, the EC CSPs' priority areas addressed generally issues that are widely recognised as important in the country for the population by documentary sources and interviewees. This relates notably to social violence, local employment, education, and basic infrastructure, with the exception of the environment on which there is still little consciousness in the country.

Conclusion 2: Alignment on Government priorities despite challenges

Alignment on policies of highly polarised right-wing Governments proved initially difficult. Nevertheless common EC-Government priorities were found for most interventions.

Based on EQ 1

The main restrictions to an easy alignment on polarised right-wing Government priorities during the evaluation period were the following:

- The absence of a national development plan which would reflect the population's priorities, combined with the absence of a Poverty Reduction Strategy;
- An anti-gang (youth delinquency) strategy followed during most of the period which reflected a repressive populist approach to the problem that was considered as "doomed to fail" by most specialists;
- The lack of sectoral policies in most areas; *and*
- The lack of major Government concern on the environment, poverty and inequalities during most of the period.

These restrictions explain that in its beginning the EC youth delinquency programme went against the public policy, that the EC programme on micro and small enterprises had no clear sectoral strategy on which it could align itself, that the environmental strategy received little public support, that no real decentralisation programme could be implemented and that no public poverty alleviation programme existed before 2005.

Despite these difficulties, the vocational training programme was well aligned to public policy, the budget support programme backed the first Government programme of poverty alleviation. The EC youth delinquency programme was in line with the fundamentals EC values and benefited from a serious experimental back-up. This programme and the environmental programme ended up being endorsed by the Government.

Conclusion 3: EC value-added in financial amounts and budget support

The comparative advantage of the EC to EU member states in cooperation with El Salvador lay mainly in the level of its financial contributions. It lay also in its leading role in budget support. But in most other cases the EC was “just another bilateral donor” in the country.

Based on EQ 8

Details on this conclusion are presented in Box 2 under section 4.8.3 above (EQ 8), which synthesises findings relating to EQ 1-5 and 8.

Conclusion 4: Satisfactory achievement of objectives

EC cooperation achieved satisfactorily results and a first level of impact in the country by supporting dynamics at national level, through pilot interventions. This was attained in particular in terms of the introduction of a preventive approach towards juvenile delinquency, contribution to the reform of the technical secondary education, and budget support directed to a successful national poverty-reduction programme.

Based on EQ 2, 3, 4 and 7

The figure below provides a synthetic overview of the overall level of achievement of the expected specific impacts for EC cooperation with El Salvador (*based on the Intervention Logic shown in section 2.3*), which corresponds to the main objectives expressed in its 2002-2006 and 2007-2013 Country Strategy Papers⁶². The figure specifies the reference to the Evaluation Questions that provide details on this achievement (*see chapter 4 above*). Only in one field of intervention were results limited overall (MSE). Two other objectives were not tackled directly through significant EC bilateral funding (on decentralisation, and regional

⁶² This conclusion focuses on the attainment of results and impact in the fields covered by the “sectoral EQs”, which correspond to central EC objectives expressed in the two successive CSPs.

integration and trade). Nonetheless, positive results and a certain level of impact have been achieved for three EC objectives that were granted substantial funding (on social violence, education, and basic services). Interventions in these fields supported dynamics at a national level through pilot interventions pursuing concrete results at the level of direct beneficiaries but also change at the level of national policies and approaches (*see also the first two lessons learnt below*). The level of results and impact attained overall by EC cooperation in the country is hence considered to be honourable.

Figure 11: Overall achievement of expected specific impacts

Expected Specific Impact + Level of achievement	Comments on achievement	EQ
Decentralisation reinforced	+ Decentralis. tackled indirectly in several interventions - Limited direct funding (no national policy to support)	EQ 7
Social violence reduced	+ Contribution to change in Government policy + Reduction of violence for direct beneficiaries ~ But violence remains high in the country	EQ 2
Young people educated	+ Formalisation and use of methodologies at nat. level + 22 centres of excellence created in technical educ. ~ But slow diffusion of pilot at national level - No EC follow-up project to date	EQ 2
Access to basic services improved (health & water)	+ Budget support targets reached ~ But exogenous increase in poverty in country since 2007	EQ 3
Local MSE reinforced	+ A few macro results on national policies and systems - Limited results overall (macro/meso/micro)	EQ 4
Stronger regional integration and international trade	Limited funding at national level (Note. regional level out of scope)	

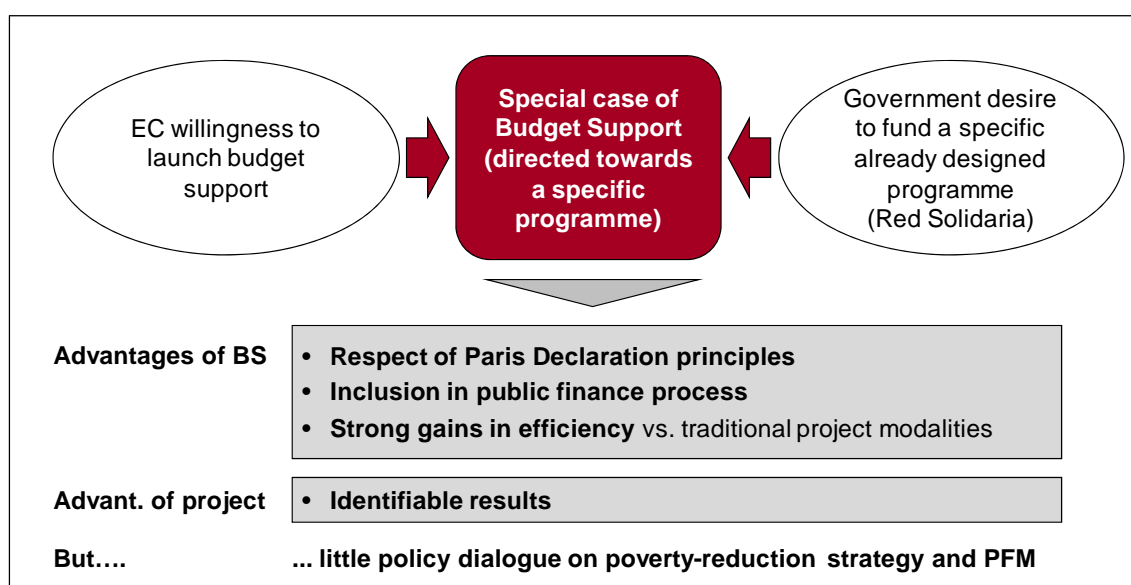
Level of achievement: High Med. Low

Conclusion 5: A flexible use of budget support modality

A flexible solution was found that matched the EC willingness to launch a budget support, with the GoES desire to fund a precise national programme already designed (Red Solidaria). This solution resulted in an intervention that combined some advantages and characteristics of the budget support modality with advantages and characteristics of support to a particular programme, but did not leave much room for policy dialogue.

Based on EQ 5 and 6

Figure 12: Flexible use of budget support



This figure is completed by the following information:

- **There were strong gains in efficiency relating to the budget support modality.** These gains in efficiency were clear compared to the traditional project modality. They were more important in the case of PAPES because this intervention showed rapidly concrete results in terms of reduced costs for the government and the EC, faster execution, increased predictability and timely reach of targets in spite of an excessively rigid planning of targets, linked to the EC variable tranche system. Important thereby was the fact that the supported programme was well-designed and had strong national ownership. It also permitted improving the compliance with the Paris Declaration principles.
- **EC budget support led to institutional strengthening** for two reasons: Firstly, the implementing agency gained important experience stemming from the significant funds it managed through national procedures. Secondly, the introduction, through budget support, of ex-post result-based management led to the acquaintance of this method by public institutions linked to the programme and to their desire to apply it to their own funds.

- **This programme benefited from all the well-known advantages of a sectoral budget support despite being a general budget support⁶³:** apart from being on treasury and on budget, and following strictly all national procedures (such as normally followed by all budget supports), it has precise objectives, and it is relatively easy to monitor and to evaluate its annual performances;
- **This programme did not suffer from some of the usual characteristics of a sectoral budget support:** it was not exposed to an allocation decision of the Ministry of Finance different from what was initially intended, nor to a negotiation inside the GoES.
- However, **supporting an already-defined programme being the only donor to do it through budget support does not leave much room for policy dialogue** on Public Finance Management and policy design, which are key objectives of this modality. Nevertheless, it is probable that, in this case, a dialogue on poverty reduction policies would not have brought a significant value added. And also, having intervened through budget support gave the EC the necessary leverage for organising a PEFA evaluation.

Conclusion 6: Acting alone

Despite consultations and roundtables, EC cooperation generally followed its own programming logic and modalities.

Based on EQ 1 and 8

The EC undertook consultations during the preparation process of its country strategy papers with the main stakeholders of international cooperation such as the Government, Civil Society, EU member states and other donors. It also participated in several roundtables as part of the –suboptimal– donor coordination framework. Nevertheless, most stakeholders considered that EC consultations and coordination efforts were more formal processes than real dialogue with a view to adjusting EC strategies or interventions. Little evidence of effective EC coordination could be found at the level of strategies or interventions. The EC generally followed its own programming logic and modalities. It was hereby bound to certain flexibility constraints of the so-called EU “committology”⁶⁴. Remote control from Managua before transfer of responsibilities to the Delegation in San Salvador also challenged coordination, and equally so the limited coordination culture between the four EU MS represented in the country.

⁶³ The General Budget Support modality was preferred to the sectoral support because the first did not require the existence of a sectoral strategy which would be supported through this modality.

⁶⁴ “Committology” refers to the procedures for the consultation of a number of different committees representing the EU MS or EC services, for instance during the project cycle. This range of consultations frequently delays the decision making process.

Conclusion 7: Limited institutional memory

Limited institutional memory on EC cooperation with El Salvador lead to specific difficulties such as a lack of continuity in EC thematic expertise and weakness in policy dialogue and coordination in the country. This was mainly due to issues related to EC information systems and organisational changes over the period.

Based on EQ 4, 6, 7, 8, the Inventory Note, and section 3.3

Comprehensive knowledge and information on cooperation with El Salvador over the last decade was difficult to find at the EC. This is primarily due to the structural problems with EC information systems. Retrieving information is problematic in particular (but not exclusively) for the years prior to 2003. Internal EC organisational changes have also posed difficulties in terms of institutional memory, notably with the devolution process from headquarters to the regional delegation in Managua since 2002 and with the progressive transfer of responsibilities from the regional delegation to the new delegation in San Salvador since 2006. Turnover of staff related to these changes but also to general EC practice further hampered management continuity at both headquarter and country level. Information on attainment of results and impact was further difficult to retrieve in a few interventions, due to repeated absence or delays of mid-term and final evaluations and even to the absence of an internal monitoring and evaluation system in one intervention (FOMYPE). Mechanisms are additionally scarce for capitalising on lessons learnt from the EC’s overall good and bad cooperation experience. This all contributed to the lack of continuity in EC thematic expertise and country experience, also in terms of relations at national level, resulting in difficulties in undertaking effective policy dialogue and coordination.

5.2 Lessons learnt

The following four lessons learnt arise from the findings on good and bad practices observed in EC cooperation with El Salvador, which are complementary to the conclusions:

Lesson Learnt 1	Support to a demand-driven dynamic was positive in terms of ownership and sustainability.
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Based on EQ 2, 3 and 5

Through APREMAT, the EC supported the willingness of the government to reform secondary technical education; the learning methodologies developed were directly endorsed by the Ministry of Education and good practices from the 22 centres of excellence for teaching-learning innovation are progressively being diffused at national level. Through PAPES, the EC supported the national poverty-reduction programme; this programme showed high endorsement at national level, including by the population and by the newly-elected Government. Supporting it through budget support contributed additionally to favouring and respecting this national ownership. The EC responded with PROARES to the national reconstruction plan following the 2001 earthquakes; the involvement of people in the reconstruction effort in terms of work and of beneficiary

municipalities in contributing financially and in ensuring complementarity between donor infrastructure initiatives largely contributed to the successful rehabilitation of infrastructure.

This lesson learnt is complementary to the conclusion on achievement of objectives, which stresses that contributing to dynamics at national level through pilot interventions increases the potential for extending the results and impacts of direct beneficiaries at the national level. It is also complementary to the second lesson learnt.

Lesson Learnt 2

EC's significant financial support to pilot projects enabled the provision of convincing evidence on results and impact for extension on a broader basis.

Based on EQ 2, 4, 5 and 8

The main value-added of the EC laid in the significant amount of funding with which it could intervene in cooperation with El Salvador. This was particularly useful in pilot interventions aiming at being extended at a national level. It allowed indeed for accumulation of a significant level of experience and examples which provide convincing evidence on the approach for extension at a larger level. APREMAT supported 22 centres of excellence for teaching-learning innovation. PROJÓVENES covered 13 municipalities and 57 communities (representing 1,717,120 inhabitants) and directly supported 70,915 young people aged between 10 and 25. FOMYPE benefited a total of 12,786 enterprises. And PAPES supported the Red Solidaria programme which covered the 100 poorest municipalities (out of the 262 municipalities in the country).

This lesson learnt is complementary to the first lesson learnt and to the conclusion on achievement of objectives.

Lesson Learnt 3

Supporting adaptation of the legal framework through a technical approach consisting of offering a ready-made legal solution, proved ineffective without ensuring the adequate level of technical ownership, information dissemination and communication, and policy dialogue for obtaining political consensus.

Based on EQ 3 and 4

This lesson learnt is based on the EC experience with the “*ley de calidad*” through FOMYPE, and the “*ley de agua*” and other legal framework elements through FORGAES. Neither bill has been passed into law to date due to a lack of information within the legislative (therefore it has not been considered as a priority except by EC cooperation), and due, in the case of the “*ley de calidad*”, to a lack of logical sequencing with the national competitiveness strategy (strategy design and implementation should come first).

**Lesson
Learnt 4**

Proposing a pilot project with an alternative approach enabled the EC to intervene in a controversial Government policy area while remaining in line with its values and principles. It provided hereby tangible evidence so as to encourage a change in policy.

Based on EQ 2

This lesson learnt is explicitly based on the case of PROJÓVENES. With this project, the EC introduced on a relatively large scale what specialists widely recognised as being the right approach and that was in line with European principles and values (vs. the Government approach openly criticized by the United Nations and considered as “doomed to fail” by most specialists). While it was contradictory with the official Government’s approach, the national authorities gave their consent by signing the framework agreement, to a non-engaging pilot project. The EC was hence given the opportunity to demonstrate the merits of such alternative approach in the country. It took hereby a clear risk, in that failure in providing convincing evidence might have had the opposite effect, namely reinforcing the controversial policy. The EC succeeded fortunately in its attempt, providing a case for the Government to adapt its approach (see section 4.2.3 for details).

This lesson learnt is complementary to Conclusion 2 on Alignment on Government priorities despite challenges.

6. Recommendations

This chapter presents the recommendations emerging from this evaluation. They aim at providing EC policy-makers and managers with advice based on the conclusions and lessons learnt from the EC cooperation with El Salvador during the period 1998-2008, with the purpose of improving the programming, design and implementation of EC policies. They are presented in the figure below, with indication of the corresponding conclusions' clusters; they are detailed hereafter.

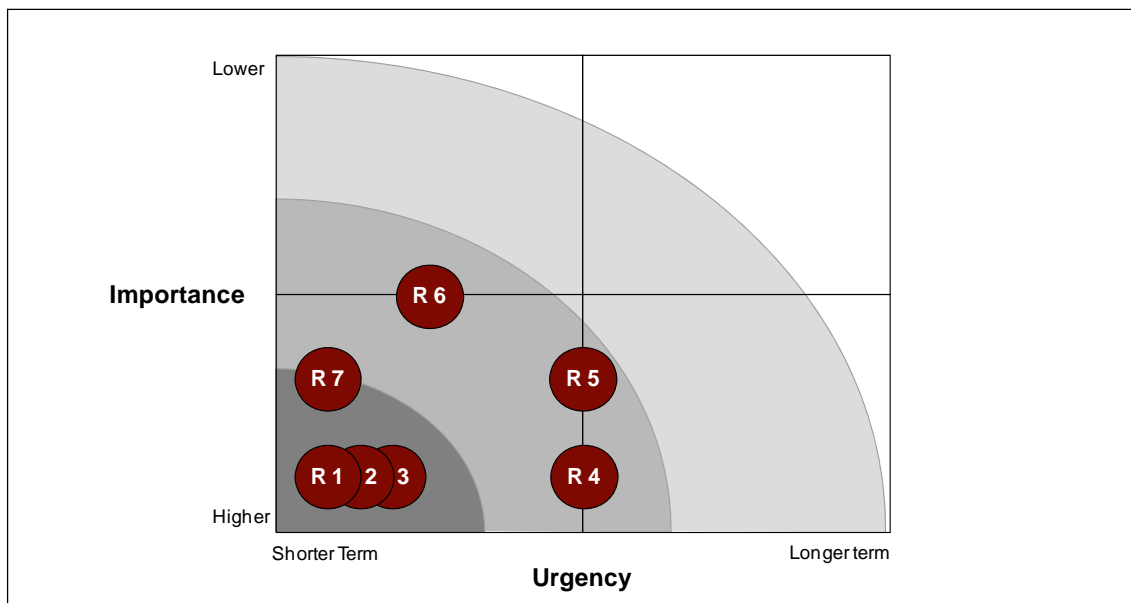
Figure 13: Recommendations

Recommendations	Clusters
R 1: Continue alignment with priorities	<i>Strategy & EC VA; EC organisation</i>
R 2: Strengthen donor complementarity	<i>Strategy & EC VA; EC organisation</i>
R 3: Choose channels with most value-added	<i>Strategy & EC VA; EC organisation; Aid Modalities; Results & Impact</i>
R 4: Maintain flexibility of budget support	<i>Aid Modalities; Results & Impact</i>
R 5: Continue substantial funding to national dynamics	<i>Strategy & EC VA; Results & Impact</i>
R 6: Ensure adequate policy dialogue	<i>Strategy & EC VA; Aid Modalities; Results & Impact</i>
R 7: Improve structurally EC institutional memory	<i>EC organisation</i>

Cross-references to the supporting conclusions and lessons learnt are annotated below for each recommendation. Implementation responsibilities have been defined between EC Services at HQ and at Delegation levels. Conditions of implementation and expected consequences are also specified where relevant.

The recommendations are prioritised by importance and by the urgency of the need to address them. The levels of priority for each recommendation are presented in the figure on the following page. The recommendations related to programming are considered as the most important. Several of them are considered as being of high urgency given that the Mid-Term Review of the 2007-2013 CSP relating to the 2011-2013 NIP is currently underway. Recommendations relating rather to modalities are also considered as important but of medium urgency given that a few interventions have been agreed in 2009 or are currently in the pipeline. The recommendation relating to tackling structural problems is further considered as urgent, for leveraging on the current momentum for change that follows the entry into force of the EU Lisbon treaty on 1 December 2009.

Figure 14: Prioritisation of recommendations



Recommendation 1: Continue alignment with priorities

Based on Conclusions 1 and 2, and Lesson learnt 4 | *Implementation Responsibility: HQ and DEL*

Continue alignment with priorities of the population and as far as possible with Government policies, with flexibility if necessary.

Continue aligning both the EC strategy and its interventions both with needs considered as important by the population and, as far as possible, with national policies. Continue being flexible with programming to respond to possible new population needs or changing conditions.

Recommendation 2: Strengthen donor complementarity

Based on Conclusions 3, 5, 6 and 7 | *Implementation Responsibility: HQ and DEL*

Develop an EC coordination culture in the country. Ensure primarily division of labour among the different actors.

EC cooperation in El Salvador was marked by little coordination and complementarities with international community cooperation, including EU MS. Efforts in this sense have started recently but have been limited and formal. Develop hence an **EC coordination culture** in the country. Determine adequate methods for real dialogue, in particular with EU MS and the Government. Go beyond formal coordination/consultation as far as possible in the context of the so-called EU committology. Leverage on the opportunities

resulting from the recent entry into force of the EU Lisbon treaty, notably the fact that EC delegations will become EU delegations (representing hereby also the European Council and hence EU MS)⁶⁵.

Reinforcing coordination and complementarities should be done first and foremost at the programming and identification level. Take hereby account of key agreements of the 2008 Accra Agenda for Action, notably in terms of working on **division of labour** among donors. Consider hereby first the fields of sector/thematic value-added of the EC and that of other actors (Government, EU MS, WB, UN, etc.), and second the value-added of possible modalities (budget support, joint co-financing, decentralised management through the 'devis-programme', etc.) - *see Recommendation 3*. Also ensure active search of coherence for bilateral cooperation strategies and interventions in El Salvador with other EC interventions at a regional level or from other EC Directorates-General and ECHO in particular. Coordination and complementarity with other donors (and EC coherence) during the implementation of interventions should also be strengthened, notably for searching synergies.

For **budget support**, pay particular attention to donor coordination in that this modality should lead in principle to a collective policy dialogue with the Government.

At the level of the EC, ensure also an active search of coherence and related **synergies**, in particular between cooperation policies and interventions at the national and (sub-) regional levels, and between AIDCO and ECHO interventions.

Last but not least, ensure a sufficient **level of human resources** for undertaking such coordination activities, while providing them with appropriate capitalisation mechanisms (see Recommendation 7).

⁶⁵ According to the Lisbon Treaty, the European Commission delegations will become European Union delegations under the authority of the High Representative of the European Union for Foreign Affairs and Security Policy. They will be part of the European External Action Service (EEAS) structure. Delegations will contain both regular EEAS staff (including Heads of Delegation) and staff from relevant EC services, both working under the authority of the Head of Delegation. EU delegations will work in close cooperation with diplomatic services of the EU Member States.

Recommendation 3: Choose channels with most value-added

Based on Conclusions 5 and 6

Implementation Responsibility: HQ and DEL

Choose the channel (modality) most appropriate to the context at programming and identification stages. Prefer as far as possible budget support and collective channels, given the constraints of the other EC management modalities for bilateral cooperation.

The choice of a particular management modality or channel is presently restricted to the following alternatives for bilateral cooperation (*see EQ6*):

- Budget support;
- Centralised management, with monitoring of the execution by the EC Delegation directly;
- Decentralised management, with monitoring of the execution by a public institution based on the “Devis-Programme” financing tool; *and*
- Delegated cooperation, with the EC channelling funds direct to EU MS or international organisations.

Both centralised and decentralised management modalities present difficulties which make them partly incompatible with the application of the Paris Declaration principles and cause numerous efficiency problems. Budget support is not suited to all types of interventions. Delegated cooperation through EU MS suffers from serious regulatory limitations, but is relatively easy to achieve through UN bodies and the WB⁶⁶. Therefore not much flexibility will be gained without a reform of EC management modalities in its regulatory aspects.

Develop therefore a clear and explicit strategy with respect to choosing aid modalities, as was recommended in other recent evaluations focusing on this particular subject⁶⁷. Provide also a simple written guidance document for EC task managers, which would clarify the circumstances for preferring a modality/channel and the value-added of every such modality/channel, and which would indicate practical recommendations resulting from capitalisation exercises.

Meanwhile, the following recommendations apply:

- **Choose budget support when possible** (if conditions are met), *see Recommendation 4*;
- **Prefer collective channels when possible**, notably through delegated cooperation;
- **Try to avoid going alone** (as in the past) on “traditional” project modalities through centralised or decentralised (“Devis-Programme”) management modalities.

⁶⁶ New regulations applied since 2008 render delegated cooperation easier, especially for “received cooperation” (if a Member State wishes to delegate its cooperation to the EC). It is still extremely difficult for the EC to delegate cooperation to any institution other than a UN body or the World Bank.

⁶⁷ See the *Evaluation of EC external cooperation with partner countries through the UN family*, and the *Evaluation of EC aid delivery through Development Banks and EIB*, both by ADE in 2008 and accessible through the EuropeAid web site.

Recommendation 4: Maintain flexibility of budget support

Based on Conclusions 5, lesson learnt 1 and 2

Implementation Responsibility: HQ and DEL

The EC budget support programme was a flexible response matching two different desires (EC and Government). This flexibility should indeed be maintained because it allows the national context and opportunities to be taken into account. However, the fundamental rules of budget support should be preserved: it must be a support to a public policy through financial means and through a policy dialogue.

Flexibility should be maintained because it allows the national context and opportunities to be taken into account. Nevertheless, the case of the PAPES should not be taken as such as a “new model” to finance projects through budget support: it was first particular in that it matched the willingness of the EC to use budget support and of the Government to fund a particular programme. It also combined three particular circumstances which were conditions for its success:

- a strong national ownership including two successive governments, and the beneficiaries at municipal and at individual level;
- an innovative and well-designed programme, thus attractive to donors; and
- a good national management capacity at the levels of programming, coordinating, implementing, monitoring and reporting.

Therefore its replicability depends very much on the repetition of these circumstances and conditions.

As a general rule, the fundamental principles of the budget support modality must be respected. In particular it is a support to a public policy through financial means and through a policy dialogue including other donors which may include technical assistance if necessary.

Recommendation 5: Continue substantial funding to national dynamics

Based on C3, C4, LL 1, LL2, LL3, LL4

Implementation Responsibility: HQ and DEL

Continue substantial funding to nationally-owned interventions with wide impact potential.

EC experience in the country in this respect has proved positive over the last decade. There are clear success factors in terms of cooperation practices (notably in terms of relevance, effectiveness, impact, sustainability, and efficiency). Continue hence taking account in future programming and intervention identification of the following dimensions:

- Demand-driven interventions with national ownership of underlying policies and approaches, for endorsement by the government and the population;
- National management of interventions;

- Activities directly at the national level (e.g. policy reform, public finance management, new learning methodologies) or with a potential for replication (e.g. pilot experience in selected municipalities).
- Significant funding in pilot projects, with a view to providing critical mass of funding for attaining a sufficient level of evidence on results/impacts, which would convince on usefulness of replication in the country/region.

Recommendation 6: Ensure adequate policy dialogue

Based on C7 and Lessons learnt 1 and 3

Implementation Responsibility: HQ and DEL

Ensure adequate policy dialogue in all interventions in order to take into account the national political and legal context in a realistic way and to ensure that political/legal issues are not tackled only through technical means.

The political dimension of all development support should be acknowledged and tackled as such through policy dialogue. Policy dialogue does not aim only at solving political or legal problems through discussions between donors and Government, but also at ensuring that the political context and institutional time are taken into account in a realistic way, such as to avoid preparing bills that will not be passed, or financing activities which are not demanded.

Recommendation 7: Improve structurally EC institutional memory

Based on Conclusion 7

Implementation Responsibility: HQ and DEL

Tackle the structural problems which contribute to the lack of institutional memory in EC cooperation.

The EC should tackle the structural problems which contributed to the lack of institutional memory on EC cooperation with El Salvador. The following lines of action should be considered in particular:

- Address the problems with EC information systems (CRIS in particular);
- Create or reinforce mechanisms for capitalisation on EC practical experience, such as in terms of documentation, training, networks, monitoring & evaluation, and assessments of intervention methodology and impact a few years after closure; *and*
- Address the problems relating to EC human resources management, in terms of staff turnover, staff allocation, hand-over and training.

Leverage as far as possible on the current momentum for change that follows the recent entry into force of the EU Lisbon treaty and related reorganisation of foreign affairs services around the new European External Action Service (EEAS) structure that will take over parts of the current European Commission responsibilities and activities.