



**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

DCD/DAC/EV(2003)3  
For Official Use

**Working Party on Aid Evaluation**

**Synthesis study on supporting decentralisation and local governance - lessons learned, good practices and emerging issues**

*This report was prepared by the Norwegian Institute for Urban and Regional Research (NIBR) for the DAC Working Party on Aid Evaluation (WP-EV). An early draft report was discussed at the 23-24 September, 2002 in Oslo. This report is submitted to the WP-EV for consideration including its future dissemination.*

**Contact:**

Mr. Hans Lundgren, Tel: 33 1 45 24 90 59; Fax 33 1 44 30 61 47; Em:hans.lundgren@oecd.org or  
Ms. Monique Bergeron, Tel. 33 1 45 24 19 79; Fax 33 1 44 30 61 47; Em:monique.bergeron@oecd.org

**JT00140773**

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	4
Background .....	4
Main lessons learned .....	4
Main recommendations .....	5
Areas in need of further evaluations.....	7
ACRONYMS.....	9
1. INTRODUCTION .....	10
1.1 Background .....	10
1.2 The objectives of the evaluation.....	10
1.3 Concepts and analytical focus .....	11
1.3.1. Concepts.....	11
1.3.2. Analytical Framework .....	13
1.3.3. Methodological aspects.....	13
1.4 Structure of the report.....	13
2. GENERAL SUPPORT TO DECENTRALISATION PROGRAMMES AND THEIR IMPLEMENTATION.....	14
2.1 Introduction .....	14
2.1.1. Forms of support.....	14
2.2 Findings and lessons learned from the evaluation literature .....	14
2.2.1 Co-ordination between stakeholders.....	16
2.2.2 Sustainability .....	19
2.2.3 Poverty focus and gender sensitivity .....	21
2.2.4 Monitoring and evaluation.....	23
2.3 Issues not systematically evaluated.....	24
2.4 Emerging issues.....	26
3. SUPPORT TO FISCAL DECENTRALISATION .....	28
3.1 Introduction .....	28
3.1. Types of Donor Programmes Evaluated .....	28
3.2 Key findings and lessons .....	29
3.2.1 Findings .....	29
3.2.2 Good Practices .....	31
3.2.3 Overall lessons.....	31
3.3 Other findings.....	32
3.4 Emerging issues and further evaluation needs .....	34
4. ENHANCEMENT OF LOCAL ACCOUNTABILITY .....	37
4.1 Introduction .....	37
4.2 Findings and lessons learned from the evaluation literature .....	38
4.3 Other findings.....	41

4.4	Issues not systematically evaluated .....	41
4.5	Emerging issues.....	43
5.	SUMMARY OF LESSONS LEARNED AND RECOMMENDATIONS.....	44
5.1	Key findings and lessons learned .....	44
5.1.1	General support to decentralisation programmes and their implementation .....	44
5.1.2	Support to fiscal decentralisation.....	46
5.1.3	Support to local government accountability .....	47
5.2	Emerging issues and future evaluation needs.....	47
	REFERENCES .....	50
	APPENDIX 1 TERMS OF REFERENCE .....	54
	APPENDIX 2 RECEIVED EVALUATIONS .....	61
	APPENDIX 3 ASSESSMENT MATRIX .....	64
	APPENDIX 4 EVALUATION METHODOLOGY .....	66
	APPENDIX 5 LIST OF PEOPLE INTERVIEWED .....	69
	APPENDIX 6 ASSESSMENT CHECKLIST FOR EVALUATION REPORTS .....	71

## EXECUTIVE SUMMARY

### Background

Over the past two decades, support to decentralisation and local governance has become a major field of international development co-operation. Both bilateral and multilateral aid programmes have gained a wealth of practical experience enabling them to draw on lessons learned. It is in this context that the OECD/DAC Working Party on Aid Evaluation has decided in league with the United Nations Development Programme (UNDP) and the German Federal Ministry for Economic Co-operation (BMZ) to carry out a critical assessment of the support to decentralisation and local governance.

The objective of the study is twofold. First, on the basis of the available evaluation literature to provide a synthesis of the lessons learned and good practice cases on donor support to decentralisation and local governance. Second, to guide donors and partner countries (including civil society organisations and the private sector) in improving programmes supporting decentralisation and local governance.

A draft report was submitted to OECD 1 September 2002, and the present final report is a refined version incorporating the key findings and recommendations from a stakeholder workshop held in Oslo later that month (23–24 September).

The study focuses on three key aspects of donor support to decentralisation and local governance:

- The linkage between political decentralisation and poverty alleviation.
- Partnerships between local governments and civil society.
- Sustainability challenges within this field of donor support.

The main empirical foundation of the lessons learned and recommendations presented in the report is the official evaluation literature produced by the members of the OECD/ DAC Working Party on Aid Evaluation. Moreover, the team has also been drawing on findings and observations that it has come across during its visits to selected OECD capitals and less developed countries. This information has been particularly useful in identifying emerging issues in this area of donor support and for identifying key areas that need special attention in future evaluations.

### Main lessons learned

#### *There is a need for long-term support*

Successful decentralisation may take more than a decade in a context of financial and political instability. Thus, it takes time before support to programmes in this area show any tangible results.

***Central government (CG) commitment is a precondition for effective support***

Successful implementation of decentralisation support calls for top-level commitment on the part of the partner government - not only in the ministry of local government, but the whole government. The government needs to be the driving force that integrates and co-ordinates central and line-ministry interests, facilitates a working relationship with civil society and private sector and takes the initiative to establish systems for co-ordination between donors and between itself and the donor community.

***Support to decentralisation is not necessarily an effective tool in poverty alleviation***

Poverty alleviation is not considered the major advantage of political decentralisation because local elites may not necessarily support the development priorities of the poorest sections of their constituencies. Instead, decentralisation holds greater promise for a better matching between public services and local popular preferences and for reducing interregional disparities. However, decentralisation programmes may, if they are carefully designed and implemented, serve as an instrument for poverty alleviation.

***Sustainability of programme support is a major challenge***

A major challenge for the evaluated programmes is sustainability. There is a general lack of strategies for long-term sustainability of donor initiatives. Only a few programmes have been successful in securing short-term sustainability by institutionalising their programme output, replicating pilot projects nationwide, providing effective feedback to national policy-makers or elaborating exit and mainstreaming strategies.

***Partnership is enhanced by combined support to local government and civil society groups***

Programmes designed to enhance partnerships between local government (LG) and civil society groups are most successful if they combine support to local government with support to civil society. This kind of “dual channel support” offers potential synergies because it simultaneously improves local governments’ democratic procedures and strengthens civil society groups’ capacity to take advantage of these improvements.

***Capacity Building and Transfer of Resources***

Capacity building seems to be most successful when coupled with extra resources to LG investments; i.e. capacity building should not be initiated as a stand-alone activity.

**Main recommendations**

***Improve co-ordination between donors and partner government***

Although some donors co-ordinate their support with their partner governments’ policies, implementation plans and capacity building programmes, it is frequently observed that this kind of co-ordination is limited. Thus in order to make donor support in this area more effective and sustainable the donor community needs to:

- Integrate their programmes more strongly into the partner governments’ own policies and plans.
- Support partner governments in preparing implementation plans which outlines prioritised areas that need donor support.
- Establish joint government-donor forums for reviewing and implementing the reforms.

***Enhance co-ordination between donors***

It is widely recognised that donor co-ordination is crucial for cost-effective utilisation of scarce resources. Thus, donors and partner governments should examine obstacles to effective donor co-ordination and endeavour to make sure that donor programmes in this field are better co-ordinated. The team recommends that donors take the initiative to:

- Establish forums for co-ordination and dissemination of information.
- Establish systems for basket funding when appropriate.

***Ensure sustainability of donor support***

Short-term and long-term sustainability concerns should be built into donor programmes supporting decentralisation and local governance. It is recommended that donors should:

- Formulate exit strategies and plans for up- scaling or institutionalisation of programme activity at an early stage in a programme.
- Provide effective feedback from programme activities to national policy-makers.
- Make sure that their support to other areas (e.g. to SWAPS) is not undermining the support to decentralisation.
- Design programmes in a holistic way considering LGs relations with CG as well as civil society.

***Poverty focus needs to be strengthened***

Generally the poverty focus of programmes needs to be strengthened. There is a need to explore the possibilities of improving poverty orientation by supporting poverty-targeted district development programmes implemented by Local Government (LG). Further, efforts should be made to increase the poverty orientation of local government transfer systems; establishing poverty-targeted capacity building, training and pilot programmes. For donors who provide support to civil society organisations interacting with local governments there is a particular need to:

- Make sure that the support to service delivery is targeting underprivileged groups, including the poor.
- Stimulate grassroots-based governance-building from below (e.g. budget watch or service delivery monitoring).
- Enhance LG-civil society interaction at the lowest of the LG system.

***More focus on local governments' own financial development and sustainability***

It appears that efforts to improve financial management (e.g. planning, budgeting and accounting) have been more successful than fundamental improvements in the overall system of local government finance and sustainability. Thus, there is a need to make sure that donor programmes:

- Strengthen local government capacity and ability to stand on their own feet economically and ensuring that the incentives for improved local government performance are not restrained by the intergovernmental fiscal transfer systems.
- Are designed in a holistic way reforming the entire system of local government (LG) taxes, the assignments, the types of taxes, the tax sharing arrangements.

**Box 1. Summary List of Lessons Learned and Recommendations**

**1. General**

- Donors need to provide support over time in order to see results.
- CG commitment is a precondition for success.
- Co-ordinate support with partner governments' policies and implementation plans.
- Establish arenas for information sharing and donor co-ordination.
- Support partner government in poverty orientation of programmes.

**2. Support to fiscal decentralisation**

- More focus on LG's own financial development and sustainability.
- Support LG fiscal system in a holistic way not undermining LGs incentives to improve.

**3. Support to local accountability**

- Combined support to local government and civil society groups.
- Enhance LG–civil society interaction at the lowest level of the LG system.
- Stimulate grassroots-based governance-building from below.

**Areas in need of further evaluations**

In addition to the above lessons and recommendations, the team has identified several emerging issues. Some of these issues need to be taken into consideration in future evaluations and in the design of successful support programmes.

Generally there is need on the part of the donor community to carry out more systematic evaluations, both of their total decentralisation portfolio in a given country, their total programme portfolio in this area or cross-country evaluations of one or several types of support. More specifically, future evaluations should focus on (in prioritised order):

***Pro-poor outcomes of decentralisation and pro-poor donor support to reforms***

There is an urgent need to examine more systematically the conditions under which decentralisation benefits the poorest sections of the population within LGs and the poorest LG in a given country. It should also be a top priority to evaluate the lessons learned from cases where donors successfully have been able to shape the poverty orientation of decentralisation programmes.

***SWAPs, PRSPs and decentralisation***

For the poorest countries, there is need to carry out focused follow-up evaluations to determine more precisely whether the Poverty Reduction Strategy Paper (PRSP) processes and sector-wide approaches (SWAPs) are supporting or undermining decentralisation efforts. There is also a need for reviews of the

necessity of the development of a Poverty-Reduction Strategy Credit (PRSC) for decentralisation – similar to the present central government budget support system.

### ***Decentralisation and conflict***

In some cases decentralisation may serve as a conflict management tool. However, since decentralisation changes power relations in a society, it may as well provoke conflicts. The way these conflict relationships are played out in those countries that have embarked on a decentralisation process need to be more systematically evaluated. There is a particular need to produce a matrix on how donors and partner government can assess the conflict potential in supporting decentralisation.

### ***Integration/non integration of funds for capital investment into LG operations***

In several of the evaluated donor programmes, capacity-building at LG level runs parallel with support to small-scale infrastructure projects. In some of the programmes these projects are fully integrated into local government operations while in others they are established external to governmental bodies. There are, however, few considerations in the literature regarding the comparative advantages of these very different approaches to integration of capital funding in terms of their implications for strengthening of LG capacity, sustainability and local accountability.

### ***The overall donor support to local government finances***

In the area of donor support to fiscal decentralisation there is a need to examine more systemically how the various donor activities affect LGs finances. The following areas require particular attention:

- Links between support to the central level (systemic support) and support to programmes at the district level.
- Reviews of the impact of donor support on the overall parameters of LG finances in line with the indicators outlined in the matrix (see Appendix 3).

### ***Intergovernmental fiscal relations***

A more comprehensive review of the links between the support to central transfers to LGs and development of own LG revenue sources (taxes, charges, fees etc.) could be useful. Most projects and evaluations look at each LG's revenue sources in isolation, ignoring possible interrelationships between central transfers LGs own revenue enhancement.

#### **Box 2. Suggested areas for follow-up**

- Pro-poor outcomes of decentralisation and pro-poor donor support to reforms.
- SWAPs, PRSPs and decentralization.
- Decentralisation and conflict.
- Integration/non-integration of funds for capital investment into LG operations.
- The effect of overall donor support on local government finance.

## ACRONYMS

AusAID	Australian Agency for International Development
ADC	Austrian Development Corporation
AFD	Agence Française de Développement
BMZ	German Federal Ministry for Economic Co-operation
Danida	Danish International Development Assistance
DFID	Department for International Development
FINIDA	Finish Department of Development Assistance
CBO	Community-based Organisation
CG	Central Government
CIDA	Canadian International Development Agency
KfW	Kreditanstalt für Wiederaufbau
NEDA	Netherlands Development Assistance
GOLD	Governance and Local Democracy Project
GTZ	German Agency for Technical Co-operation
IMF	International Monetary Fund
IADB	Inter-American Development Bank
OEDC	Organisation for Economic Co-operation and Development
DAC	Development Assistance Committee
LG	Local Government
LDF	Local Development Fund
LGDP	Local Government Development Programme
M & E	Monitoring and Evaluation
NGO	Non-governmental Organisation
NORAD	Norwegian Agency for Development Co-operation
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SWAP	Sector-wide Approach
SIDA	Swedish International Development Co-operation Agency
TA	Technical Assistance
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WB	World Bank

## 1. INTRODUCTION

### 1.1 Background

1. In the autumn of 2001, the Norwegian Institute for Urban and Regional Research (NIBR) was commissioned by OECD/DAC to carry out a study on lessons learned in supporting decentralisation and local governance. The overall objective of the study was to provide a synthesis of the lessons learned and to guide donors and partner countries (including civil society organisations and the private sector) in improving programmes supporting decentralisation and local governance.

2. At the study team meetings with the OECD/DAC Steering Committee, 15 November 2001, the idea of arranging a stakeholder workshop on the basis of a draft report was put forward and a consensus was reached that the study team should make preparations for such an event (see draft final report, Schou and Steffensen 2002b).<sup>1</sup> The workshop was held in Oslo on September 23-24 2002. The present final report draws on all relevant comments to the draft report that were articulated at the workshop (see Workshop Proceedings 2002).

### 1.2 The objectives of the evaluation

3. According to the Terms of Reference (ToR), the study was to focus on certain key aspects of donor support to decentralisation and local governance (see Appendix 1):

*The linkage between political decentralisation and poverty alleviation.*

4. What are, if any, the exact empirical mechanisms that link democratic decentralisation to poverty reduction? Which decentralisation design (quotas for marginalized groups, equalisation grants, pro-poor local revenue generation etc.) and which forms of donor involvement have proven effective in enhancing pro-poor service delivery?

*Partnerships between local governments and civil society*

5. What form of partnership between local government and civil society organisations (synergies, conflicts, joint projects, cost sharing, popular participation in local service delivery etc.) encourage a pro-poor decentralisation process? What form of donor support is making an enabling environment for synergies between local government and civil society groups organising marginalized groups and poor?

*Sustainability*

6. Yet another key dimension in the study is sustainability. What are the precise conditions under which pro-poor decentralisation can be sustained? What kind of donor involvement, central government commitment and local government policy is it that enhances the financial and institutional sustainability of decentralisation processes and helps local governments to stand on their own feet economically?

---

<sup>1</sup> The study team consists of Arild Schou (lead consultant) from the Norwegian Institute of Urban and Regional Research (NIBR) and Jesper Steffensen from the Nordic Consulting Group a/s- Denmark (NCG).

7. Furthermore, it is mentioned in the ToR that the report should provide specific examples from relevant countries to demonstrate good practices and how positive lessons have been applied. When evaluating donor support to civil society organisations, special consideration should be given to women's organisations.

### 1.3 Concepts and analytical focus

8. The study focuses on support to countries that have embarked on a course of *political decentralisation* (see conceptual clarification below). Moreover, in terms of administrative layers of government, it focuses mainly on *local government authorities* (hereafter LGs). Several studies have made comparisons between district councils on the one hand and regional/provincial councils and federal state authorities on the other (Goetz 2001). However, in order to make valid comparisons of differences and similarities between the cases we have chosen in this study to focus mainly on the local government level. This does not mean that the relations between the local government level and other levels of government will not be analysed where relevant.

#### 1.3.1. Concepts

##### *Decentralisation*

9. Decentralisation is an ambiguous term. In general, decentralisation may be seen as "the transfer of authority to plan, make decisions or manage public functions from the national level to any organisation or agency at the sub-national level" (Mills, A. 1990: 89). However, decentralisation may take different forms and involve different institutions and functions of government. In the following we shall make a distinction between four forms of decentralisation:

10. *Political decentralisation* presupposes transfer of functions or authority from central levels of government to local institutions that are based on local *political representation*. This means that the local institution to which tasks are devolved must be governed by locally elected representatives. This type of decentralisation is sometimes referred to as *devolution* (Mills 1990, Conyers 1983).

11. *Administrative decentralisation* means delegation of tasks or transfer of authority from central government to local "branches" of central government (i.e. the local institutions to which tasks are delegated are *not* based on any local political representation controlled from below). This type of decentralisation is frequently referred to as *de-concentration* (Conyers 1983, Smith 1985).

12. *Integrated decentralisation* means transfer of tasks or authority to local "multi-purpose" institutions with a territorially restricted mandate. Here we are referring to institutions which are supposed to co-ordinate and set priorities between a number of different functions and activities within "their" area; i.e. activities that involve "politics" in the wide sense of distribution of scarce resources between and across sectors. Multi-purpose local government authorities are of this type (districts and counties), but the typical integrated prefect would also fall within this category (Ridley 1973).

13. *Sectoral decentralisation* takes place if the responsibility for one sector, or one specific type of activity (or function), is transferred to a local institution that has this task as its single responsibility within its territorial "jurisdiction". Examples of this type of decentralisation are frequently found in sectors like education, health, agriculture, etc.

### *Poverty*

14. There is no one single definition of poverty. The OECD's own definition includes several core dimensions: economic capabilities, human capabilities, political capabilities, socio-cultural capabilities and proactive capabilities (OECD 2001: 38).<sup>2</sup> In this study aspects such as income, access to services and empowerment of poor and vulnerable groups are particularly relevant. However, we will focus mainly on the former two – income and service delivery – and consider empowerment of poor groups under a separate heading – 'participation'.

15. Most people in less developed countries are "poor". This study is not focusing on this group. Rather, it focuses on the poorest segment of the LG's inhabitants – i.e., the "poorest of the poor".

### *Governance*

In the contemporary debate on development aid, the terms governance and "good governance" refer to the same aspects of government decision-making. Good governance generally implies that those institutions and actors that regulate the behaviour of public bodies stimulate citizens' participation in government and control that public-private boundaries are not blurred (World Bank 1994). In much of the current debate the following seven features have been included in the concept of good governance, though there is disagreement as to their relative importance in different institutional settings (Villandsen 1999).

- Democratic accountability (accountability between LGs and citizens and between councillors and LG staff).<sup>3</sup>
- Transparency in public sector.
- Public participation at all levels of government.
- A functional division between administration and politics – clear political and administrative role.
- Legal protection of citizens' rights.
- A service-oriented civil service.
- Financial accountability.

A key concept in this evaluation study is "local governance". The team has not found any fruitful definition of this concept and finds the concept "decentralised governance" more useful. Thus, when we in the following make use of the concept of local governance we are referring to what UNDP has defined as decentralised governance: "... decentralised governance refers to a local governance system to which fundamental functions, appropriate resources and clearly identified responsibilities are present at sub-national levels with linkages between the levels. Such a system applies the good governance principles and works towards achieving sustainable human development" (UNDP 1998:1).

---

<sup>2</sup> Some authors question the usefulness of linking material income and the wider 'functioning' of the society, such as access to social services and ability to participate in society (Maxwell 1999).

<sup>3</sup> In this study the term 'accountability' is defined as 'answerability'. For this definition and its critics see O'Loughlin 1990.

### 1.3.2. *Analytical Framework*

The thematic structuring of this study – in terms of findings and recommendations– reflects the assessment framework presented in the inception report (Schou and Steffensen: 2002). This framework sets out the relationships between the different variables in the analysis (see Appendix 3).

This framework points to three key areas of donor support:

1. General support to decentralisation programmes and their implementation.
2. Support to fiscal decentralisation.
3. Support to local government accountability.

16. For each of these areas the study addresses *lessons learned* and *good practices* that can guide donors and partner countries in their programming. Moreover, since this study is also a meta-evaluation – an assessment of the status of the evaluation literature on decentralisation and local governance – it will also account for issues that are *not systematically evaluated* and point at areas that need attention in future evaluations. Finally, the study will account for *emerging issues* that the team has come across during its visits to selected OECD capitals and less developed countries (see Appendix 4)<sup>4</sup>, which are not yet treated systematically in the evaluation literature.

17. The study team received a total of 45 evaluations considered of relevance to the study from OECD/DAC members (see Appendix 2) For several reasons the team chose to concentrate the analysis around a limited number of evaluations, thirteen in number (bolded in the list of references). They form the “core group” of evaluations (see Appendix 4).

### 1.3.3. *Methodological aspects*

18. The selected core group represents a variety of evaluation formats, types (mid-term, final etc.), differences in analytical depth and methodological design. They also deal with a variety of, often incommensurable, issues. This poses significant challenges in terms of making a systematic, cross-country comparison of donor interventions within same support areas (e.g. training of councillors) and between different donor interventions in the same geographic area. What is possible, however, in the context of this study, is to extract some of the lessons learned from individual donor programmes and then critically assess whether these lessons have general applicability.

## 1.4 Structure of the report

The next three chapters (2, 3 and 4) outline general and specific lessons gathered from the reviewed evaluations; highlight good and not so good practices and present the main emerging issues. The final chapter (5) makes a synthesis of lessons learned, good practices, outlines the main recommendations and presents a prioritised list of issues that need to be systematically explored in upcoming evaluations.

---

<sup>4</sup> In addition the team is drawing on its recent work reviewing decentralisation reforms in African countries – particularly Tanzania, Malawi and Uganda.

## **2. GENERAL SUPPORT TO DECENTRALISATION PROGRAMMES AND THEIR IMPLEMENTATION**

### **2.1 Introduction**

19. Support to decentralisation and governance in less-developed countries is often provided in contexts where the status, in terms of legislation, policies and implementation, of the decentralisation process is unclear. In such contexts decentralisation processes are formulated on an interactive basis where policy formulations and experiments on the ground go hand in hand. Thus, in most cases donors are planning and implementing their programmes in an environment where the direction of the decentralisation process is still uncertain, where government has not yet formulated their priorities for donor support and where the modalities for donor–government interaction have not yet been established. Depending on the stage of the process in a given country, donor support may take a variety of forms.

#### **2.1.1. Forms of support**

##### *Creating a favourable legal and political environment*

20. This may involve advice and technical support in the framing of relevant legislation and policy. As a part of these efforts donors may support study trips to other countries in the region or to donor countries, establish networks between national associations of local government from donor and partner countries, support national workshops on decentralisation and support the establishment of a decentralisation secretariat.

##### *Assistance to start implementation*

21. Some donor programmes are also designed to assist partner governments in carrying out their decentralisation policy. In some cases this takes the form of training programmes for government staff at various levels and training of councillors. Donors may also assist in framing regulations for certain areas, e.g., systems for planning or transfer of funds from central to local government.

##### *Assistance to deepen and sustain decentralisation*

22. National policies on decentralisation are not always fully implemented. Some forms of donor interventions may help sustain decentralisation on the ground. Donors may assist in sector devolution, fiscal decentralisation etc., or support civil society groups in favour of decentralisation, e.g., national associations of local authorities. A special form of support is through “decentralised cooperation”, where funds are made available for cooperation on the local government level between similar partners, including NGOs, professional associations, and public authorities, in donor countries and recipient countries (EU 2000).

### **2.2 Findings and lessons learned from the evaluation literature**

23. Each of the core evaluations under this section highlight specific “lessons learned” from their own programmes ranging from programme design to programme implementation. The lessons take a variety of forms ranging from issues of sustainability, monitoring and evaluation, forms of training,

interaction with the partner governments and relations between donors. In what follows, we first consider general lessons before moving on to more specific ones.

a) *Support is taking place in a highly political and politicised context*

24. Decentralisation is not just a complex technical and management process, it is also a political process (UNDP/BMZ 2000). Thus, unlike some other forms of donor support (such as building roads and bridges), support to decentralisation always has a strong political dimension. The implementation of decentralisation often changes the political landscape by creating new political power groups who interact to promote their own, often narrow, interests. One example is when decentralisation leads to governmental infighting, particularly between ministries of local government on the one hand and line ministries on the other. The line ministries tend to drag their feet when decentralisation reforms are on the agenda. Another is when decentralisation triggers resistance from professional groups that are moved from central to local government payrolls.

25. Donors do not always make an adequate analysis of the political implications of their programmes. Before a decision is made with respect to programming, it would be advisable to perform a feasibility study to determine whether there are sufficient prospects for success; such a study would have to consider state–society relations and relations between government ministries as well as the overall political situation (BMZ 1998).

b) *The need for long-term support*

26. Donors need to take into account the long-term nature of government initiatives to decentralise public services (UNDP/BMZ 1998, AFD 1996 and Danida 2000). Most decentralisation reforms take some time to get started. Moreover, even after they have started, they may be changed or abandoned after only a few years or an electoral cycle. Thus, successful decentralisation takes time – at least ten to fifteen years in a context of financial and political stability (Crook and Sverrisson 2001). This will normally require both a long-term and short-term vision on the part of donors. SIDA's ability to positively influence events in Botswana resulted from the fact that it supported democratic decentralisation over almost 20 years (SIDA 1993).

c) *Political commitment is necessary but not sufficient*

27. One general observation to be drawn from the different decentralisation reforms is the ambiguity characterising central government willingness to transfer real political and administrative power to LGs. Even when legal powers, functions and tasks have been allocated, adequate administrative, human and financial resources are not provided. SIDA's support to Botswana in the 1990s (see Box 3) is illustrative in this respect.

28. The degree of government commitment has significant bearing on what donors can expect from their support.<sup>5</sup> Several evaluations (see UNDP/BMZ 2000 and UNCDF 1999) show that commitment is a precondition for effective donor support to decentralisation and governance. Among the countries that are covered in this study, there are large variations in governments' commitment to decentralisation. In Bolivia

---

<sup>5</sup> Manor (1999) has established two ideal types of decentralisation motives (in the real world they are often mixed): 1) *genuine attempts at empowerment* and 2) *decentralisation for narrow or partisan advantage*. In the first ideal type the purpose of decentralisation is to deepen democracy, enhance local participation, ownership and autonomy and to promote partnership between state and society. In the second type the purpose is to democratise lower levels of government as a substitute for democratisation at the central level, off-load tasks that the central government finds costly or inconvenient, obtain local resources that are exploited by party bosses or to please donor agencies that favour decentralisation.

and the Philippines, for example, commitment is reported to be relatively high while in several African countries it is questioned both by the donor community and the population itself (DFID 2002).

29. However, commitment is not always a sufficient condition. Some additional factors in the environment and the programmes need to be in place for decentralisation support to work. A right environment would include accountability structures, resources (financial, information and human) and supportive culture and attitudes. At the programme level, two related factors determining impacts are whether the programme is deliberately designed to promote sustainable and replicable development of local government and the degree to which the project design and technical advice have been structured to support this objective (UNCDF 1999: 40). It should also be noted that political commitment can be developed during a programme period.

30. In several instances it is difficult to determine the extent to which a partner government is committed to decentralisation. One reason is that the term 'decentralisation' often is used inconsistently by the partner country itself, and often may be conceptualised differently by the members of the donor community and the partner countries respectively. For instance, while donors talk about devolution partner governments speak of de-concentration (BMZ 1998). Another reason is that government commitment in the form of a declaration of intent in policy papers, does not always translate into commitment in negotiations with donor countries or, for that matter, in terms of actual transfer of responsibilities and resources to local governments.

### **Box 3. Donor support in a context of limited government commitment: SIDA's programme in Botswana**

In 1979 SIDA embarked upon an extensive capacity-building programme following a report that argued the need for LGs to increase their capacity significantly if they were to fulfil their obligations. The programme, the District Development Support Programme (DDSS), gradually grew in scale. In the early 1990s SIDA started to seriously reassess its contribution. A mid-term evaluation of DDSS IV noted that the LGs had in fact become more, rather than, less, dependent upon central government. It questioned whether allocation of more funds to existing projects would ever lead to any fundamental devolution of power. It noted that despite a great deal of discussion about decentralisation over the years, Botswana did not have an authoritative policy statement on the issue. The evaluation recommended that future support should be contingent upon the establishment of performance criteria that determined the extent to which further decentralisation had been achieved. (SIDA 1993: 76).

Based on the Swedish experience, Brown (1996) suggests the following simple lessons for donors interested in nurturing the process of democratic decentralisation in developing countries (Brown 1996:12)

- **Donors cannot push Governments where they do not want to do:** Despite its considerable influence, SIDA has not been able to push the Government of Botswana into doing anything it did not want to do, though it may have prompted Botswana to do some things it would not have otherwise got around to doing.
- **Capacity-building is an integral part of the process:** Capacity-building and training measures have to be central to any decentralisation process; without the institutional ability to carry out their responsibilities, local governments will never prosper.
- **... but capacity building by itself will not create autonomous local governments.**

### **2.2.1 Co-ordination between stakeholders**

31. Decentralisation processes are by their very nature cross-sectoral and involve all levels of government. Thus many, if not most, donor interventions in this area involve a number of local

stakeholders. Both for bilateral and multilateral donors this has meant co-operation and co-ordination with different layers of partner governments and other donors.

a) Co-ordination between donors and partner governments varies

32. The degree to which donors co-ordinate their support with partner government policies and implementation plans for decentralisation varies considerably. The AFD programme activities in Senegal, for example, was established in close co-operation with the government, and is seen as being successful in strengthening central government's ability to implement the decentralisation reform (AFD 1996). Also, some of UNCDF's programmes, particularly in Malawi and Uganda, have co-ordinated their activities closely with central government agencies at the same time as they have been piloting systems for bottom-up planning and capital funding at the local government level (UNCDF 2000).

33. In CIDA's programme in the Philippines, however, co-ordination has been limited and has been considered a weakness of the programme – especially its lack of formal links or collaboration with the Department of Local Government and Interior in its implementation and capacity-building programme (CIDA 1998). It is noted that the Department's oversight and policy formulation capacity may serve as an important help in taking care of the sustainability concerns of the programme activities.

34. USAID's programme in the Philippines does not deal directly with the central government. In the evaluation of the programme it is noted that in abandoning work with national agencies, USAID sacrificed some potential beneficial impacts (e.g. reorientation of national agencies towards more supportive attitudes towards decentralisation). However, by combining local efforts with support for national associations of local authorities and the holding of national workshops to disseminate programme impact, the programme offered opportunities for addressing national level policy issues as well (USAID 1998).

b) Strengthen central government's capacity to implement reform

35. Based on recommendations set out in several of the evaluations there appears to be a need for donors to focus more on national management capacities and policy instruments to implement reforms. In some instances, such as in Thailand, there are serious limitations at national level in such areas as financial management, accounting, auditing, service delivery and basic public administration (UNDP/BMZ 2000, Thailand Report). Moreover, in several countries, such as in Guatemala, Uganda and the Philippines, there seems to be an absence of a comprehensive national implementation strategy for the decentralisation reforms.<sup>6</sup> This poses a particular challenge for UNDP because the organisation is more effective at supporting upstream advocacy, policy advocacy and policy development than at providing technical assistance at the operational level (UNDP/BMZ 1998).

c) Apply a broad conception of capacity /institution-building

36. In many programmes capacity-building takes the form of individual skill-building measures (training). However, capacity-building to enhance decentralisation has several other dimensions. In most cases there is also a need to strengthen LG capacity more generally, in terms for example of organisational management capacity and networking/linkages with other governmental organisations and other organisations and strategic alliances in the broader environment (UNDP 1999: 59 and CIDA 1998: 34). Thus, it is recommended that donor-funded capacity-building programmes should contain several interrelated projects. For example, in order to increase local planning capacity, donors should support several activities simultaneously (e.g. training in physical and development planning at district level,

---

<sup>6</sup> In Uganda a strategy is being developed. It is assumed that the absence of such a strategy has led to overlapping and redundant initiatives.

support to civil society groups in local planning and support to the national budgeting and planning procedures).

d) The importance of venues for donor-co-ordination and information-sharing

37. Donor co-ordination is crucial for effective donor support in the field of decentralisation and local governance. It is widely recognised that donor co-ordination – but not necessary harmonisation – in policy, planning and implementation at the operational level leads to a more cost-effective utilisation of scarce resources.

38. In most of the reviewed evaluations donor co-ordination is considered a major challenge, both at the national and local government level. In many cases proper donor forums do exist and they may serve as venues for exchange of information. However, in terms of co-ordinated efforts to enhance decentralisation and governance the forums has not worked properly.

39. In the Philippines for example two bilateral donors, USAID and CIDA, have established programmes aimed at reinforcing government decentralisation through extensive capacity-building and there have been relevant donor forums. Thus, there is a large potential for programme complementarity between the two. However, this potential has not been proactively explored (CIDA 2000).

40. Neither have the multilateral donors utilised fully their potential as lead coordinators in the field. In the evaluation of UNDP's support to decentralisation, for example, it was found scant examples of UNDP being able to take a leading role. At the same time it is noted that UNDP has several comparative advantages that gives it a considerable potential for taking on a leading role in co-ordinating the co-operation between donors and partner government and co-operation between donors. Not only is UNDP seen as being neutral and independent, it is also appreciated by partner governments because it does not wish to impose an external political agenda on partner countries (UNDP/BMZ 2000: p. x).

41. It seems that it is the French decentralisation programme in Senegal that most successfully has been able to promote donor co-ordination (AFD 1996), cf. box 4 below.

**Box 4. Donor co-ordination: Agence Française de Développement (AFD):  
Projet d'appui à la décentralisation et au développement urbain au Sénégal 1992-95**

**(Support to decentralisation and urban development in Senegal) (PADDUS)**

The project is partly related to urban development of Dakar City and Region and partly to decentralisation. The decentralisation component consists of support to legislation, policy, information, capacity at CG and LG level and support to de-concentrated state services.

The Minister for French Development Co-operation stated explicitly at the inception of the programme that France would support all co-operation between PADDUS and other programmes and activities funded by donors in the sector in Senegal. The project grew to serve as a reference point for other donors' support to decentralisation. There was close co-ordination with the World Bank project PACL (Programme d'appui aux collectivités locales). France funded an advisor to the director of the PACL programme, who was to act as a liaison officer between PADDUS and PACL. His task was to strengthen complementarity between PACL at PADDUS, and also to represent PACL at selected PADDUS meetings. Moreover, there was also exchange of information with GTZ, and CIDA supported PADDUS indirectly by dropping a non-feasible project in the same sector. PADDUS also co-operated with French NGOs working on the restructuring of urban non-formal sector (PADDUS Urban components).

AFD has continued to seek donor co-ordination with the large donors in the sector, and is currently co-funding with the World Bank the PACL follow-up programme. In 1998, France signed an agreement to co-fund the World Bank-funded Program d'appui aux communes du Senegal (Support to Communes in Senegal) (PAC). Source: AFD 1996.

### 2.2.2 Sustainability

42. Lack of sustainability of donor interventions has been an ongoing concern for DAC donors (OECD 1999). An overall goal of donors supporting decentralisation and governance is that programmes continue to provide input and exert an effect on government administrative performance or political decision-making procedures at one or several governmental levels also *after* programme closure. Sustainability can be achieved through various means:

- Institutionalisation: The ultimate form of institutionalised sustainability is that the content or the practice of a programme is completely institutionalised in government policy or decision-making procedures in the partner country.
- Up-scaling: In order for donor programmes with limited geographical focus to become institutionally sustainable at the national level they need to be scaled up and replicated in all districts.
- Programme “ownership” by LGs, private sector or civil society groups: I.e., when a programme has a long-term effect on the behaviour of organisations in civil society or private sectors that interact with local government. This kind of sustainability is often extremely hard to measure adequately.

43. Moreover programme sustainability can be strengthened by:

- Co-financing: i) Where several donors decide to channel funds through a project, because they like the programme design or objective and because it is easier to use an established delivery mechanism. ii) Where LGs or citizens are required to contribute a part of the costs of development and cater for operational and maintenance costs, e.g. UNCDF district development programmes.
- Programme replication: Where other donors are sufficiently impressed with the project concept to adopt the design and apply it in the same country or elsewhere.

44. Since only two of the programmes (AFD 1996 and Danida 2000) were evaluated after their closure, the other evaluations being mid-term, it is difficult to assess their long-term sustainability. However, it is possible to assess the programmes’ short-term sustainability and whether long-term sustainability concerns and procedures are an integrated part of the programme design. Some of the lessons drawn from these programmes are:

a) The importance of institutionalisation of programme input

45. One of the lessons learned from CIDA's support programme in the Philippines is that both long-term and short-term sustainability is insufficiently taken care of in the programme. If the Canadian funds to training of LG personnel are terminated, partner institutions such as NGOs, academic institutions and others may not seek alternative funding to continue the support to local government. Moreover, very few of the local government themselves are in a position to invest in capacity-building of their staff and their councillors. Thus, it is recommended that the programme work closer with academic institutions that are a part the government’s own institution-building programme for local government, the “Integrated Capacity Building Programme”. Working with and strengthening the capacities of these structures are seen as means to ensure long-term sustainability of programme activity and benefits (CIDA, 1998).

b) Challenge of national replication of pilot and district programmes

46. Intensive support to a restricted number of LGs can bring about impressive changes, but may be difficult to sustain and replicate broadly. Moreover, it may create inequalities across the LGs and multiple modalities, reporting, accounting systems etc. And finally, although it may be effective, it is costly. For example, the GOLD project in the Philippines spent 20 million USD on eleven LG units over a period of five years (USAID 1998: 55). In most cases neither the partner governments nor the donors have the financial capacity to ensure that the other councils benefit from similar capacity-building efforts (AFD 1996, USAID 1988, and FINIDA 2000, EU 2000). Illustrative in this respect is EU's programme for decentralised cooperation.

**Box 5. EU's programme for decentralised cooperation**

EU's programme for decentralised cooperation has been able to support brave new initiatives, as many of the participants have a profound knowledge about opportunities provided by the local context and local power situation (EU 2000). However, given the limitations of the projects (small funds and limited coverage) there has not been any impact on improved speed and depth of the decentralisation process in the concerned countries and government bodies have shown little interest in the project.

The challenge is therefore to institutionalise decentralised cooperation, and especially cases of partnership where public authorities cooperate with civil society organisations in both the North and the South. Piloting and demonstrating the options of partnership could be a substantial contribution to decentralisation and democratisation processes in the countries. For this to be realised the evaluation concludes that the EU DG/DEV has to give it more political support to this budget line.

47. The only example of pilot programmes successfully institutionalised and replicated nation-wide, is UNCDF's programme (cf. box 6). The reasons for this success is that the programme was implemented in close co-operation with the governments and that it from the outset aimed at promoting sustainable and replicable institutional development of LG.

**Box 6. Creating sustainability: UNCDF's support to decentralisation, the Local Development Funds**

The key instrument in UNCDF's decentralisation support is the Local Development Funds (LDF). LDFs are demand-driven capital funding mechanisms, designed to evolve into national systems for channeling resources to sub-national levels of government. LDFs aim at strengthening local government in three ways:

- Through local government management capacity-building.
- Through strengthening civil society – particularly through establishing systems for bottom-up planning.
- Through strengthening national government commitments to decentralization.

The evidence from the evaluation is that LDFs are beginning to stimulate co-financing, institutionalisation and, to a lesser extent, project replication by other donors. In Uganda, for example, the UNCDF project is an integrated part of government planning for decentralisation of capital funding to districts, and is now (from 2003) due to be up-scaled nation-wide through a joint donor basket fund and WB/IDA sources. Moreover, in Malawi the UNCDF pilot districts have been scaled up nation-wide and, LDFs have received positive attention from other donors. In Cambodia, SIDA and UNDP are financing investments using UNCDF methodology in the three provinces. In Vietnam, AusAid has become co-financier of infrastructure loans to poorer communities. Source: UNCDF 1999.

c) Feedback on national policy.

48. A more indirect way of ensuring project replication of geographically restricted programmes is to ensure that lessons learned from the programme activity are communicated to the national level for feedback into national policy formulation on decentralisation. If successful, this would influence other councils indirectly. Moreover, such feedback has the potential of impacting on other donor programmes, provided that these donors adhere to government policies in the field of decentralisation.

49. One widespread obstacle to programme feedback on national policies is the lack of effective institutional bridges between local governments and established national level actors, political parties, national NGOs and national associations of local authorities. However, in the Philippines the associations of local authorities have been strong enough to serve such a function. This has enabled USAID's programme to address national-level policy issues precisely through those associations (USAID 1998). A facilitating factor was doubtless the active role conferred on the national associations by the local government act. Another is that the associations were already relatively strong at the time the decentralisation process took off in the early 1990s.

d) Phasing-out framework should be formulated at an early stage

50. Only two of the evaluated programmes have formulated exit strategies for their activities. What is remarkable about these programmes, however, is that exit strategies are formulated at very different stages after the inception of the programmes. In SIDA's programme in Botswana phasing-out plans were not addressed until 11 years after the programme had started (SIDA 1993). In the GOLD project in the Philippines a "Post-GOLD Scenario" – a roadmap to long-term programme sustainability – was formulated only a few years after the programme had started (USAID 1999). This practice should serve as a model for other donors.

### 2.2.3 *Poverty focus and gender sensitivity*

#### *Introduction*

51. Decentralisation does not in itself reduce poverty. However, through careful design and implementation based on an understanding of local, social, economic, political and institutional circumstances, it could serve as an instrument for poverty alleviation. Manor and Sverrison (1999) identify four areas where political decentralisation can potentially lead to pro-poor outcomes:

- Pro-poor economic growth: changes in the level of economic activity.
- Pro-poor service delivery: better access to health, education, sanitation, water facilities etc. for the poorest sections of LGs inhabitants.
- Social equality: pro-poor redistribution of income within local governments (LGs).
- Regional equality: redistribution of resources or growth between deprived and economically wealthier areas.

52. If locally based services are more efficient than centrally based services, it may create an enabling environment for economic growth. However, productivity is not generally considered the main advantage of decentralisation. Instead, decentralisation holds greater promise for improving *allocative efficiency*, i.e., better matching of public services to local popular preferences within LGs (Azfar et al. 2001). Well-functioning democratic procedures can enable the electorate to make sure that the

development policy of their LG is maximally attuned to their preferences. Doing so can give the poor and vulnerable groups (such as women) a chance to capture a larger share of LG resources. However, there is evidence from experience of democratic decentralisation that elites at lower levels may hold prejudices against poor, women, and minorities – more so than elites at higher levels. Their development priorities may be large-scale infrastructure projects (dams, bridges etc.) that benefit the population at large, rather than the poor. This tendency can be offset if a) the community groups are able to hold elected officials accountable thereby inducing them to serve the immediate needs of the poor and b) if the central government puts incentives in place that support investments and services for poor.

53. Decentralisation is considered a more relevant tool for enhancing interregional equality. Central government can introduce various forms of equalisation grants when poverty is caused by regional disparities.

54. Donors can shape the poverty orientation of decentralisation programmes by.

1. Supporting poverty-targeted national district development programmes run by LGs.
2. Supporting district development programmes/capacity-building programmes in poor regions.
3. Assisting government in mainstreaming of decentralisation programmes.
4. Supporting poverty-targeted training programmes.
5. Assisting partner governments in creating poverty-sensitive systems for central government transfers to local government.

#### *Findings and lessons*

a) Poverty focus needs to be strengthened

55. Given the five options set out above for poverty-oriented support to decentralisation and governance it is fair to conclude that the poverty focus in the evaluated programmes is limited – especially in programmes with national coverage. Certainly, there is some degree of poverty orientation in some of them. In UNDP programme profile and design, poverty orientation is highly visible. It is also highly visible in UNCDF's programmes, but the degree of poverty targeting varies substantially between individual projects (UNCDF 1999: 44). Moreover, two of the capacity-building programmes (CIDA 1999 and Danida 2000) were located in poor regions. In general, such programmes can contribute to pro-poor decentralisation because they can complement national poverty alleviation efforts that must necessarily focus on broad-based measures. However, because these are pilot programmes, their effect on LG services for poor sections of the community in their respective countries is limited.

56. Moreover, there is little or no evidence that these donor interventions have contributed significantly to pro-poor *outcomes* in any of the senses identified by Manor and Sverrison (1999) above.<sup>7</sup> However, it should be said that the lack of pro-poor outcomes often is due to lack of CG and LG commitment to pro-poor decentralisation. It is not unproblematic for governments to favour the most poverty-ridden LGs. In the Philippines, for examples, the donor community has pushed the government to

---

<sup>7</sup> Of course, some programmes have lifted the general service delivery level in the LGs where they operate (e.g., Danida 2000), but the report provides little evidence that the programme has benefited poor groups more than others.

change the formula for CG transfers to LGs to cater for the poorest of them. However, the government is still hesitant to change the present formula.<sup>8</sup>

b) Gender orientation is present in most programmes.

57. As shown in overview of the core evaluations (Appendix 3), all programmes are gender sensitive in the sense that gender is a separate issue in the programme designs and several of the programmes have a separate gender component. However, only in a few cases are gender issues systematically integrated into the programme as a whole.

58. When it comes to programme *output*, however, (as shown in 4.2) it is difficult to assess whether the programme actually helps to empower women.

c) Pilot programmes and equity

59. Piloted implementation of decentralisation support has certain advantages because it gives the donors an opportunity to try out ideas and improve promising approaches. However, since the use of pilot districts in some programmes tends to create short-term financial benefits (in terms of considerable amounts of external aid flows and related employment) it may create inequalities between pilot LGs and other LGs (UNDP/BMZ, 2000). This is particularly a problem if the programmes are not able to successfully up-scale their pilot activities (which in most cases does not happen).

60. Inequalities between LGs may also prove problematic if pilot councils are chosen on the basis of certain favourable conditions in these councils. For example, the GOLD project approach was to “build on the best” by selecting LGs where political dynamics, organisational base and other factors suggested that project intervention would have a strong foundation for success. Since it builds on a selection strategy that presupposes political will and favourable conditions in the selected councils, the application of this pilot model raises the question of its replicability in other, “less than best” LGs (USAID 1998: 57) – if not coupled with sufficient capacity-building support to the weaker districts such as the UNCDF-supported LDF.

d) Capacity-building and equity

61. Decentralisation reforms that are accompanied by demand-driven funding mechanisms may not serve policy objectives for improving territorial equity and/or redistribution of public resources to the poor. Poorer, less educated communities are almost always at a disadvantage in project design when compared to more organised and (perhaps) wealthier communities, unless special efforts are taken to train the less advantaged groups to articulate their requirements (IADB 1998). Thus, when donors are supporting national capacity-building programmes they should pay attention to the programme’s incentive and support structure to make sure that councils with the “lowest capacity” benefit from it as well.

#### **2.2.4 Monitoring and evaluation**

##### *The need for improved systems monitoring and evaluation of donor support*

62. Generally the reviewed evaluations observed a lack of adequate systems for monitoring and evaluation of mechanisms for the programme. Many donors have not systematically developed systems of indicators and benchmarks (quantitative and qualitative) in order to control the quality outcome or assess programme performance. Nor have they established baselines against which output can be measured. This

---

<sup>8</sup> Interview with AusAID in Manila, the 24 of May 2002.

is a serious weakness since project evaluations often provide the basis for programme follow-ups and documentation of a programme's comparative advantages. Moreover, programmes that are subject to ongoing monitoring and evaluation have a greater likelihood of viability in a context of shifting government priorities in highly political and politicised contexts.

63. One notable exception to this general observation is the monitoring and evaluation of the GOLD project in the Philippines. The project has used a variety of techniques to monitor progress, all of which provide different perspectives for determining project priorities and possible changes in programme approach. They include surveys, Rapid Field Appraisals, Gold conferences, quarterly reports, "Result Package indicator measurement", and site visits. These different initiatives provide different channels of information for the decision-making process (USAID 1998: 53).

### **2.3 Issues not systematically evaluated**

64. There are probably several reasons why the reviewed evaluation literature does not include the most recent concerns in the donor community about support to decentralisation and local governance. One reason may be that the more comprehensive evaluations are carried out relatively infrequently, missing the most recent developments in the programmes. Another may be that it takes some time before a trend in programme support to decentralisation trickles down to the actual programmes themselves.

a) Few bilateral evaluations of cross-country experiences

65. One of the most striking findings in the reviewed literature is that few of the bilateral donors have carried out cross-country evaluations of support to decentralisation and governance. The only bilateral donor to evaluate its total programme portfolio is BMZ. Most of the evaluations of the multilateral donors, however, are cross-country evaluations (BMZ/UNDP 1999, UNCDF 1999 and the World Bank 1999).

b) No systematic evaluations of donor co-ordination

66. A repeated observation made in the reviewed evaluations is that donor co-ordination mechanisms are often weak or absent. Further, negative consequences for overall donor support are frequently noticed and discussed. What is missing, however, are systematic cross-country evaluations of the obstacles to effective donor co-ordination aimed at exploring the specific challenges of co-ordination in the field of support to decentralisation and governance. Such studies would need to identify and analyse successful and unsuccessful practices of donor co-ordination in order to establish the conditions under which successful co-ordination may take place.

c) Inadequate analysis of contextual elements

67. From the general literature on decentralisation it is clear that even the most appropriately designed decentralisation institutions cannot work independently of and certainly not against forces embedded in the social and political structures in which they function. Thus, the effects of donor support to decentralisation and governance in a given country are heavily dependent upon the political environment, the organisational structure and the socio-economic characteristics.<sup>9</sup> Such elements have only sporadically

---

<sup>9</sup> The following contextual elements are identified in the literature (IADB 2001, Goetz 2001 and BMZ 1998) and introduced in the inception report: historic legacies (accountability in civil service, democratic traditions); national political environment (political parties, political competition, patronage, free press); political configuration between the national and local communities; the character of civil society (strong and vibrant civil society, social capital, local strongmen); political commitment to decentralisation (incentives to decentralise at the top administrative and political level); socio-economic aspects (regional differences, tax base for LGs); and rural and urban differences.

been considered in the reviewed evaluations.<sup>10</sup> This has severe implications for the possibilities of making a valid analysis of whether or not a programme can be replicated in another context.

68. In particular, there is a need to reflect more thoroughly upon the differences in implementing support to decentralisation in rural and urban settings. There are usually significant socio-economic differences (e.g. vibrancy and strength of civil society, LGs' tax base and service delivery challenges) that makes local government politics in urban and rural areas different.

e) Co-ordination between support to decentralisation reforms and other reforms

69. Generally the reviewed evaluations are relatively silent on how donors most efficiently could co-ordinate their programme portfolios with other reforms – public sector reforms or other national reforms.<sup>11</sup> The issue is mentioned briefly in a couple of evaluations.<sup>12</sup> However, none of them provide any advice on how donors could co-ordinate their support most effectively.

70. There is a need to generate more systematic knowledge of this relationship and how donors could support decentralisation and other reforms in a coherent fashion. Tax reforms, for example, (especially the systems for tax sharing between and local and central government) will have a significant bearing on the ability of local governments to generate revenue. Moreover, civil service reforms will have implications for the number of LG employees. The privatisation of local government services (such as the outsourcing or privatisation of certain functions for example) will have implications for the division of labour between the local government and the private service delivery system.

f) Support to national associations of local government

71. Some of the evaluated programmes contain a component of support to associations of local government (SIDA 2001 and USAID 1998). One of the main lessons learned from this kind of support is that such associations may serve as bridges between local government and influential national actors (including government). However, given that several donors have given support to such associations for many years, particularly SIDA and Danida, there is a need for more systematic evaluations of this kind of support. There are several aspects of support to such associations that could be explored in such evaluations: whether or not donor programmes have been instrumental in enhancing their financial self-sustainability; boosting the professionalism of the secretariats (for example in terms of budget negotiations); and whether donor support has been instrumental in strengthening procedures for good governance and democracy within the associations themselves.

h) Public-private partnership at the local government level

72. Although the main focus of this evaluation study is on governance and the interaction between local government and civil society, the interaction between LG and the private sector has important implications for local economic development and for poverty alleviation. Thus, there is a need for more systematic evaluations of the conditions under which donor support to local government facilitates economic development.

---

<sup>10</sup> A notable exception is the DFID evaluation of the donor funded capacity-building programme in Zimbabwe (DFID 2002).

<sup>11</sup> One of the evaluations touches on the relationship between structural adjustment and the decentralisation programme in Tanzania: The Norwegian Ministry of Foreign Affairs 1995.

<sup>12</sup> The BMZ evaluation outlines briefly the implications of privatisation for local government service provision (BMZ 1998: 6) and the UNDP/BMZ emphasises the importance of decentralisation programmes to be phased and linked to other reforms (UNDP/BMZ 2000).

## 2.4 Emerging issues

73. There are a number of emerging issues that also may need further attention in future evaluations of donor support to decentralisation and local governance.<sup>13</sup>

a) The relationship between sector-wide approaches (SWAPs) and decentralisation.

74. During the 1990s, SWAPs attracted increased attention in the donor community, particularly among donors involved in countries in Sub-Saharan Africa. SWAPs are assumed to have a large potential to improve effectiveness of donor programmes. However, at the same time, concerns have been raised that they could undermine decentralisation efforts (Nielsen 2001). They are assumed to be effective because they i) provide a cohesive framework for government public expenditure programmes; ii) foster local ownership and commitment by empowering the country to determine its development priorities and; iii) increase efficiency and sustainability of development aid through effective donor co-ordination and harmonisation of implementation arrangements (Engel 1997).

75. At the same time, SWAPs could undermine decentralisation efforts by i) ignoring lower-level (cross-sectoral) planning in sectoral planning for SWAPs; ii) supporting transfer of conditional (earmarked) grants to the LGs<sup>14</sup>; or iii) channelling support to institutions that are operating parallel to LGs.

76. There is little systematic evidence on the performance of SWAPs as an instrument and their relation to decentralisation.<sup>15</sup> However, some observations indicate that SWAPs may undermine decentralisation. In Zambia, for example, donors have switched their avenues for disbursement and accounting of funds away from direct support to LGs and to a variety of agencies, governmental (through SWAPs) and non-governmental (CBOs and NGOs), to implement their own forms of decentralised development, particularly at the sub-district level. The result has been a proliferation of unofficial parallel structures and organisations tied to specific donor for receipt of funds (Crook and Manor 2001). One should not overestimate the potentially negative impact on decentralisation on the basis of experience from a single country. However, donors should clarify their policies both towards SWAPs and decentralisation and identify those aspects of their country support that lack coherence and compatibility.

b) PRSPs and decentralisation

77. Since the World Bank and IMF in 1999 embarked on the approach set out in the Poverty Reduction Strategy Paper (PRSP), most low-income countries have put national poverty reduction strategies at the centre of their objectives. Questions have been raised in donor circles concerning the degree to which decentralisation issues have been systemically incorporated in these strategies.

78. There is also an ongoing discussion in donor circles about which governmental level (national, provincial or districts) that ideally should be responsible for formulation and implementing poverty alleviation programmes, and whether there should be a special PRSC for decentralisation (budget support with related strategy and benchmarks).

---

<sup>13</sup> Many of these opinions were expressed in joint donor–government reviews of decentralisation processes in Africa in which the team took part, and on it's the team's visits to the Philippines, Uganda and OECD headquarters.

<sup>14</sup> Cf. the RAKAI evaluation with examples of this contradiction, Danida 2000 and the newly adopted Fiscal Decentralisation Strategy, March 2002, GoU, Uganda.

<sup>15</sup> Valuable reflections about the relationship between SWAPs and decentralisation can be found in Shepard 2001; Nielsen 2001.

## c) Decentralisation and conflict

79. Since decentralisation represents a reallocation of resources in a society, it is obvious that it serves the interests of certain segments of the society and goes against the interests of others. However, how these conflict of interest manifest themselves in those countries that have embarked on decentralisation in terms of tension between classes, layers of governments, ethnic groups, regions, and centre and periphery has not been systematically assessed in the evaluation literature.

80. Nor are the possible stabilising or destabilising effects covered systematically. However, a few observations are made and they point in diametrically opposite directions. For example, in the BMZ evaluations of its programme in El Salvador and the Russian Federation it is noted that decentralisation of administration in countries with extreme political contrasts can contribute to a balance of opinion and consensus (BMZ 1998). The BMZ evaluation of the programme in Indonesia, however, notes the possible centrifugal forces associated with decentralisation as repressed ethnic groups and nationalities return to self-determination (BMZ 1998). Centrifugal forces are also noted in USAID's evaluation of its support to Bolivia. Here it is noted that decentralisation has led to greater instability in the countryside, and contributed to the emergence of indigenous groups calling for autonomy from the urban-based political elites (USAID 2001).

## d) Division of labour between bilateral and multilateral donors

81. One aspect of donor co-ordination that seems to be frequently discussed in donor circles is, the often, implicit division of labour between multilateral and bilateral donors. The character of this division of labour differs considerably from country to country, but in some cases there is a tendency for multilateral donors to work at the national level and bilateral donors at the LG level. This may in some cases be a well-functioning division of labour and might minimise overlap in donor activity. However, in order to encourage increased co-ordination and complementarity among donors, it should be discussed more explicitly. One way of addressing this issue and encourage a more open dialogue would be for bilateral donors to examine critically whether those multilateral donors they support adhere to policy and implementation modalities that are in line with their own principles for support to decentralisation and local governance.

## f) Redefinition of integrated rural/ and urban development programmes

82. There are a number of donors who for years had been supporting integrated urban and rural development programme that in the 1990s changed the focus of their "district support" to decentralisation and local governance. In two of the programmes included in this study, the national decentralisation process started to take off long after these programmes had been established (Danida 2000, FINIDA 2002). There is an expressed need in part of the donor community to draw more systematically on each other's experiences regarding such a redefinition. Norway's evaluation of its district development programmes in Tanzania could serve a starting point (Norwegian Ministry of Foreign Affairs 1995).

## g) How do donor programmes evolve over time?

83. The reviewed evaluations provide valuable information about the status of a project at a certain point of time. Some donors, among them Norway and the Netherlands, have been concerned with how the dynamics of donor interventions in decentralisation and local governance evolve over time. NORAD, for example, has been experimenting with a particular evaluation tool, "formative process research", to capture this dynamic (see NIBR Report 2002: 6). In this kind of research a permanent research team (composed of researchers from the partner country and from a Norwegian research institution) is following the programme over a longer period of time, collecting and analysing their own data. At the same time there is an ongoing dialogue and feed back of results to the different stakeholders in the reform.

### 3. SUPPORT TO FISCAL DECENTRALISATION

#### 3.1 Introduction

84. A vast majority of less developed countries are pursuing decentralisation policies that devolve functions and responsibilities to LGs.<sup>16</sup> Most of these countries have fiscal decentralisation at the top of their agenda as an integrated and vital component of this process.

85. The success of decentralisation reforms hinges on the way in which fiscal decentralisation is designed and implemented. There is a general understanding that fiscal decentralisation, under certain conditions, may improve allocation efficiency by bringing citizens closer to decision-making on service prioritisation. As preferences vary across regions this should lead to outcomes that reflect more truly the actual needs of the citizens. In addition, it is impossible for central governments to plan for every minute detail at the LG level. Finally, fiscal decentralisation, under certain conditions, may lead to stronger accountability because citizen participation, supervision and control are probably easier at the local level. Fiscal decentralisation is hence clearly related to improved democracy and local autonomy.

86. The fiscal decentralisation component of reforms also touches on the important interrelations between various objectives such as efficiency, sustainability, equity and poverty concerns. Some of the important questions are: Is there a proper balance between the responsibilities for the tasks and their funding? Are there systems in place to ensure that transfers of funds consider the poorest and most needy areas? Are there incentives in place to channel funds to basic service areas in an efficient and transparent way? Is there an efficient, fair and transparent system of LG taxation that makes the investments sustainable in the longer run? And finally, are there sufficient accountability systems and procedures in place?

87. Many *donors* support the development of fiscal decentralisation, both at the systemic level, by supporting the development of basic legal frameworks, institutional development (e.g., establishment of finance commissions), by supporting fiscal systems (e.g. design of grants systems) and their implementation, of which support to capacity-building of LGs is an important element.

#### 3.1. *Types of Donor Programmes Evaluated*

88. Support to decentralisation typically starts by giving assistance to the institutions in charge of policy-making and to the development of a legal framework (LG acts and regulations). Fiscal decentralisation tends to come in only at a later phase. This may be one of the reasons behind the scant number of evaluation reports on experiences and impacts of support in this area.

89. The study team reviewed experiences set out in the literature sent to us and collected evaluations of support to development of systems for a) LG taxation and revenue raising; b) bilateral support to district assistance programmes, especially capacity-building of LG finance management; and c) support under multilateral donors (UNCDF/World Bank) to capital investments/capacity-building in a large number of LGs. The review shows that there is no systemic and comprehensive *formal* evaluation of support to fiscal

---

<sup>16</sup> Cf. Precis, World Bank Operations Evaluation Department, Spring 1999, Number 178.

decentralisation, e.g. no evaluations on such areas as support to development of intergovernmental fiscal transfer systems, LG finance commissions, budget co-operation/clearance systems between central and LGs and revenue sharing between levels of governments, etc.

90. The key findings are listed under Section 3.2. In addition the study team reviewed other donor support activities in the field of fiscal decentralisation based on received material from embassies, meetings, the workshop in Oslo<sup>17</sup>, etc. and information gained on site. The findings from these (less formal) reviews are contained in Section 3.3.

## **3.2 Key findings and lessons**

91. The reports made available for the study team prove the complexity of the challenges facing fiscal decentralisation attempts.

### **3.2.1 Findings**

#### **a) Systems of revenue raising/mobilisation**

92. Development of sustainable systems for LG revenue generation has been a central focus area in a number of programmes (e.g., Danida 2000; NEDA 1998 and USAID 1998). Most countries experienced a decline in the LG revenue sources as share of total LG funding of services (i.e. increased dependency and risk of decline in the sustainability of investments and LG autonomy). This is a trend that has proved difficult to reverse by existing support mechanisms. Among the reasons for this trend the following are worth mentioning:

- Lack of systematic approach that addresses all aspects of the problem, including the legal, fiscal and institutional frameworks and the LG incentive system (Danida 2000).
- Central government transfer system creates disincentives to improve on LG revenue mobilisation (Danida 2000).
- Lack of clear programme conditions on co-funding and follow-up on these conditions causing weakening of incentives to collect taxes (NEDA 1998).
- Unfavourable LG tax assignments. LGs are often left with low-yielding and unpopular taxes that are difficult to collect (Danida, 2000, NEDA 1998, USAID 1998). The tax systems are often characterised by a vast amount of smaller, non-efficient, low yielding taxes, especially on agriculture and smaller enterprises (taxes focusing on production instead of on wealth and income).
- The way the tax administration is managed, where inefficiency in assessment, rating and collection and lack of enforcement and/or harassment of certain citizen groups leads to problems with revenue mobilisation.
- Tax evasion especially among the wealthiest part of the population due to lack of trust in LGs, lack of links between services and taxes, and lack of sanctions and oversight in tax administrations (valuation, registers and collection) (USAID 1998).

---

<sup>17</sup> The OECD/NIB workshop in Oslo on 23-24 September 2002.

93. No systemic evaluation has been done of the way support to the establishment of systems for LG revenue mobilisation (taxes and other revenues) have affected vulnerable groups such as the poor, women, etc.<sup>18</sup>

b) Capacity-building support for LG finances rendered by District Support Programmes

94. The donor support to fiscal decentralisation has supported all elements of capacity-building within the areas of LG finance. Most of the district support programmes contain elements of assistance for capacity-building, especially in relation to planning, budgeting and revenue raising. The general finding is that support aimed at improved planning and budgeting has been rather successful. Districts supported by bilateral donors are now improving the quality of their planning and budgeting, including poverty and gender issues. Most districts supported by bilateral programmes are preparing medium-term development plans, whose quality has increased considerably (USAID 1998, Danida 2000, NEDA 1998, World Bank 1998, 1999). It is said to be a rather time-consuming process, but the plans and budgets are appreciated when in place and the process is important in itself for the dialogue between the LGs and the citizens.

95. Very few programmes have provided support at the systemic level for LG revenue raising – the central government level – and the LG level at the same time, causing missed opportunities for synergy effects. Most of the initiatives have been scattered among training support, support for erecting tax registers etc. without sufficient thought given to replication and up-scaling.

c) New Local Government Development Programmes

96. In addition to the core evaluations, the team has reviewed a number of midterm evaluation reports of multilateral LG development programmes. These programmes focus mainly on LG development grants combined with support to capacity-building and development of performance/assessment/incentive systems.<sup>19</sup> Uganda and Malawi in particular have tested such programmes, and they are now going to be replicated in other countries like Tanzania and Nepal. The evaluations of these programmes have generally been positive as the non-sectoral grants have made it possible to improve allocation efficiency at LG levels, and the performance measurement system linked to rewards for improved administrative performance has ensured appropriate incentives for LGs to improve on administrative capacity and service delivery. Linkages between development grants and capacity-building have also proved appropriate cf. below. The encouraging aspects of these programmes are that if central governments allows LGs to make their own priorities (combined with proper incentives), they will tend to improve their planning capacities and put in the investments within the national poverty priorities areas (Uganda, LGDP 2002). But despite programme conditions for co-funding (often 10 % of the total costs), one has also seen that other factors weigh heavier such as political influence, elections, lack of incentives in the transfer system to collect own LG taxes, unfavourable LG legal tax assignments etc. Many of the investments are therefore under risk for lack of maintenance. This poses a serious sustainability risk to future programmes.

97. One of the key lessons for other programmes is that capacity building and transfers for development investments should go hand in hand and that systems relying on the existing structures may be successful when proper financial incentives to improve on performance are in place.

---

<sup>18</sup> It should be mentioned that these studies are under way in some countries, like Uganda and Tanzania.

<sup>19</sup> These programmes are often tested by UNCDF and later up-scaled by the World Bank, cf. Midterm Review of the LGDP in Uganda, February 2002 and Midterm Review of the UNCDF DDP in Uganda.

### 3.2.2 *Good Practices*

**Box 7. The World Bank programme for supporting administrative performance and revenue collection:  
Brazil and the Philippines**

The evaluation of World Bank-supported projects in Brazil and the Philippines to develop systems for LG financing of basic infrastructure showed them to be clear examples of successful projects, encompassing strong LG incentives to improve administrative performance and revenue collection. The districts enrolled in the programme performed better on all fiscal indicators, especially LG revenue raising in the period 1990–1996. The reasons for this success were identified as being: strong design with thought given to LG incentives to improve sustainability (improve own LG revenue base); the competition created among LGs; the programmes were linked to a sound fiscal and legal framework; LG financial reforms (including strategy and action plans) were introduced before physical investments were made; and the close involvement of the community concerning priority-making and funding. Co-funding requirements and cost sharing did function as well. Source: World Bank 1999.

### 3.2.3 *Overall lessons*

98. The evaluation literature, although scarce in the field of fiscal decentralisation, contains important lessons for future programmes, such as the following:

- Attempts at Fiscal Decentralisation seems to be more successful when the various reforms – legal, institutional, administrative, human resource and fiscal are pursued in a parallel, holistic and balanced way.
- Decentralisation of tasks and funding has to be done simultaneously, although not necessarily with the same speed.
- Support to improved LG revenue mobilisation demands a coherent effort with co-ordinated initiatives, both at the CG and LG levels, and activities, addressing, in a comprehensive manner, the legal framework, the institutional set-up and the capacity building at all levels of governments with due attention to the incentives to perform.
- The entire system of LG taxation needs to be reformed in most developing countries with a view to focusing on fewer taxes without distorting effects. Some taxes are so expensive to collect that the administrative costs surpass the tax yield. The tax reforms should therefore be elaborated in a way to ensure few, high yielding, stable and predictable LG taxes, easy to administer.
- As there seems to be a crowding out of LG revenue sources (taxes, fees and charges) when CG/donors increase funding (transfers to LGs), co-funding requirements and other mechanisms to ensure investment sustainability are crucial. These requirements should be designed in a realistic way and adjusted to the tax potential in the LGs. They should also take into account LG regional differences in tax potential and expenditure needs.
- Initiatives to improve LG revenues should review and address the LG incentive system behind the collection of taxes, fees and charges. E.g., does the CG transfer system create disincentives for LG revenue collection? How can the transfer of funds from CG and donors be combined with retained incentives to collect from own sources?
- Programmes with co-funding requirements generally improve ownership and sustainability, but should be designed in a way that makes the contribution sustainable, fair, equitable and long-

lasting – many programmes demand co-funding from the same LG tax base in a non-co-ordinated and non-systematic fashion. Co-funding “in kind” instead of in cash, i.e., by share of taxes/finances, may have an impact on the contribution of poor people to service delivery, but would be difficult to administer and control, even in district support programmes with long-term advisers on the ground.

- There is a need to ensure a stronger linkage between the various bilateral support programmes, among them, programmes which render support to transfer system, tax systems and capacity-building programmes to create proper synergy effects.

### 3.3 Other findings

99. Based on other sources than the official evaluation literature, there are also valuable findings regarding donor support to fiscal decentralisation.

a) The overall system of local government finance – key institutions

100. The systems of LG finance are being reformed in most of the less developed countries. The bilateral donors acknowledge that support to decentralisation has to address both CG and LG levels. In other words, you need a strong centre to support the lower LGs, but this centre needs to clarify its roles and basically concentrate on policy matters, M & E and mentoring functions, rather than on implementation in the field. Many donors, among them DIFID, Danida, UNDP, the World Bank, GTZ etc., have experience with supporting key ministries in charge of (fiscal) decentralisation, especially the ministries of local government. More recently, donors have supported setting up independent (neutral and objective) local government finance commissions, e.g. in Uganda, Malawi and Nepal, which is promising for the intergovernmental relationships. Some of the main lessons have been:<sup>20</sup>

- Most intergovernmental systems of fiscal transfers have severe problems with the overall objectives, predictability, transparency, fairness and equity concerns and do not sufficiently address the various expenditure needs and fiscal capacity of LGs.
- A strong Ministry in charge of local governments is important to ensure advocacy and support (mentoring) of the local governments.
- Support to establishment of decentralisation secretariats may be a way to boost the process in the short term (create a champion or decentralisation), but there is a need to develop a clear exit strategy and strategy for mainstreaming from the onset of the program.
- LG Finance Commissions may have an important role to play, especially on reviews, studies etc. of LG finance but also to act as a neutral body for coordination, clearance of CG – LG interests. Their role needs to be more clarified in order to ensure that they focus on key areas – not on general administration and LG financial supervision.

101. Support to development of overall systems of LG finance is of crucial importance, but has in practise often been fragmented, scattered and without an overall strategy and action plan for the way forward, e.g. the support to development of grants systems has not been coordinated with support to development of systems of LG taxation, data bases have not been linked to LG intergovernmental transfers systems etc.

---

<sup>20</sup> Based on review of Midterm Review reports, interviews with key stakeholders (embassies, ministries and LGs etc.) especially in Tanzania, Uganda and Philippines.

## b) System of intergovernmental fiscal transfers

102. Various donors support development of systems of intergovernmental fiscal transfers (grants and equalisation systems) though with various degree of success. The aim was to develop systems which are transparent, fair, objective, efficient, high yielding (that support LGs financially), equitable and, at the same time, simple and easy to administer – an enormous challenge. The lessons from this kind of support have been:

- Donors may play an important role in supporting systems of LG finance (design and implementation) especially by rendering of technical advice and short-term consultancy - expertise.
- Donor supported systems have also created certain problems. Systems of sector specific grants (with strong “earmarking”) to LGs have supported the transfer of funds for poverty related areas (e.g. the Poverty Action Fund in Uganda), but have created massive transaction costs and problems in terms of various modalities, reporting systems, accounting systems etc., undermining the downward accountability and increased the demands on the weak administrative LG capacity.
- The experiences from development of poverty sensitive grants and equalisation system is rather limited and the first attempts have been restrained by lack of district based data, resistance from strong ministries, e.g. Ministry of Finance and lack of co-ordinated donor support and co-ordination among the line ministries (e.g. Uganda and Tanzania).
- The attempts to route transfers of fund to LGs through formal central government institutions have faced great challenges in terms of delays, bureaucracy and lack of transparency, but seems to improve over the years when experiences are gained, making “on budget” support and use of the existing administrative systems more sustainable in the longer run.
- Administrative support to improved tax administration (registers, collection, training etc.) may be counteracted by lack of political commitment from the top level and non-conducive legal framework. This calls for a holistic future approach.
- The problems related to the earmarking of funds, multiple transfer systems, and non-co-ordinated efforts have increasingly been acknowledged and donor basket funded initiatives to streamline the transfer systems have been successfully commenced in a number of countries like Uganda (Fiscal Transfer).

## c) Support to development of local government revenue sources

103. As mentioned, this is one of the cornerstones of the sustainability of the system of LGs in development countries. Without significant revenue sources for LGs, they will continue to rely on central government / donor transfers, and the important links between service delivery (benefits) and taxes (costs) will continue to be blurred and impact negatively on accountability. Therefore, many donors have supported initiatives to boost LG autonomy regarding revenue raising, but with various degree of success.<sup>21</sup> Generally, LG autonomy in relation to its revenue sources has shrunk in many countries in recent years. What has been seen is that:

---

<sup>21</sup> Cf. Steffensen and Trollegaard, May 2000.

- The support has been piecemeal and scattered, e.g. some have worked on improvement of the property taxes, others on income taxes without a clear picture of the overall tax potential and capacity.
- Support to improved local government revenue sources have lacked review of the basic LG incentives to collect taxes and has not been linked sufficiently with other initiatives, especially the transfers systems.
- There is a tremendous need for support to LG tax administration, in order to make the systems more efficient, fair, legitimate and equitable.
- Donors should support the development of systems with more stable, predictable and high yielding LG taxes.
- It is important that a champion and co-ordinator for improved LG owned revenue is identified in order to ensure better co-ordination of the various initiatives.

d) Financial management and resource management

104. Strong financial management is of crucial importance and one of many means to improve the credibility of LG operations, attract additional resources, ensure efficient use of resources and boost citizens' willingness to contribute to LG operations. Donor support to LG financial management has been significant recently, particularly to development of central level budgeting and accounting systems, IT systems and to accountability institutions such as audit authorities and other supervisory bodies (inspectors, ombudsman etc.). Some of the key lessons are that:

- Budgeting systems needs carefully preparation and strong support – support to participatory budgeting has been rather successful in a number of countries, but needs to be coupled with larger autonomy on LG resource management in order to ensure discretionary funds to plan for – otherwise the efforts may be counterproductive and incentives to participate diminished.
- Multiple control authorities (audit, inspectors, accounts committees) are not alone sufficient to improve accountability, but need to be coupled with improved downwards accountability towards the citizens (information, dialogue with citizens etc.) and strong follow-up measures and sanctions in cases with mismanagement. Enforcement is generally very weak compared to the comprehensive system of formal control measures.
- Donors should refrain from establishing project specific control and audit systems and instead support the general audit and control institutions to improve accountability and sustainability.
- The reporting systems need to be streamlined – in some countries, LGs have to deal with more than 20 different reporting systems, most of them based on quarterly reporting.
- Development of benchmarks and competition among LGs seems to have a positive impact on administrative performance.

### 3.4 Emerging issues and further evaluation needs

105. As mentioned in the beginning of this chapter, the evaluation literature concerning the impact of donor support to fiscal decentralisation is limited. Below are the main areas in need for further studied listed together with the emerging issues regarding donor-support to fiscal decentralisation.

## a) Links between fiscal decentralisation and poverty alleviation

106. Relevant questions arising from the review of this area here are: How can systems of intergovernmental transfers support fiscal decentralisation and poverty alleviation? Is it possible to develop poverty-sensitive grants and equalisation systems on the basis of existing but limited LG-based information?

## b) Division of labour between partner government institutions

107. What has been and should be the future role of various institutions in the field of fiscal decentralisation (e.g. ministries of local government and of finance, finance commissions, decentralisation secretariats etc.)?

## c) Sustainability of support to LGs

108. How can LG revenue be enhanced in a climate of increased central government transfers and without creating strong pressures on the weaker sections of the population?

## d) Strategy and tools

109. Many countries experience a move away from district-specific donor support (development grants) and towards more mainstreamed (on-budget) support mechanisms. This will demand new tools for dialogue between governments in less developed countries and the donor community, such as, for example, that around the Poverty Reduction Support Credit (PRSC) and the Poverty Reduction Strategy Paper (PRSP) process at central government level, but with more focus on decentralisation issues, in the form of a clear decentralisation strategy, including action plans for fiscal decentralisation and identification of issues to be addressed.<sup>22</sup> Support to development of a clear strategy, action plan and benchmarks for fiscal decentralisation should be one of the key areas for future co-ordinated donor efforts.

## e) Control and guarantee for Poverty Oriented Expenditure – versus LG autonomy

110. LGs need to have enough fiscal control and discretionary powers to plan their activities in an efficient way. On the other hand, there is a strong (central government/donor) wish to ensure that funds are utilised within poverty-sensitive areas and inequalities across regions are minimised. There is a great need for studies of how these opposing considerations can be balanced in reality.

## f) Focus on incentives

111. Many programmes aimed at fiscal decentralisation were introduced without proper study of the LG incentive structure (LGs themselves as well as politicians and staff). What are the incentives to improve financial management, to collect taxes, to utilise funds in an efficient way etc. Some of the donor-supported projects seem to have undermined LG incentives to create sustainable systems of LG finance. It is therefore recommended that more attention be focused on these incentives in coming evaluations.

## g) Increase in fiscal transfers to LGs and co-ordination

112. Most countries have experienced a large inflow of funding to LGs within a relatively short time with multiple requirements for LGs on accountability (multiple modalities and reporting systems).

---

<sup>22</sup> Such as process is under preparation in Uganda by the World Bank and bilateral donor-supported second phase of the LGDP.

Countries like Uganda have seen a four-fold increase of LG transfers within only four years. The newly adopted Fiscal Transfer Strategy (June 2002) in Uganda is an attempt to answer these challenges and could stand as an example for other countries with the similar problems, cf. the box below:

**Box 8. The Fiscal Transfer Strategy – Case of Donor–Government Co-ordination in Uganda**

The Fiscal Transfer Strategy (FDS) was adopted by the Cabinet of Ministers in Uganda in April 2002 and is based on a detailed review of the existing LG fiscal transfer system. The review identified severe problems with the existing intergovernmental fiscal transfer system in terms of 31 conditional grants, limited LG autonomy and limited involvement of lower levels of government and citizens in priorities, multiple CG and donor modalities (sometimes conflicting), reporting systems and grant/programme-specific requirements, e.g., on bank accounts, auditing etc., and little involvement of the community in decision-making concerning the utilisation of the grants.

The implementation of FDS will be funded by a joint donor basket fund – the Implementation Support Fund – under the Donor Sub-Group on Decentralisation, and implemented jointly by the key ministries, associations of local authorities and interested donors. The strategy is a good example of how bilateral donors can work actively together with key ministries and other stakeholders. Moreover, it shows that donor co-ordination is crucial for success of major reforms like FDS and that support from key ministries must be ensured from the onset of the first studies.

In addition to the evaluation needs identified above, it should be noted that there has been no overall evaluation of the links between the donor support and the indicators outlined in the assessment matrix (see Appendix 3).<sup>23</sup>

---

<sup>23</sup> Steffensen and Trollegaard (2000) made a cross-country evaluation of the situation in six Sub-Saharan African countries, but this study was linked to the impact of the donor support.

## 4. ENHANCEMENT OF LOCAL ACCOUNTABILITY

### 4.1 Introduction

113. There is widespread consensus in the decentralisation literature that local government accountability will be achieved only with the active participation and support of the population at large, either as i) individuals or as ii) members of civil society organisations (CSOs) or iii) non-governmental organisations (NGOs). The general assumption is that mutually empowering relations between decentralised state institutions, private corporations and civil society organisations will generate democratic practises, improve accountability and transparency and involve the grassroots in poverty-reduction.

114. Perhaps the most important general mechanism available to enhance local accountability, however, is active participation of popularly elected representatives in formal political bodies that in turn are held accountable through regular meetings with their constituencies. This form of accountability has been strengthened through donor-funded programmes for training of councillors and the electorate in principles of democratic governance.

115. However, there is increasing recognition in donor circles that this mechanism alone is not sufficient to secure adequate accountability. The accountability mechanism between LGs and citizens has to be strengthened also by other means. This is why many donors have supported NGOs and CBOs in order to broaden popular participation and enhance local accountability. Goetz et al. (2001) point to several 'voice and responsiveness mechanisms' bringing citizens into active participation in local government service delivery which can be added to the accountability that is established through councillors' participation in formal bodies.

- Lobbying
- Citizen-based monitoring and evaluation
- Civil society-based service-delivery schemes adopted by LGs
- Citizen-based auditing
- Joint LG and civil society management of sector programmes
- Government framework for participatory planning
- Citizen participation in budgeting and access to budgets and accounts, including information on transfers from central governments

*Participation of poor and disadvantaged groups*

116. Councillors do not necessarily take care of the interests of the poor in local government decision-making. In such cases pro-poor interests need to be seen to by other means. Crook and Sverrison (1999) suggest the following alternatives:

- Active participation of representatives from poor groups in formal LG bodies
- Quotas in assemblies for underprivileged groups
- Influencing decision-making by way of sympathetic elites, often members of pro-poor CBOs and NGOs
- Voice and responsiveness mechanisms targeting poor groups.

**4.2 Findings and lessons learned from the evaluation literature**

a) Few in-depth evaluations of support to NGO/CBO interaction with LGs

117. Against the background of the increased focus on “civil society” in development aid over the last decade (cf., for example, Edward and Hulme, 1995), it is remarkable that this kind of support is not covered more widely in the evaluation literature on decentralisation and local governance. Among the reviewed programmes in this study, only one has comprehensively reviewed the role of civil society groups (CIDA 2000). Moreover, the civil society component in several of the other programmes is small.

118. Yet another remarkable feature is the lack of reflection over the specific challenges of this kind of donor support. There is, for example, scant consideration as to whether such support has implications for conflicts/ harmony between LGs and civil society groups; whether these organisations in fact have a grassroots base; are democratic; are financially accountable; reflect demand from “below” or risk eroding accountable relations between elected councillors and the electorate.

119. However, despite these weaknesses important lessons can be extracted from the evaluations.

b) Combination of support to LG with support to NGOs/CBOs in an integrated approach offers potential synergies for enhancing accountability

120. Several of the evaluated programmes combine capacity-building efforts at the LG level with strengthening of CBOs and NGOs (USAID 1998, USAID 2001 and Danida 2000, FINIDA 2002). Combining capacity-building efforts, such as training of councillors, implementation of participatory planning methods, support to LG financial management etc., with efforts to strengthen the capacity of civil society groups to take advantage of these participatory opportunities, seems to be mutually beneficial. It is observed in the GOLD project that in geographical areas where these two efforts were not pursued in tandem, the impact of the programme suffered.

121. The effect of this kind of “two-channel support” may be particularly successful in settings where NGOs/CBOs had a mandated role in LG decision-making as in Bolivia and in the Philippines. However, it could prove useful for other countries as well. In Uganda, for example, Danish support both to LGs and civil society groups was deemed worthwhile because in some LGs where economic mismanagement was widespread, relatively autonomous civil society agencies provided the programme with an alternative channel for funding. Moreover, the two-channel strategy ensured greater scope for the programme to reach excluded groups that the LG system found difficult to include (Danida 2000).

c) NGOs can be efficient mechanisms for representing citizen interests vis-à-vis LGs – if they are structured to represent a broad range of citizen groups

122. Some of the civil society organisations that interact with LGs are democratic in nature and organise substantial segments of the population in their areas. However, they often represent citizens' interests ineffectively. This is not least the case when NGO/CBO leaders are not elected and their organisations lack any kind of grassroots or mass base.

123. In the GOLD project evaluation a tendency was noted for the better financed or organised organisations to be the most influential in local politics, not always those that were broadly representative (USAID 1999). The evaluation also observed that NGOs do not always have the necessary autonomy to serve as “governance watchdogs” *vis-à-vis* LGs. In the Philippines there were instances of mayors forming and accrediting NGOs that represented their interests.

124. Another phenomenon curtailing their representativeness is that poor and marginalized groups are not always capable of taking advantage of NGO–CBO networking. The GOLD-evaluation notes that civil-society groups included in LG decision-making procedures were partly privileged local strata (business people, landowners) and professional groups (for example fisher folk). There was further little evidence of inclusion of urban poor and women.

d) Grass-"rooting" of NGO/CBO support can form the basis of a process of governance-building from below

125. In cases where civil society organisations manage to link up with important social actors in civil society and where the NGO activity addresses issues that are seen as vital for the community, they can be key players in a broader process of governance-building from below.

126. CIDA's support to anti-corruption NGOs in Kenya is an interesting case in point (CIDA 2000). The primary objective of the project is to provide civil education around the national budget with the intention of “unpacking” the budgetary process and having the citizens engage in it. In order to achieve this CIDA supported district-based anti-corruption networks called Futa Magando Action Networks. By holding corruption workshops in several cities, the Network managed to attract groups of highly respected individuals from all over the district (former mayors, civil servants and educators). Not only did it provide the network with a grassroots base, but also moral authority, something which led to the formation of branches elsewhere. When the Network started to focus also on the thorny issue of illegal land grabbing its grassroots support gained even more momentum. In one of its district branches it was able to successfully uncover economic mismanagement by a mayor and to have appropriate action taken against him.

e) Reaching the local government structures at the sub-district level

127. Many decentralisation programmes are concentrating their activities at the district level. However, in many partner countries the size of the LGs, both in terms of areas and population under their jurisdiction, is so large that it would be more meaningful for donors to support LG–civil society interaction at the sub-district level. The experience from the Philippines set out below can serve as an example.

**Box 9. Support to NGO networks enhancing accountability at the sub-district level:  
the Barangay movement in the Philippines**

The Local Government Code of 1991 established a Local Development Council (LDC) for every province, city, municipality and sub-municipal (Barangay) council. At least one fourth of the total membership of the LCDs should come from NGOs, CBOs and private sector organisations.

Although popular participation is not widespread throughout the country and there are examples of traditional local patronage politics, LCDs have become vehicles for civil society organisations to mobilise people in their rural councils to claim minimum basic services and to prioritise projects to be supported from local projects. A contributing factor is the establishment of two national network of NGOs, The Barangay-Bayan Governance Consortium (established in 1997) and The Citizen Network (established in 2001) that worked to strengthen local government and civil society initiatives, and to strengthen participatory local governance (Bulatao 1999). The networks received funding from the Ford Foundation (the main donor), Christian Aid, Bread of the World and Freidrich Ebert Stiftung and involve over 30 active NGOs and CBOs. They were involved in several interventions ranging for training and seminars on Barangay governance, development planning through PRAs, sustainable agriculture and organisational development.

With support from the Ford Foundation the De La Salle University carried out an impact assessment study of the Batman programme. It found that the programme contributed to improvements in the area of good governance. By systematically comparing Bangarays that were part of the programme with others, it found that the programme had contributed to active participation in LDCs by women's groups, farmers and fishermen. Moreover, decision-making had become more transparent; in the programme LGs almost all Barangay documents are made available at the Baranagay Hall for public scrutiny.

f) In search of strategies for sustaining support to NGOs interacting with LG

128. The majority of evaluations under this section note that the programmes have no clear strategy on how to make intervention sustainable. There is no clear strategy for influencing other programmes, disseminating lessons to national level policy-makers or of scaling up programme design. Moreover, attempts to scale up are often hampered by lack of financial resources or interest among government bodies and other donors.

129. In cases where experimental pilot programmes are not successfully able to disseminate lessons learned to relevant bodies, one way of securing some degree of sustainability is to make sure that the programme adheres to government guidelines and regulations. For example, in order to avoid establishing parallel systems for district planning, FINIDA's integrated district development programme in Tanzania has started to follow the government and district planning procedures and planning cycles (FINIDA 2001).

g) How to enhance effective involvement of women?

130. None of the evaluated programmes have an overall objective of empowering women's participation in local government decision-making. However, most programmes have, at least, a minor gender component that includes measures and targets in relation to women's participation. In some cases the programme activity has led to increased awareness among women about their democratic rights and responsibilities. In other cases, programmes have contributed to the advancement of women in local government positions. However, at the same time, problems have been observed hindering women from making effective contributions in local government decision-making (SIDA 1993, Danida 2002, USAID 1999: 57).<sup>24</sup> Danida's programme in Bolivia is a case in point (see Box 10)

<sup>24</sup> This observation is supported by evidence from West Bengal which, in terms of popular participation, is probably one of the most successful cases in developing countries. The decentralisation reform enabled a

**Box 10. Challenges in increasing women's participation: Danida's support to popular participation in Bolivia**

Danida has supported various bodies at district level since 1998 to enhance popular participation in local decision-making, particularly among women and indigenous people. The project is seen as particularly effective in strengthening Vigilant Committees' role in enhancing participation. Vigilante Committees were set up by government in parallel to local elected bodies to act as 'watchdogs' vis-à-vis these bodies. They are composed of six elected leaders from local governance systems such as peasant syndicates and neighbourhood councils. The committees' main responsibility is to ensure that community priorities are reflected in local government development investments. They are also empowered to call for regular audits of municipal governments and, in the event of any irregularities, can petition Congress to freeze funding transfers until the matter is resolved.

Although this programme has been able to enhance popular participation in more general terms there is little evidence that it has managed to substantially promote gender equality. While efforts have been made to increase women's participation, they have not been systematic or comprehensive enough to have significant impact on women's involvement, or promote the strategic interests of women in municipal governance (Danida 2002).

**4.3 Other findings***Monitoring and evaluation of accountability*

131. Several of the evaluations make use of relatively solid evaluation methods in that they draw on a variety of information sources such as reports, field visits, workshops and individual interviews. In terms of quantitative evaluation methods, the USAID evaluation of its democracy programme in Bolivia stands in a class of its own. In this study, the evaluation team bases its conclusions on a survey, the Democratic Value Survey, carried out during the three first years after the inception of the programme in 1998. The collected data showed that the project LGs after three years scored significantly higher on accountability variables such as "attendance at municipal meetings" and "complaints to vigilante committees" (USAID 2001: 38).

**4.4 Issues not systematically evaluated**

## a) Examination of support to accountability mechanisms between LGs and citizens

132. Only a few of the mechanisms between LGs and citizens described at the beginning of this section (4.1) are examined in the official evaluation literature. Thus, there is a need to evaluate this kind of donor support more systematically, focusing particularly on:

- Donor programmes supporting NGOs/CBOs influencing planning and policy-making by individually or collectively contacting local officials.
- Support to NGOs/CBOs organising citizens to participate in the regular monitoring and evaluation of government services.

---

large number of elected representatives from poor and disadvantaged groups (in terms of caste, occupation or property ownership) to take their places on district councils, partly due to increased participation by the poor in local government affairs. (Crook and Sverrison 1999). The record of female representation had been very poor during the 1980, but at the 1993 elections seats were especially reserved for women. Women now account for the statutory one third minimum. However, even if representation for disadvantaged groups has improved, and compares favourably with the situation in Karnataka, it does not translate into meaningful participation in the affairs of the councils. The experience showed that members from castes or tribes rarely spoke at meetings, and if they did they were often ignored.

- Donor-supported civil society-based service-delivery schemes imitated by LGs (e.g. water boards/committees).
- Donor-supported local government public accounts committees.<sup>25</sup>
- Support to joint LG–civil society management delivery of services, e.g., in forest and water management.<sup>26</sup>
- Support to government frameworks for participatory planning. Several of the evaluated programmes are supporting such programmes. However, there is a need for more systematic evaluations of this kind of support.

b) Examination of support to pro-poor NGOs/CBOs

133. Although some of the evaluated programmes have targeted NGOs and CBOs working with or organising poor and marginalized groups (such as Danida 2000), the overall conclusion is that the programmes have neither been particularly geared towards supporting these groups, nor have they contributed significantly to the inclusion of such groups in local government politics.

134. There is therefore clearly a need for more systematic evaluations of donor support to NGOs and CBOs that claim to represent the poor, and assessments of whether or not such support in fact has offered the poor better opportunities for active participation.

c) Synergies or conflict between LG and civil society groups?

135. The evaluation literature provides limited information on the conditions under which donor support contributes to partnership relations and synergies between local government and civil society organisations and when it contributes to conflict. Some of the programmes report the occurrence of synergies between LGs, NGOs/CBOs and private sector in the form of complementary contributions (e.g. FINIDA 2002). However, none of the evaluations provide enough details to determine which conditions may cause conflict between, for example, public (LGs) and private (NGOs) service delivery institutions.

d) Integration or non-integration of funds for capital investment into LG operations

136. In some of the evaluated programmes capacity-building at LG level runs parallel with support to small-scale infrastructure projects. In some of the programmes (most typically UNDP 2000) these projects are *fully integrated* into local government operations both in terms of planning, budgeting and financial management. Yet in other programmes (most typically FINIDA 2002 and World Bank-supported Social Fund projects) such projects have been established *external to* governmental bodies in the sense that the programmes has their own planning, implementation and financial structures. There are, however, few reflections in the literature about the comparative advantages of these very different approaches to integration in terms of their implications for strengthening of LG capacity, sustainability and local accountability. One notable exception is the evaluation of Austria's district development programme in Uganda (ADC 1999). Here it is observed that a variety of donor modalities for channelling of funds

---

<sup>25</sup> These types of committees have been established in Uganda, but are still in their infancy and have suffered from lack of facilitation. The idea is to bring "experienced" citizens on board in the control of the LG funds.

<sup>26</sup> A general problem in many countries is that local governments are not even informed about the funding and decisions made by NGOs and donors within their territory – a fact which makes budgeting and planning redundant and makes it hard to plan for the maintenance costs of the infrastructure created.

(integrated/not-integrated) into the district in combination with the absence of a district development plan have undermined local accountability, led to duplication of resources and under-funding of some sectors.

137. Parker and Serrando (2000) have addressed the integration/non-integration issue on a more systematic basis. They have examined the interaction between the World Bank's social funds and decentralisation in seven countries at different stages of decentralisation: Bolivia and Honduras (advanced decentralisation), Peru and Zimbabwe (some decentralisation) and Cambodia, Malawi and Zambia (not-so-advanced forms of decentralisation). They found instances where decentralisation and social funds have supported each other in important ways. For example, social funds have encouraged the expansion of not-so-advanced forms of decentralisation. In these countries central governments were slow to decentralise functions. By channelling resources to community groups, social funds demonstrated the feasibility of and potential for participatory *planning* that thus served as an example of decentralised local government planning. There are also instances where social funds seemed to undermine decentralisation processes. For example, the social funds in Peru minimised the role of local governments in their operations. As a result, some local governments perceived erosion of their legitimacy as co-ordination agents of local service delivery.

#### 4.5 Emerging issues

a) Enhancing accountability by supporting the ordinary political process directly or via NGOs/CBOs

138. Donors can enhance citizens voice and local accountability in local government affairs by strengthening process *directly*: e.g. by supporting local government elections, promoting issue-oriented politics and transparent decision-making, strengthening local party organisations, councillor training schemes, building systems of bottom-up planning etc. Complementary to this many donors have chosen to strengthen local democracy *indirectly* (via NGOs/CBOs) through one or several of the mechanisms presented above (4.1).

139. One argument against to heavy NGO presence in local government politics is that it may undermine the accountability between elected councillors and their constituencies.<sup>27</sup> It is also argued that since NGOs seldom are structured to ensure grassroots accountability, one may question their ability to and justification for promoting democratisation – since they themselves are only partly democratic.

b) The need for a demand-driven support

140. Donors increasingly acknowledge that if support to NGOs is to be sustainable, it should respond to the grassroots needs and priorities. However, as noted in the Birmingham University study of urban governance, if donors provide excessive financial resources to support emerging local initiatives, the donors run the risk of stimulating the professionalisation of the NGOs, thereby weakening their grassroots base and demand-driven agenda (Birmingham University 2001).

141. There is also an increasing awareness among donors to make use of a more demand-driven approach when piloting programmes in support of decentralisation and governance. When pilot areas are determined in collaboration with local stakeholders, not only does it enhance ownership and increase support sustainability; it also reduces the incentives for donor competition. When local stakeholders take the initiative, donors will have less room to “encourage” partner governments to take into account the lessons gained from “their” supported programmes.

---

<sup>27</sup> This was raised with the study team during our fieldwork in the Philippines and our meeting with DFID, 8 May 2002.

## 5. SUMMARY OF LESSONS LEARNED AND RECOMMENDATIONS

142. Support to decentralisation and local governance takes a variety of forms and generates different experiences and lessons. Although there are few systematic cross-country evaluations in the official evaluation literature, each of the evaluations examined in this study reveals lessons that could help donors, partner governments and others in improving their support programmes. The study also identifies issues not systematically studied in the evaluation literature and emerging issues that need to be further evaluated and taken into consideration when establishing successful support programmes. The key lessons, the major gaps in the evaluation literature and the most topical issues emerging in this field are briefly outlined in this section of the report.

### 5.1 Key findings and lessons learned

#### 5.1.1 *General support to decentralisation programmes and their implementation*

143. Support to decentralisation and governance in less developed countries often takes place in uncertain and politicised contexts where the status of the decentralisation process is not clear. In situations where the direction of decentralisation is ambiguous, the lessons for donors are that:

*There is a need for long-term support*

144. Successful decentralisation may take more than a decade in a context of financial and political instability. Thus, when donors are starting up support programmes in this area it will normally require some time before they will see any tangible results of the support.

*Central government commitment is a precondition for effective support*

145. Successful implementation of decentralisation support calls for commitment on the part of the partner government. The government needs to be the driving force that integrates and co-ordinates central and line-ministry interests, assures working relationships with civil society and private sector and takes the initiative to establish systems for co-ordination between donors and between itself and the donor community. SIDA's support programme in Botswana is a case on point. In almost twenty years SIDA was involved in an extensive capacity-building programme. Because of lack of government commitment the decentralisation process never took off. This experience provides the following lessons for donors interested in nurturing the process of democratic decentralisation in developing countries:

- Donors cannot push Governments where they do not want to go:
- Capacity-building is an integral part of the process.
- ... but capacity building by itself will not create autonomous local governments.

146. However, successful implementation is also dependent upon the environment in which the support is taking place and aspects of the programmes themselves. Regarding the environment, it depends upon adequate accountability structures, sufficient resources (financial and human) and a culture that is

generally supportive of decentralisation. At the programme level, designing programmes to promote sustainable and replicable development of LGs is a key factor.

*Improve co-ordination between donors and partner governments*

147. Although some donors co-ordinate their support with the partner governments' policies, implementation plans and capacity building programmes, it is frequently observed that this co-ordination is limited and represents a weakness of the programmes. Thus in order to make donor support in this area more effective and sustainable the donor community needs to make sure that their programmes are well integrated into the partner governments own policies and plans.

*Co-ordination between donors is essential*

148. It is widely recognised that donor co-ordination is crucial for cost-effective utilisation of scarce resources. Although some good practices are cited in the evaluated programmes donor co-ordination is generally weak, both at the national and local government level. Generally, weak donor co-ordination is a result of many factors; of a common belief that donor co-ordination should be the responsibility of the government rather than the donors themselves; the need of agencies to deliver a readily identifiable product; and the preference of governments to deal with donors on an individual basis. However, none of these factors are systematically examined in the reviewed evaluations.

*Long- and short-term sustainability is a major challenge*

149. A major challenge for the evaluated programmes is their long-term sustainability. Since most of them are ongoing or have just recently been started, one can not expect to find great long-term achievements. However, what can be expected is that strategies for long-term sustainability are a part of the original programme document or that such strategies are formulated at a relatively early stage of a programme cycle. All the programmes include attempts to establish foundations for short-term sustainability. However, there are only a few success histories. One of them is UNCDF's support programme for bottom-up planning and for decentralisation of capital funding to LGs, which in some countries have been scaled up nation-wide. The reasons for this successful institutionalisation is that the programme was implemented in close co-operation with partner governments and that it from the outset aimed at promoting sustainable and replicable institutional development of local government.

150. However, there seems to be a large potential for ensuring longer-term sustainability as well. This can be done through:

- Better institutionalisation or up-scaling of pilot programmes.
- More joint donor efforts, e.g. through basket fund arrangements.
- Formulation of exit and /or mainstreaming strategies in every support programme from the initial stages.

*Empowerment of women*

151. Although the gender focus is stronger than the poverty focus in the evaluated programmes, there is a need to make sure that the programmes contribute to the empowerment of women in local decision-making and that decentralisation programmes are geared towards improving LG services for women.

*Poverty focus needs to be strengthened*

152. Moreover, the *poverty* focus needs to be strengthened. Although a poverty focus is high on the agenda in the profile and design of some of the evaluated programmes, there are still several programmes where it is either weak or absent. There is in particular a need to explore the possibilities of improving the poverty orientation of decentralisation programmes by:

- Supporting poverty-targeted national district development programmes implemented by LGs.
- Assisting partner governments in poverty mainstreaming of decentralisation programmes and systems for LG transfer.
- Establishing poverty-targeted capacity-building, training and pilot programmes.

153. In addition to the relatively weak poverty focus of the programmes, there is little programme *output* to demonstrate that they have a bearing on pro-poor decentralisation in their respective countries.

**5.1.2 Support to fiscal decentralisation**

154. Donor support to fiscal decentralisation is an area in need of attention, especially considering its importance to the overall process and success of decentralisation efforts and poverty reduction. The fact that fiscal decentralisation has typically been initiated as one of the later pillars in country decentralisation reform programmes may be one of the reasons, but the area is now at the top of the agenda in many countries. The lessons so far reveal a need for:

*More focus on LGs' own financial management and sustainability*

155. Based on the limited literature available and the team's review of the country studies, it appears that the support to improved financial management (e.g. planning, budgeting and accounting) has been more successful than fundamental improvements in the overall system of LG finance and sustainability.

*Intergovernmental transfer systems*

156. Most countries have experienced increased dependency of LGs on transfers from donors and central governments and decline in their own LG revenue sources. Support in this area has not created sufficient links between support to design of transfers systems and system of LG own revenue sources. In addition, the support within this area has not been particularly well-co-ordinated between donors and governments, often leading to multiple forms of grants systems, modalities, accounting, reporting systems and M & E systems etc.

*Joint donor-government efforts to establish LG incentives for improvement*

157. The success stories revealed that proper reforms of LG finances are often related to the establishment of strong LG incentives to improve on administrative reforms, proper links between the various systems, e.g. the transfer systems and the development of own revenues (taxes, user fees etc.). Also important in this respect is strong co-ordination between the various institutions, and the establishment of a spearhead for the decentralisation process, e.g. a strong Finance Commission or Secretariat.

*New institutions*

158. New institutions, like associations of local authorities and independent finance commissions have shown that they can play an important role in enhancing the knowledge and information about LG finance,

mediating conflicts of interests between central and local governments, disseminating experiences in supporting replication of pilot schemes. These institutions are obvious subjects for future joint (basket) donor support.

### **5.1.3 Support to local government accountability**

159. The evaluation literature on programmes aiming at strengthening local accountability contains important findings and lessons:

#### *Combine support to LGs and efforts to strengthen civil society organisations*

160. Several of the evaluated programmes have combined LG capacity-building programmes with efforts to strengthen civil society groups. This kind of “dual channel” support offers potential synergies. For example, a donor-funded capacity-building programme may lead to improvement of LGs’ ability to be accountable and adhere to principles of good governance (e.g., by implementation of participatory planning methods). If this kind of support is combined with efforts to strengthen civil society groups’ capacity to take advantage of these improvements – e.g. participatory opportunities – it would seem to reinforce the effect of both efforts.

#### *Support broad-based organisations with grassroots linkages*

161. In many instances civil society organisations are not effectively representing citizens’ interests because they represents a limited – and some times privileged – strata of the population or because their mass base is weak or absent. Donor support to such organisations does not necessarily enhance general accountability of LGs to their citizens.

162. One way of ensuring that the support reach the grassroots is to support NGOs that interacts with LGs *at the sub-district level*. The evidence from the Philippines can serve as an example. Here donors have been instrumental in establishing two national networks of NGOs, The Barangay-Bayan Governance Consortium and The Citizen Network, that are working strengthen local government and civil society initiatives and participatory local governance at the sub-district level. Thus, there seems to be a particular need to make sure that As for donors that provide support to civil society organisations interacting with LGs are it seems to be a particular need to:

- Effectively target underprivileged groups such as the poor and women , making sure that they are empowered to take fully part in LG decision-making.
- Stimulate grassroots-based governance-building from below by supporting NGOs that addresses issues that are seen as vital for the community.

## **5.2 Emerging issues and future evaluation needs**

### *More systematic evaluations*

163. An overwhelming bulk of the evaluation literature acquired by the team, particularly evaluations produced by bilateral donors, is made up of evaluations of individual projects in a single country. There is hence a need on the part of the donor community to make more systematic evaluations, both of the whole decentralisation portfolio in a given country, cross-country evaluations of one or several types of support or evaluations of their total programme portfolio in this field. Moreover, there is also a need to examine how donor programmes evolve over time and to evaluate recent experiences of joint donor–government reviews of decentralisation programmes, e.g. those done in Tanzania and Malawi.

*Better dialogue on SWAPs, PRSPs and decentralisation*

164. There is need for a more extended dialogue between governments in less developed countries and the donor community concerning the extent to which the Poverty Reduction Strategy Paper (PRSP) process and sector-wide approaches (SWAPs) support or undermine decentralisation efforts. Partner governments that have embarked on decentralisation reforms should make sure that they keep to their commitments to decentralisation in practice. The donors, for their part, should clarify their policies both towards SWAPs, PRSPs and decentralisation and identify those aspects of their country support that lack coherence and compatibility. There is also need for reviews of the necessity of the development of a poverty-reduction strategy credit for decentralisation – similar to the present central government budget support system.

*Integration/non integration of funds for capital investment into LG operations*

165. In several of the evaluated programmes capacity-building at LG level runs parallel with support to small-scale infrastructure projects. In some of the programmes these projects are fully integrated into local government operations both in terms of planning, budgeting and financial management. In other programmes they are established external to governmental bodies in the sense that the programmes have their own planning, implementation and financial structures. There are, however, few considerations in the literature about the comparative advantages of these very different approaches.

*The overall donor support to LG finance*

166. In the area of donor support to fiscal decentralisation there is need for examining more systemically how the various donor activities affect LGs finances. The following areas require particular attention:

- Links between support to the central level (systemic support) and support and to programmes at the district level.
- Reviews of the impact of donor support on the overall parameters of LG finance in line with some of the indicators outlined in the assessment matrix.

*Intergovernmental fiscal relations*

167. There is a need for a more comprehensive review of the links between support to central transfers to LGs and development of own LG revenue sources (taxes, charges, fees etc.). Most projects and evaluations look at each LG revenue source in isolation, ignoring possible interrelationships. Particular attention should be given to:

- How to develop poverty sensitive allocation (transfer) systems.

*District development programmes and national reform programmes*

168. In many partner countries district development support programmes are gradually being mainstreamed into the general reform programmes and budget support systems – i.e. a process from district to budget support. There is a need to review the cross-country experiences from this process and establish common knowledge about the basic conditions and necessary tools for a successful movement towards integrated budget support in the field of decentralisation – e.g. development of PRSPs, decentralisation and safeguards/benchmarks.

*Decentralisation and conflict*

169. Since decentralisation represents a reallocation of resources in a society, it is obvious that it serves the interests of certain segments of the society and goes against the interests of others. However, how these conflicts of interest manifest themselves in those countries that have embarked on decentralisation in terms of tensions between classes; layers of governments; ethnic groups; regions; centre and periphery has not been systematically examined in the reviewed evaluations.

*Monitoring and evaluation*

170. There is a need to monitor more systematically how donor programmes supporting decentralisation and local governance evolve over time. There are particularly two monitoring instruments that may prove effective in this respect: i) regularly participatory monitoring of services and ii) formative process research.

171. Regularly participatory monitoring of LG services does not only have a potential for strengthening local accountability. If the findings from this kind of monitoring are systematically disseminated to government and donor circles, it may help stakeholders in decentralisation programmes in adjusting the course of the programme implementation in a way that improves service delivery. Formative process research is also an instrument that is following a decentralisation process over time and caters for regular feedback of programme output to all stakeholders. One of its comparative advantages is that it also strengthens local research capacity.

## REFERENCES

- ADC.1999. Kiroso District Development Programme (KDP). Review. Kampala
- AFD. 1996. Evaluation du Projet d'Appui a la Décentralisation et du Développement Urbain au Senegal (PADDUS). Evaluation 1992-95.Ministere de la Cooperation. Collection Evaluations No 28. Paris.
- Azfar, Omar (et al.). 2001. Conditions for Effective Decentralised Governance: A Synthesis of Research Findings. University of Maryland, Centre for Institutional Reform and the Informal Sector.
- Birmingham University. 2002. Urban Governance, Partnership and Poverty: ESCOR-funded Research in Ten Cities: 1998-2001
- Brown, C. 1996. *Democratic decentralisation: Botswana*. Paper submitted for the Workshop on Democratic Decentralisation: Experience and Ways Forward, OECD Development Centre, Paris, 5-6 September
- BMZ. 1998. Querschnittsauswertung. Dezentralisierung (Referat 310)
- Bulatao, Victor Geraldo. 1999. Batman@One: The State Of Our Consortium. Edited version of paper presented at BBGC Monitoring Conference, Ciudad Christia. San Mateo Rizal, 29-30.
- CIDA. 1998. Local Government Support Programme (LGSP) Philippines – Report on Phase I Review and Phase II Planning – February 1998, End of Phase Evaluation.
- CIDA . 2000. Civil Society and Democratic Development Project, Kenya (524/20811). January.
- Conyers, D. 1983. “Decentralisation: The latest fashion in development administration?”, *Public Administration and Development*, no 3
- Crook R. and Manor J., 2001. Local Governance and Decentralisation in Zambia. Draft Final Report. 7 April.
- Crook, Richard and Sverrison, A. S., 1999. To What Extent Can Decentralised Forms of Government Enhance the Development of Pro-Poor Policies and Improve Poverty-Alleviation Outcomes? World Bank. August.
- DFID. 2002. Capacity Building for Decentralised Local Governance in Zimbabwe: Lessons of Experience from PDSP & RDCCBP, Development in Practice Ltd
- Danida. 2000. Rakai District Development Programme, Synthesis report and Vol. 1-12,
- Danida . 2002. Evaluation Report on Danish-Bolivian Co-operation Programme, 1997-2000. Second Draft Final Report, Vol. 1

- Edwards M. and Hulme D. 1995. *Non-Governmental Organisations –Performance and Accountability*. Save The Children. Earthscan Publications: London
- Engel. Aldabert. 1997. *Decentralisation, Local Capacity and Regional Rural Development: Experiences form GTZ-supported Initiatives in Africa*. Sustainable Development Department (FAO).
- Eriksen, S. Naustdalslid. J. and Schou. A., 1999. *Decentralisation from Above. A Study of Local Government in Botswana, Ghana, Tanzania and Zimbabwe NIBR's PLUS SERIES, 4*.
- European Union. 2000. *Evaluation De La Ligne Budgétaire Coopération Décentralisée (951516)*, September
- European Centre for Development Policy Management 2003. (Ongoing). *Are sector wide approaches and decentralisation in conflict?*
- FINIDA. 2002. *Rural Integrated Project Support (RIPS) in Lindi and Mtwara Regions, Tanzania Mid-Term Review, February - March 2002 of RIPS III (1999 – 2005)*
- Goetz, A. M. and Gaventa, J. 2001. *Bringing Citizens Voice and Client Focus into Service Delivery*. IDS (Sussex) Working paper 138, June
- Government of Uganda. *Programme Review of the Local Government Development Programme in Uganda, Midterm Review, February 2002*
- IADB. 1998. *Sector Summary: Decentralization and the IADB Lessons Learned, Best Practices, and Issues Raised (Summary Report of nine case studies), Report of Evaluation RE-232/September*.  
At: <http://www.iadb.org/cont/evo/OVEDOCS.HTM>
- IADB. 2001. *Summary of findings: Decentralization and Effective Citizen Participation: Six Cautionary Tales*. OVE. WP1/01. April.
- IIRR. LGSP, SANREM; CRSP/Southeast Asia. 2001. *Enhancing Participation in Local Governance: Experiences from the Philippines*, International Institute of Rural Reconstruction, Philippine–Canada Local Government Support Programme and CRSP/Southeast. Local Government Academy, Department of Interior and Local Government and Gailing
- Pork Foundation. 2002. *Kaban Gaking, The Philippine Case Bank on Innovation and Exemplary Practices in Local Governance*, Manila.
- Manor, James. 1999. *The Political Economy of Decentralisation*, Direction in Development Series. World Bank.
- Maxwell, Simon. 1999. *The Meaning and Measurement of Poverty*. ODI Poverty Briefings. 3: February.
- Mills, A. Et. Al. (ed.), 1990. *Health System Decentralisation. Concepts, Issues and Country Experience*. Geneva: World Health Organisation
- Nielsen, H. A. 2001. *The role of donors: how to combine sector programme support with devolution?* Public Administration and Development, 21(5): 415-418.
- NEDA. 1999. *“District rural development projects in Tanzania” in, Integrated Area Development. Experiences with Netherlands Aid in Africa. Focus on Development No.10*

- Norwegian Ministry of Foreign Affairs. 1995. Naustdalslid J. and Aasen B., Rural Development and Local Government in Tanzania. , Norway, Evaluation Report 4,
- NIBR. 2002. Einar Braathen. Developing District Democracy. The Mixed Zambian Experience. NIBR-report 2002:6
- OECD.1999. DAC Scooping Study of Donor Poverty Reduction Policies and Practices.
- OECD. 2001.The DAC Guidelines. Poverty Reduction
- Parker, Andrew and Serrando R. 2000. Promoting Good Local Governance through Social Funds and Decentralisation, Social Protection Discussion Paper September. World Bank.
- Ridley, F.1973. “Integrated Decentralisation: Models of the Prefectoral System”. Political Studies, Vol. 21., no. 1, MacMillan Press LTD.
- SIDA .1993. Shifting the balance. Towards sustainable local government, decentralisation and district development in Botswana (SIDA evaluation report 1993:4)
- Schou A. and Steffensen J. 2002. Lessons Learned in Supporting Decentralisation and Governance. Inception Report. Prepared for the DAC Working Party on Aid Evaluation. February
- Schou A. and Steffensen J. 2002b. Supporting decentralisation and local governance – lessons learned, good practices and emerging issues. Draft Report. Prepared for Workshop in Oslo 23-23 September 2002. NIBR and OEDC/DAC Working Party on Aid Evaluation
- Shepherd, Andrew. 2001. Study on the Relationship between Sector Wide Approaches (currently Sector Programme Support in Danida) and Support to Decentralised Governance and Development. School of Public Policy, University of Birmingham, April
- Smith, B. C., 1985. Decentralisation. The Territorial Dimension of the State. London: George Allen & Unvin Steffensen, Jesper and Svend Trollegaard. 2000. Fiscal Decentralisation and Sub-National Government Finance in relation to Infrastructure and Service Provision. Synthesis Report of 6 Sub-Saharan African Country Studies, The National Association of Local Authorities, Denmark, May.
- Steffensen, Jesper, Gerhard van ´t Land and Emmanuel Sewamkambo.2002. Programme Review of the Local Government Development Programme in Uganda – Draft Final Report, February, Volume I and II (Commissioned by the Joint Donor Group on Decentralisation).
- UNCDF. 1999. Evaluation of the United Nations Capital Development Fund (UNCDF). Synthesis Report. ITAD Ltd in association with Oxford Policy Management.
- UNDP. MDGD. 1998. Factors to Consider in Designing Decentralised Governance Policies and Programmes to Achieve Sustainable People-Centred Development, February
- UNDP/BMZ. 2000. The UNDP Role in Decentralisation and Local Governance: A Joint UNDP-Government of Germany Evaluation. UNDP-Evaluation Office.
- USAID. 1998. GOLD, Impact Assessment, Governance and Local Democracy Project, (GOLD), Research Triangle Institute, USA, 13 February.

- USAID. 2001. The Transition to Sustainable Democracy in Bolivia and the Strategic Role of USAID (1998-2000), Management Systems International. Inc.
- UNFPA.2000. UNFPA and Government Decentralisation. A study of Country Experiences. Office of Oversight and Evaluation
- Villadsen, Søren, (Ed.).1999. 'Decentralisation and Good Governance Reform in Africa' in Good Governance and Decentralisation – Public Sector Reforms in Developing Countries, Taastrup: Nordic Consulting Group.
- World Bank. 1999. Developing Towns and Cities – Lessons from Brazil and the Philippines, Operation and Evaluation Department, World Bank.
- World Bank. 1998. Precipitous Municipal Development Projects: Financing Local Development and Building Institutions, Spring, Number 178, the World Bank.
- Workshop Proceedings. Supporting decentralisation and local governance – lessons learned, good practices and emerging issues. From Workshop in Oslo 23-24 September 2002. NIBR and OECD/DAC Working Party on Aid Evaluation.

## **APPENDIX 1**

### **TERMS OF REFERENCE**

#### **Background**

1. The interest shown by donors for decentralisation and local governance issues has grown increasingly over the last few years. Decentralisation and local governance are key elements of democratic governance, which is considered integral to the achievement of the international development goal of halving global poverty by 2015.

2. An indication of this increased interest is the early work undertaken by the DAC Working Party on Aid Evaluation on the “Evaluation of Programmes promoting Participatory Development and Good Governance”, published in 1997, which was a first attempt at synthesising the experience of donors in these areas.

3. Building on this and other work, the Evaluation offices of the UNDP and BMZ agreed, in April 1999 to conduct a joint evaluation of UNDP-supported programmes and projects in the area of decentralisation and local governance. This sector is being considered as one of the key areas for assisting partner countries in promoting governance issues.

4. The UNDP-BMZ evaluation entitled “The UNDP Role in Decentralisation and Local Governance”, published in February 2000, included field studies in five countries (Guatemala, Mali, the Philippines, Thailand and Uganda).

5. In May 2000, the findings and the study were presented at a workshop in Berlin. Participants welcomed the report and emphasised the need for further and broadened analysis of the issues involved for donors and partner countries in supporting national efforts towards decentralisation and local governance. More specifically, it was suggested that, an additional effort should be launched to identify lessons learned in this sector on as systemic a basis as possible. It should include not only the existing work done by UNDP and BMZ but also additional material and analysis from the evaluations done by other aid agencies in this sector. Such a study could be considered to be a first step towards identifying good practices in this sector. The DAC Working Party on Aid Evaluation decided at its last meeting in November 2000, to include this project in its 2001-2002 work programme.

#### **Objective of the study**

6. To provide a synthesis of lessons learned in key aspects of decentralisation and local governance and guide donor and partner countries (including civil society organisations and the private sector) in improving programs supporting decentralisation and local governance.

#### **Key issues to be addressed by the study**

7. Decentralisation and local governance are multi-faceted issues and it would be helpful for the study to focus on some of the key issues, which emerged at the Berlin workshop:

- How to establish a closer or more direct link between decentralisation, local governance and poverty alleviation – innovative ways of designing, implementing, and managing development co-operation with countries in using decentralisation and local governance as a pro-poor strategy.
- How to determine the right mix of financial support and policy advice, to enhance participation and strengthen partnerships, building on the comparative advantages, complementarity, and synergies of all actors involved to the best extent possible.

8. The above could initially constitute the core issues to be covered by the study. However, based on a preliminary scanning and analysis of relevant material by the consultant, the steering committee may decide to include other issues/perspectives to be addressed by the study.

### **Program of work to be undertaken**

9. The Consultant will carry out a comprehensive study to identify the lessons learned from past experiences in supporting decentralisation and local governance.

10. Under the guidance of a small steering group composed of Germany, UNDP, the Secretariat and possibly other interested members of the WP-EV, the consultant shall:

- Collect, Review and Analyse relevant material, such as previous evaluation reports, policy papers on the subject, as well as thematic reviews in related fields (e.g. on governance or democratisation), seminar papers, and other relevant material (see attached bibliographical references (Annex B) for some suggested sources).
- Develop a work plan, which will include the methodology to be used, and discuss it with the members of the steering group. This exercise will consist of both a synthesis and analysis of the work undertaken to date, and of field research, in order to explore further issues which have yet to be addressed and future perspectives.
- Visit selected capitals of member countries collaborating on the project; conduct interviews with relevant officials and personnel.
- Conduct field studies in selected partner countries which should include discussions with officials (both from the Central as well as local governments), as well as civil society organisations involved in discussions and in the implementation of the decentralisation process. In identifying civil society organisations, special consideration should be given to women's organisations and their participation in the process.
- Draft a report, based on the aforementioned research, including lessons learned and recommendations. The report should provide specific examples from relevant countries to demonstrate good practices or how positive lessons from experience have been applied.
- The report should be limited to 50 pages (plus annexes) and, contain an executive summary of no more than five (5) pages. The format of the report will be agreed upon with the Steering Group.
- Present a draft of the report to the Working Party on Aid Evaluation at its meeting in May 2002 or to a specific workshop around this time, to which the WP-EV and GOVNET members will be invited.
- Present the main findings of the study to the GOVNET in 2002.

- Prepare a final version of the report, integrating Members' comments and suggestions and present it to the WP for approval at its meeting in November 2002.

Note: It is intended that the main results of this study would be published in the DAC Evaluation and Aid Effectiveness Series.

## **Enhancing partnership between local governments and civil society for poverty reduction:**

### *The utility and limitations of democratic decentralisation*

#### *1. Project focus*

11. There is widespread consensus in the literature that effective, sustainable decentralisation will be achieved only with the active participation and support of the population at large, whether as individuals or as members of civil society organisations (CSOs) or non-governmental organisations (NGOs). The general assumption is that mutually empowering relations between decentralised state institutions, private corporations and civil society organisations will generate liberal democracy and involve the grassroots in poverty-reduction. There are few critical analyses, however, of whether the processes involved actually achieve these ends. Many of the existing analyses focus either on institutional reforms themselves, or on the actors in the civil society. These analyses fail to grasp what kind of mechanisms that really emerge when various actors are confronted with empowered civil society organisations in a context of institutional change. Under which conditions do these processes actually strengthen popular influence on important local political decisions and empower the grassroots to take more active part in improving their own lives?

12. An adequate analysis of the partnership dimension of local politics is important in order to understand development strategies. There are examples of radical forms of decentralisation leading to withdrawal of popular interest in local politics. The devolved resources are sometimes captured by local elites and may therefore reinforce existing pattern of patronage instead of empowering the grassroots. In cases where decentralisation leads to increased popular participation such tendency can be counteracted. Not only can participation help build civil society, it can also ensure that majority needs are heard and that public servants are held accountable. It is claimed that in order for decentralisation to promote improved partnership relations, it must go hand-in-hand with considerable support and safeguards from central decision-making circles.

13. There are also examples of support to civil society organisations leading to weakened local government institutions and local democracy. As greater quantities of aid are channelled through NGOs or CSOs it is the most visible, urban, elite-based NGOs, which capture the resources. The result can be that more democratic organisations with substantive roots to underprivileged groups are undermined. Building the capacity of the NGOs without having the partnership dimension in mind can mean that local government is bypassed, thus undermining the potential for genuine partnership relations. In many instances NGOs are not partners with governments, but with foreign governments and foreign NGOs. The effect is that they become more accountable to foreign actors than to their own populations and state agencies.

14. A major challenge for donors supporting democratic decentralisation and local governance is to *find the right balance* between support to decentralisation, on the one hand, and to those NGOs which actually interact with local government in a partnership-oriented manner on the other.

15. Another challenge is to assist governments in handling the relationship between decentralisation of tasks and responsibilities, fiscal decentralisation and decentralisation of political competence (the level of autonomy to make local decisions). To establish a well designed balance between these components seems to be crucial to make decentralisation work.

16. Thus, when designing and implementing decentralisation programmes it seems to be important to make sure that they:

- Have the right balance between devolved powers and adequate human and financial resources.
- Have the right balance between local autonomy and central government control.
- Have the right balance between support to local government bodies and civil society organisations.
- Have the right balance between local autonomy and centrally designed poverty reduction strategies.
- Have the right balance between capacity building and devolution of power.
- Have the right balance of financial support and policy advice.

Devolved powers and adequate resources

17. One general lesson that can be drawn from the assessment of different decentralisation reforms in developing countries is that there is considerable ambiguity in central government's willingness to transfer real political power and administrative power from central government. Even when legal powers, functions and tasks have been allocated, adequate administrative, human and financial resources are not provided. Thus, the central governments motives for decentralising have a significant bearing on the outcome of the decentralisation processes. One can establish two ideal types of decentralisation motives (in the real world they are often mixed): 1) genuine attempts at empowerment and 2) decentralisation for narrow or partisan advantage. In the first ideal type the purpose of decentralisation is to deepen democracy, enhance local participation, ownership and autonomy and to promote partnership between state and society. In the second type the purpose is to democratise lower levels of government as a substitute for democratisation at the central level, off-load tasks that the central government finds costly or inconvenient, obtain local resources that are exploited by party bosses or to please donor agencies that favour decentralisation.

Local autonomy and central government control

18. In many developing countries, the history of local government organisation may be described as a shifting balance between political and administrative forms of decentralisation, and attempts to find ways and means of reconciling the two competing systems. Generally, one will find that when the state delegates tasks and transfers responsibilities to locally elected authorities, this takes place on certain conditions and is followed up by various measures of control. In order to understand decentralisation it is therefore not enough to classify decentralisation into various types, it is also necessary to look at the combination and interplay of those forms, and the modalities of delegation. One will often find, for example, that when locally elected authorities are responsible for— operating a service - e.g.— health or education - a parallel hierarchy of state authorities (a functional sector) with a responsibility for controlling and supporting local authorities frequently exists. Another important form of state control relates to the transfer of funds from central to local authorities. The state may also, through legislation and in other ways, restrict local authorities in their operations. Interesting discussions are ongoing in a number of developing countries on the ways and methods for designing appropriate central government transfer schemes to local governments, e.g. the relationship between conditional, unconditional and equalisation grants in the attempt to ensure a sound financial basis for local governments, proper local incentives to provide services for the inhabitants, raising revenue sources and supporting weaker geographical regions or social groups.

19. It is sometimes argued that the role of the central state should be restricted to that of guidance and advice. However, in cases where councils lack adequate capacity in the field of financial management and where economic mismanagement is widespread, there may be a need for relatively tight central government supervision over local councils. A system that allows for elites to capture most of the financial resources may de-legitimize the state and erode the councils' chances of serving the poor.

#### Support to local government bodies and civil society organisations

20. A precondition for promoting partnership between local government and civil society is that donor support is given in a coherent and co-ordinated fashion. Funding of service-delivery NGOs in isolation from local government may not promote dialogue and partnership, but rather competition and even confrontation between local authorities and civil society groups. It is those NGOs which perform functions that are linked to broader development processes and institutional dynamics, that have the potential of creating best synergy between local government and civil society groups. Rather than funding isolated projects for distinct categories of actors, NGOs or local government, should take steps to promote joint action. One way of doing this is to integrate donor-financed projects into the councils' district development plans. And one way of ensuring that civil society is involved in determining local development prioritisation is to involve the civil society in preparing local plans through bottom-up development planning systems.

#### Local autonomy and nationally designed poverty reduction strategies

21. Many decentralised systems have arrangements for providing poorer councils with better than average resources. Such systems may also give politicians from less fortunate areas more equitable representation in the wider political system – which helps them seek a more equitable distribution of resources. Thus, when poverty arises from disparities between regions, democratic decentralisation tends to play a creative role. But democratic decentralisation does not necessarily alleviate poverty that arises from disparities within regions. In some countries that have experienced democratic decentralisation, elites at lower levels may have prejudices against poor, women, and minorities – more so than elites at the higher levels. When this is so true, it may make more sense to keep programs to assist these groups in the hands of higher-level authorities. One way to counterweight the elites' prejudices is to reserve a certain number of seats on elected councils for members of poor or socially excluded groups. This may be less necessary in areas (such as in much of Latin America) where poor groups are relatively well organised in pursuing their interests. A precondition for pro-poor local government policies is the availability of untied funds at the local level and a well functioning democratic process that enables them to hold local politicians accountable, a condition which is rarely observed.

#### Capacity building and devolution of power

22. It is frequently observed that local government does not deliver because of weak human, material and financial capacities. A vicious circle is seen between poor performance and increased mistrust. Central governments are hesitant to devolve resource and authority to local government, arguing that they lack the capacity for accountable management. Donors are often invited to fund capacity building programmes in order to facilitate the devolution of power. Some observers argue that capacity building can go on forever and not lead to any devolution unless the councils are given the adequate institutional ability to carry out their responsibilities. Democratic decentralisation carries risks; if you do not grant the councils adequate authority and financial resources they will not develop own capacity. Thus, it seems reasonable for donors to support decentralisation programmes where there is firm support and commitment from the central government at the same time as there is adequate support for capacity building.

#### Financial support and policy advice

23. Foreign donors cannot alone establish well-performing local democracies in developing countries. Strong political commitment and existing capacity to implement reform are preconditions for successful reform programmes, besides whatever support donors can provide. If certain conditions are fulfilled, donors could – provided programmes are well designed and implemented – act as catalysts for improved local government performance. However, donors should be aware that by strengthening the state institutions, they inevitably take on a political role. Several aspects need to be taken into consideration when donors seek to give support to decentralisation programmes:

- How much pressure, if any, should the donors put on the government to decentralise rather than adapting to the government's own priorities (conditions versus suggestions).
- How to balance projects at central and local levels.
- How to balance donor co-ordination with the governments' own decentralisation policy and modalities for project support.
- How to balance support to systemic reform (prerequisites to effective reform) with support to operational issues (changes needed to expedite the reform process).
- How to integrate support to decentralisation reforms with support to other reforms; sector-reforms, civil service reform, tax reform, public expenditure reform.

24. The greatest challenge for donor support to democratic decentralisation is perhaps that of enhancing local sustainability. After all, political decentralisation is about self-governance, about utilising human, administrative and financial resources and not about administering donor funds. Thus, the balance between donor support and mobilisation of own resources will be a key dimension in the proposed analysis

## **2. Methodology and work plan**

### **2.1 Methodology**

25. The objectives of the study are to:

1. Critically review and analyse relevant material in the light of the above preliminary observations.
2. Discuss the work plan and methodology of the study with the members of the steering group.
3. Make interviews with key players in selected member countries.
4. If necessary, conduct field studies in countries where key information is missing or are incomplete.
5. Draft a synthesis of the existing studies and (possible) fieldwork data which includes lessons learned, good practised and recommendations.
6. Present preliminary and main findings in relevant donor forum.

### 2.3 Work plan

Activities 2001	Man. Days	Responsible	Timing
1) Identification and reading of relevant written material	2 man days	AS	September – December 2001
2) More elaborated project design paper	5 man days	AS/JS	
Activities 2002			
Field work (Data Collection)	Man days 6 man days 6 man days 3 man days 3 man days 3 man days	JS (Uganda) JH (Khanzakhstan) BA (Vietnam) FA (Ghana) OA (Sri Lanka) AS (Tanzania)	January 2002
Preparation of a draft report	19 man days	AS, JS	February-May 2002
Writing of country reports	18 man days	(JS, BA, FA, AT. JH. ES)	
Presentation of a draft report to the Working Party on Aid Evaluation	1 man day	AS	May 2002
Presentation of the main findings to GOVNET	1 man day	AS	May-November 2002
Preparation of final report	5 man days	AS	May-November 2002
8. Presentations of the report to the WP	2 man days	AS	November 2002
<b>Total</b>	<b>80 man days</b>		

Key: AS=Arild Schou, JS=Jesper Steffensen, JH=Jørn Holm Hansen. AT=Arne Teslie, BA= Berit Aasen FA=Francis Appia, OA=Odd Arnesen, ES=Emmanuel Sewankambo

The exact amount of funds needed for travel expenses is somehow unclear. For sure expenses for air travel will be needed in the case of Vietnam and Kazakhstan. As for the other countries, there are good chances That some NIBR researchers or Mr. Steffensen will be present there during the project period. Moreover, in Ghana and Uganda we also will make use of a local consultant (Mr. Appia and Mr. Sewankambo). For all countries, some man-days have been budgeted for the collection of relevant material.

## APPENDIX 2

## RECEIVED EVALUATIONS

1. Received thematic evaluations of donor programmes on decentralisation and local governance that are relevant for the analysis<sup>28</sup>

Member Agency	Evaluation Focus/Title	Year
Austria	Kiroso District Development Programme	1999
Canada	Local Government Support Programme (LGSP) Philippines – Report on Phase I Review and Phase II Planning – February 1998. End of Phase Evaluation	1998
Canada	Evaluation of CIDA PSUs (CSDDP & HRDDGG). End of Phase Evaluation	2000
Denmark	Danida. Evaluation of Rakai District Development Programme (Uganda) Vol. 1-4. Final Report	2001
Denmark	Danida. Evaluation Report on Danish-Bolivian Cooperation Programme, 1997-2000	2002
European Union	Evaluation De La Ligne Budgétaire Coopération Décentralisée, September	2000
Finland	Evaluation of FADES (Nicaragua). Mid-term Review	2002
Finland	RIPS (Tanzania). Mid-term Review	2002
France	Rapport d'évaluation du Programme de développement municipal au Sénégal	1999
France	Synthèses des évaluations rétrospectives de projets de développement local au Burkina Faso, au Mali et au Cameroun. Final Report	2000
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Kolumbien. Projekt der Konrad-Adenauer-Stiftung "Cenco"	1996
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Korea. "FNS-Förderung der lokalen Autonomie"; "HSS-Ausbildung von Verwaltungskräften für den kommunalen Bereich"; "FES-Ausbildungsprogramm für kommunale Politiker"	1996
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Mauretanien. "Förderung der kommunalen Gebietskörperschaften"	1996
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Bolivien. GTZ-Beratung des Ministeriums für nachhaltige Entwicklung und Umwelt	1997
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Russische Föderation, Ungarn	1997
Germany	Serienevaluierung "Dezentralisierung". Teilmaßnahme Mali. "Förderung der Dezentralisierung"	1997
Germany	Evaluierung des Instruments "Sozialinvestitionsfonds in Lateinamerika" . Hauptbericht für Phase 1	1998
Germany	Querschnittsauswertung. Dezentralisierung (English executive summary of 12 case studies)	1998
Germany	Querschnittsauswertung der Instrumentenevaluierung der Sozialinvestitionsfonds in Lateinamerika, Hauptbericht für Phase I.	1999
Netherlands	Integrated Area Development. Experiences with Netherlands Aid in Africa	1999
Norway	Rural Development and Local Government in Tanzania. Royal Ministry of	1995

28

The analytical focus for the evaluation is spelled out in the Assessment matrix on page 9 of the Inception report.

<b>Member Agency</b>	<b>Evaluation Focus/Title</b>	<b>Year</b>
	Foreign Affairs, Norway, Evaluation Report 4.95	
Sweden	Shifting the balance. Towards sustainable local government, decentralisation and district development in Botswana (SIDA evaluation report 1993:4)	1993
Sweden	Co-operation Between Sweden and Ukraine in the Field of Local Self-government (99/13), Department for Central and Eastern Europe	1999
Sweden	Swedish Support to Local Self-Governance in Mongolia (00/1) Department for Infrastructure and Economic Co-operation	2001
United Kingdom	Capacity Building for Decentralised Local Governance in Zimbabwe: Lessons of Experience from PDSP & RDCCBP, Development in Practice Ltd, Harare, June	2002
United States	Impact Assessment. Governance and Local Democracy Project (GOLD). Research Triangle Institute. Mid-term Review	1998
United States	The Transition to Sustainable Development in Bolivia and the Strategic Role of USAID. Case studies in Programme Impact. Management Systems International, Inc	2001
IADB	IADB.1998. Sector Summary: Decentralisation and the IADB Lessons Learned, Best Practices, and Issues Raised (Summary Report of nine case studies), Report of Evaluation RE-232/September	1998
IADB	Summary of findings – Decentralisation and effective citizen participation: Six Cautionary tales.	2001
OECD/Cub de Sahel	La formation au service de la décentralisation au Sénégal. Coordination de l'aide et maîtrise locale	1999
OECD/Cub de Sahel	Financing of Urban Infrastructure in Burkina Faso: Inventory	1999
UN/FAO	Decentralisation, Local Capacity and Regional Rural Development: Experiences from GTE-supported Initiatives in Africa. Sustainable Development Department	1997
UNFPA	UNFPA and Government Decentralisation: A study of Country Experiences	2000
UN/UNDP	The UNDP Role in Decentralisation and Local Governance: A Joint UNDP-Government of Germany Evaluation. UNDP-Evaluation Office.	2000
UN/UNDP	Danish Trust Funds on Capital Development. Mid-term Evaluation	2001
UN/UNCDF	Evaluation of the United Nations Capital Development Fund (UNCDF). Synthesis Report. ITAD Ltd in association with Oxford Policy Management.	1999
World Bank	Promoting Good Local Governance through Social Funds and Decentralisation, Social Protection Discussion Paper September. World Bank.	2000
World Bank	Developing Towns and Cities: Lessons from Brazil and the Philippines	1999

2. Other documents on donor support received<sup>29</sup>

Member Agency	Evaluation Focus/Title	Year
Australia	Report of the Indonesia Decentralisation Assessment and Activity Identification Mission. AusAID	2001
Denmark	Study on the Relationship between Sector Wide Approaches (current Sector Programme Support in Danida) and Support to Decentralised Governance and Development, Andrew Shepherd, School of Public Policy University of Birmingham	2001
United States	USAID. Democratic Local Governance Series –Five Impact Evaluation report on support to Democratic Local Governance in Honduras, CDIE. Impact Evaluation	1997
United States	USAID. Democratic Local Governance Series –Five Impact Evaluation reports on support to Democratic Local Governance in Mali. USAID. CDIE. Impact Evaluation	1997
United States	USAID. Democratic Local Governance Series –Five Impact Evaluation reports on support to Democratic Local Governance in Philippines, UNSAID. CDIE. Impact Evaluation	1997
United States	USAID. Democratic Local Governance Series –Five Impact Evaluation reports on support to Democratic Local Governance in Ukraine. USAID. CDIE. Impact Evaluation	1997
United States	USAID. Democratic Local Governance Series –Five Impact Evaluation reports on support to Democratic Local Governance in Bolivia. USAID. CDIE. Impact Evaluation	1997

---

<sup>29</sup>

These documents are less relevant, either because they cover issues not identified in the Assessment matrix or because their status as official evaluation reports is unclear.

### APPENDIX 3 ASSESSMENT MATRIX

Table 0.1 *Matrix for analysing donor experiences in supporting decentralisation and governance*<sup>30</sup>

Aspects of decentralisation	Forms of donor support/ intervention	Sustainability aspects	Poverty Orientation	Contextual variables
i) Degree of political decentralisation				
<ul style="list-style-type: none"> <li>- Number of devolved functions, LG control over personnel matters, overall fiscal decentralisation environment etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Donor pressure and conditions?</li> <li>- Support to systemic reform</li> <li>- Donor co-ordination</li> <li>- Support to operational issues</li> <li>- Co-ordination with support to other reforms</li> </ul>	<ul style="list-style-type: none"> <li>- CG's political commitment &amp; decentralisation strategy</li> <li>- Long-term support to capacity building?</li> </ul>	<ul style="list-style-type: none"> <li>- Centrally funded poverty reduction programme?</li> <li>- Monitoring of poverty</li> <li>- Institution building of councils with low capacity?</li> </ul>	<ul style="list-style-type: none"> <li>- Historic legacies</li> <li>- National political environment</li> <li>- Incentives to decentralise</li> <li>- Regional (ethnic and social) differences</li> </ul>
ii) Fiscal decentralisation				
<ul style="list-style-type: none"> <li>- Share of LG expenditure of total public expenditure</li> <li>- Share of LG dev. Exp. of total development expenditure</li> <li>- Composition of LG expenditure</li> <li>- Own revenue sources as share of total LG revenue</li> <li>- Type of LG revenue assignment</li> </ul>	<ul style="list-style-type: none"> <li>- Support to design of overall system of LG finance</li> <li>- Support to finance development grants systems (WB, UNCDF etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Links between grants/donor funding and LG own revenue</li> <li>- Design of tax and user charges systems</li> <li>- Revenue sharing between LG and CG</li> </ul>	<ul style="list-style-type: none"> <li>- Share of general administration and wages of total LG expenditures</li> <li>- Own revenue sources spent on poor groups?</li> <li>- LGs incentives to spend sources on poverty areas</li> </ul>	<ul style="list-style-type: none"> <li>- Tax base and resources endowments</li> <li>- Financial accountability ?</li> <li>- Existence of LG associations to take care of the local interests</li> </ul>
iii) Accountability: relations between LGs and their citizen				

<sup>30</sup>

This is a simplified version of the original matrix presented in the inception report. The framework points at four key areas of donor support: i) general support to decentralisation programmes and their implementation; ii) support that affects relations between central and local government; iii) support to fiscal decentralisation; and iv) support to local government accountability. However, since relatively few of the evaluated programmes focus on the relation between central and local government, this area of support is omitted in the above matrix. Findings from evaluations that touch upon this aspect of decentralisation are addressed under one of the other key areas.

Aspects of decentralisation	Forms of donor support/ intervention	Sustainability aspects	Poverty Orientation	Contextual variables
<ul style="list-style-type: none"> <li>- Participation in LG decision-making</li> <li>- Lobbying</li> <li>- Citizen-based monitoring and evaluation</li> <li>- Civil society-based service delivery schemes imitated by LG</li> <li>- Citizen-based auditing</li> <li>- Joint (between LG and civil society) management of sector programmes</li> <li>- Government framework for participatory planning</li> </ul>	<ul style="list-style-type: none"> <li>- Form of support to civil society organisations working with LGs</li> <li>- Degree of integration of donor-funded small-scale capital investment in LG operations</li> <li>- Capacity-building of sub-district planning bodies</li> </ul>	<ul style="list-style-type: none"> <li>- Degree of up-scaling and institutionalisation of partnership projects</li> <li>- Integration of social funds in LG operations</li> </ul>	<ul style="list-style-type: none"> <li>- NGOs and CBOs organising poor groups?</li> <li>- Poor groups' interests taken care of by sympathetic elites?</li> <li>- Special support to weaker groups to take part in the decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>- Character of civil society (strong and vibrant, social capital, local strongmen)</li> <li>- National networks of NGOs and CBOs?</li> <li>- Culture of dialogue, involvement</li> </ul>

## APPENDIX 4 EVALUATION METHODOLOGY

1. In line with the ToR, the team drew on several types of data:
  - Relevant written information
  - Information gathered during interviews with relevant officials in selected countries collaborating on the project.
  - Information gathered from interviews with officials (both from central and local government) and representatives from civil society groups in selected partner countries.
2. The written material referred to in the ToR ranges from previous evaluation reports, policy papers on the subject, as well as thematic reviews in related fields, seminar papers, and other relevant material. At the meeting of the Steering Committee, 30 May 2002, the relevance of these sources was discussed on the basis of a preliminary scanning and analysis of relevant material. It was concluded that the team should focus primarily on the official evaluation literature produced by the members of the OECD/ DAC Working Party on Aid Evaluation. These evaluations constitute the main empirical foundation of the lessons learned and good practices presented in the report. However, in cases where it is relevant, opinions and arguments from other sources are included to explore issues not addressed in the evaluation literature and to identify emerging issues regarding decentralisation and local governance.
3. The evaluations that form the basis for the report were collected through two requests relayed from the OECD/DAC Secretariat to the member countries. On both occasions the member countries were asked to submit to the study team official evaluations of their interventions/programmes in the field of decentralisation and local governance. The first request was sent to them on November 21, 2001. In order to include in the study those evaluations that were finalised during the spring of 2002, the DAC secretariat sent another request to the members on June 10, 2002. In this request it was explicitly stated that evaluation reports would only be considered in the present study if sent to the lead consultant before July 6, 2002.
4. Interviews in selected OECD countries were carried out during the spring of 2002. In the period 19–27 March, the lead constant visited the United States and met with key informants at USAID, World Bank, UNDP and UNCDF. He visited Bonn and Frankfurt 16–17 April to carry out interviews in GTZ, KfW and BMZ and visited DFID in London 6 May and AFD in Paris 30 May. During the spring the team also carried out two minor field works: in Uganda 23–27 April and the Philippines 19–27 May.
5. Then thirteen core evaluations (see Table 0.2 below) cover a variety of donor interventions in different countries: broad-based, capacity-building programmes (SIDA 1993); integrated rural/urban development programmes (Danida 2000, FINIDA 2002, AFD 1996); a programme for financial capacity-building in urban LGs (WB 1999); and three district-level capacity-building and democratisation programmes (CIDA 1998, USAID 1998 and 2001). Moreover, they include two evaluations of interventions by multilateral organisations (UNDP/BMZ 1999 and UNCDF 2000), one evaluation of a total country portfolio in this field (BMZ 1998) and one evaluation of NGO support (CIDA 2000). Although the core group does not constitute a strictly representative sample of the evaluations, it seems largely

representative of the kind of evaluations of donor support to decentralisation and governance in less developed countries.

**Table 0.2 Classification of core evaluations by key aspects**

Evaluation	CIDA, (LGRP) 1998	CIDA, 2000	Danida, (RAKAI) 2000	Danida, 2002	FINIDA, (RIPS) 2002	AFD, 1996	BMZ, (Quer.) 1998	SIDA, 1993	USAID, (GOLD) 1998	USAID, 2001	UNDP/BMZ, 2000	UNCDF, 1999	WB, 1999
Aspect <sup>31</sup>													
Country	Phili.	Kenya	Ugan.	Bolivi.	Tanz.	Seneg.	Several	Botsw.	Phili.	Bolivi.	Several	Several	Phili. Braz.
Urban/rural	Both	Rural	Rural	Rural	Rural	Urban	Both	Both	Both	Both	Both	Both	Urban
Type of review: mid term or final	Mid term	Mid term	Final	Mid term	Mid term	Final	—	Mid term	Mid term	Mid term	—	—	—
Target: gov. or civil society	Gov.	Civil society	Gov. + civil society	Gov.	Gov. + civil society	Gov.							
Target level of gov: local / central	Local	Local	Local	Local	Local	Local + central	Local + central	Local + central	Local	Local	Local + central	Local + central	Local
Forms of sup.: technical adv., capital investment	TA	TA	TA + cap. in.	TA + cap. in.	TA	TA	—	TA + cap. in.	TA	TA	TA	TA + cap. in.	TA
Poverty focus	Weak	—	Weak	—	—	—	—	—	—	—	Strong	Strong	—
Gender sensitive	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Weak	—	Yes	Yes	Yes
Considers sustainability issues	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

6. Several criteria were applied when considering evaluations to be included in the group of core evaluations:

7. Firstly, the team decided to exclude evaluations that were not initiated by the donors' own evaluation offices, were not independent, or did not contain any Terms of Reference outlining the objectives of the evaluation.

8. Further, evaluations were excluded when their conclusions and recommendations failed to provide relevant insights beyond the often narrow findings concerning the actual project under review. It followed from this criterion that evaluations that were comparative across countries were included (such as BMZ 1999, UNDP/BMZ 2000 and UNCDF 1999)

9. We also excluded evaluations that basically focused on lessons learned about decentralisation processes and, to a lesser degree, about donor support to them. The same applied to evaluations that were basically about decentralisation processes where specific implications/lessons for donors were deduced logically on the basis of the analysis of those processes – not on the basis on empirical studies of the donor support

<sup>31</sup> — = aspect is not discussed in detail in the evaluation.

10. Finally, evaluations in which the decentralisation “component” made up a very minor aspect were also excluded. This covered in particular evaluations of integrated rural or urban development programmes.

11. Although some of the evaluations contain findings of relevance to more than one of the support areas identified above, we found it fruitful to classify them area by area.

12. Under the first section (general support to decentralisation programmes and their implementation) we chose SIDA 1993; CIDA 1998; USAID 1998; UNDP/BMZ, 1999; UNCDF 2000; and BMZ 1998.

13. Under the second section (support to fiscal decentralisation section) is the WB 1999 report. In addition we draw on observations in two other programmes (USAID 1998 and Danida 2000). Given the topicality of the issue we take into account more recent experiences of donor support too.

14. In the final section (support to local government accountability) we include Danida 2000; FINIDA 2002; AFD 1996; USAID 2001; CIDA 2000 and certain observations in USAID 1998. Moreover, in all three sections we draw on observations in evaluations outside the core group.

## APPENDIX 5

### LIST OF PEOPLE INTERVIEWED

#### **BMZ**

Horst Breier	Head, Evaluation Office
Doroteha Groth	Division Chief, Governance and Democracy
Ariane Hildebrandt	Division of Governance and Democracy

#### **DFID**

Dave Todd	Social Development Advisor, Evaluation Department
Jeremy Clarke	Senior Government Advisor
Susan Loughhead	IUDD
Macha Farrant	Africa Policy Department Governance

#### **The French Ministry of Foreign Affairs**

Nicolas Frelot	Head, Office for Local and Urban Development, Section for Development Co-operation
----------------	--

#### **KfW**

Roland Siller	Division Director Sector Policy Department
---------------	--

#### **GTZ**

Gerd Juntermanns	Senior Advisor, Urban and Municipal Development
------------------	---

#### **OECD/DAC**

##### *Secretariat*

Hans Lundgren,	Advisor on Aid Effectiveness
Monique Bergeron	Administrator

##### *WP's Steering Committee*

Colin Kirk	Head Evaluation Office, DFID
Gorberdhan Singh	Head Evaluation Office, CIDA
Ferando Sotho	Evaluation Office, Spanish Ministry of Foreign Affairs
Jan Dybfest	Assistant Director General, Norwegian Ministry of Foreign Affairs
Inger Stoll	Senior Advisor, Evaluation Department, NORAD
Khalid Malik	Director Evaluation Office, UNDP
Nurul Alam	Deputy Director, Evaluation Office, UNDP
Marie Hulsmann	Netherlands Ministry of Foreign Affairs
Tove Dengbolt	Evaluation Office, Danida

#### **UGANDA**

Ben Kumumanya -	Government Donor Coordination Officer
Edward Mugabi	Director Decentralisation Secretariat
William Ndolerire -	MoFPED
Daniel Yiga	PO, Danida
Tim Williams	Governance Advisor, DFID
Sean Hoy	Ireland Embassy

#### **PHILIPPINES**

Ronald Baird	First Secretary, CIDA
Emmanuel E. Buendia	Portfolio Manger, Governance Unit, UNDP

Gil Cruz	Executive Director, Leagues of the Cities of the Philippines
Herwig Mayer	Project Advisor, GTZ
Steven Rood	Country Representative, The Asian Foundation
Lloud Mckay	Lead Economist, WB
Laura Walker	Governance Specialist, Asian Development Bank
Francisco Mango	Executive Director, Dela Salle School of Government
Gerry Bulatao	Managing Trustee, Empowering Civic Participation in Governance
Li-Ann M. De Leon	Executive Director, League of Municipalities
Alistair McKenzie	First Secretary, AusAID
Napoleon de Sagon	Project Manager, USAID
Robert E. Wuertz	Governance Officer, USAID
Rebecca Malay	Local Governance Policy Forum
Alex B. Brillantes Jr.	Centre for Local and Regional Government
<b>UNDP</b>	
Linda Maguire	Evaluation Department
<b>UNCDF</b>	
Roger Shotton	Deputy Director and Co-ordinator
Angelio Bonfiglioli	Senior Technical Advisor
Leonardo Romeo	Senior Technical Advisor
<b>USAID</b>	
Harold Lippman	Evaluation Specialist, Centre for Development & Evaluation
Harry W. Blair	Senior Researcher, Yale University
Gary Bland	Independent Consultant
<b>World Bank</b>	
Anwar Shah	Lead Economist/Evaluation Officer
Robert Erbel	Principal Economist, World Bank Institute
Amitabha Mukherjee	Sr. Public Sector Management Specialist
Deborah L. Wetzel	Lead Economist, Poverty Reduction and Economic Management, Europe and Central Asia
Satu Kahkonen	Land Economist, Uganda
Keith W. Mclean	Social Development Economist

## APPENDIX 6

## ASSESSMENT CHECKLIST FOR EVALUATION REPORTS

1. PURPOSE AND APPROACH	TITLE OF EVALUATION
<i>Project objective</i>	
<i>Project design</i> <ul style="list-style-type: none"> <li>• Integrated in or external to government bodies</li> <li>• Which level of government</li> <li>• Integrated/sector specific</li> <li>• Supporting government, NGO or private sector?</li> <li>• Single/multiple donor involvement</li> <li>• Urban/rural</li> <li>• Forms of assistance: technical assistance, training, investment in infrastructure etc.</li> <li>• Pilot/not pilot</li> </ul>	
<i>Status of evaluation</i> <ul style="list-style-type: none"> <li>• Final evaluation</li> <li>• End of phase</li> <li>• Mid-term review</li> <li>• ToR: yes/no</li> <li>• Independent evaluation team: yes/no</li> </ul>	
<i>Methods applied</i> <ul style="list-style-type: none"> <li>• Desk study</li> <li>• Case study</li> <li>• Field work</li> <li>• Field work methods (survey, interviews representative sample of project sites, control case)</li> </ul>	
<i>Type of evaluation</i> <ul style="list-style-type: none"> <li>• Of goals</li> <li>• Of organisations</li> <li>• Of processes</li> <li>• Of activities</li> <li>• Of effects</li> </ul>	

<b>2. PROJECT ACHIEVEMENTS IN RELATION TO ASPECTS OF DECENTRALISATION</b>	
<p>1) <i>Pace and direction of decentralisation</i></p> <ul style="list-style-type: none"> <li>• Support to systemic reform (legal changes, preparation of implementation plan, sector devolution plans etc.)</li> <li>• Support to operational issues (capacity building)</li> <li>• Relationship between donor support and pace and direction of reform</li> <li>• Significance of donor co-ordination</li> <li>• Character of relations between donors and government</li> <li>• Feedback on national policy</li> </ul>	
<p>2) <i>Relations between central and local government</i></p> <ul style="list-style-type: none"> <li>• CG system for auditing control, legal compliance, monitoring and evaluation</li> <li>• CG system for regulation and policy development</li> <li>• System for financial co-operation of interests between CG and LG</li> </ul>	
<p>3) <i>Fiscal decentralisation/autonomy</i></p> <ul style="list-style-type: none"> <li>• The design of overall system for LG finance</li> <li>• LG systems for development spending</li> <li>• Enhancement of local revenue generation/collection</li> </ul>	
<p>4) <i>Relations between local government and its citizens: accountability, governance and citizens' voice.</i></p> <ul style="list-style-type: none"> <li>• Empowering of civil society</li> <li>• Enhancement of local accountability</li> <li>• Popular participation in local service delivery</li> <li>• Synergies between LGs and NGOs/CBOs and private sector</li> <li>• Participatory monitoring and evaluation</li> </ul>	
<p>5) <i>Crosscutting: degree of poverty and gender orientation</i></p> <ul style="list-style-type: none"> <li>• Institution-building targeted towards poor councils</li> <li>• Donor support to LG finance system that addresses poverty</li> <li>• Support to NGOs and CBOs organising poor groups</li> <li>• Poverty monitoring</li> <li>• Gender-orientation</li> </ul>	
<p>6) <i>Crosscutting : degree of sustainability</i></p> <ul style="list-style-type: none"> <li>• Up scaling and institutionalisation of donor support (e.g. pilots)</li> <li>• Sustainability of capacity-building programmes</li> <li>• Sustainability O &amp; M of small scale capital investment projects</li> <li>• Increased locally raised revenue</li> </ul>	
<p>7) <i>Other observations/findings</i></p>	
<b>3. CONCLUSIONS/LESSONS LEARNED</b>	

<p><i>General and specific lessons learned</i></p> <ul style="list-style-type: none"> <li>• Under issues in 1-7 above</li> </ul>	
<p><i>Facilitating/limiting factors for success/ failure</i></p> <p>i) Factors related to objectives, planning and implementation of project</p> <p>ii) Contextual factors:</p> <ul style="list-style-type: none"> <li>• Decentralisation design</li> <li>• National political environment</li> <li>• Government commitment</li> <li>• Character of civil-society and state-civil- society relations</li> <li>• Financial aspects</li> </ul>	
<p><i>Prospect for replication in other countries/regions</i></p>	