DAC Evaluation Series

Lessons Learned on Donor Support to Decentralisation and Local Governance

DAC NETWORK ON DEVELOPMENT EVALUATION

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

Bilateral and multilateral agencies actively support partner countries' local governance reform programmes, focusing in particular on the areas of administrative, fiscal and political decentralisation. A wealth of practical experience has gradually been accumulating over nearly two decades of development assistance in this field. A study conducted by the DAC Working Party on Aid Evaluation in 1997 on "Evaluation of Programmes Promoting Participatory Development and Good Governance" was a first attempt at synthesising donors' experiences in this field. Following this study, the evaluation offices of UNDP and BMZ conducted a joint evaluation in 1999 of UNDP-supported programmes in the area of decentralisation and local governance. As the result of the insights gained from this evaluation, the DAC Working Party members decided to launch a broader project covering the activities of many donors.

This study represents the result of these efforts. It contains a synthesis of evaluation studies of decentralisation and local governance support programmes, aimed at practitioners dealing with the design, management and evaluation of such programmes as well as those stakeholders involved in local government reforms, *e.g.* civil society organisations, politicians and central and local government officials.

The study identifies a number of areas where positive results have been achieved, particularly in the field of fiscal decentralisation and financial management, as well as in relation to the strengthening of civil society at local level. On the other hand, the study singles out a number of issues in need of further evaluation and research. One of these relates to the sustainability aspect of donors' local governance support initiatives, since the evidence makes clear that successful experiences with decentralisation usually take more than a decade to bear fruit. It is hoped that these and other findings and lessons learned contained in this study will provide a sound basis on which further progress can be achieved.

I would like to thank the United Nations Development Programme and the German Federal Ministry for Economic Co-operation and Development (BMZ) for the financial support provided towards the completion of this study. Special thanks are also due to DAC Network on Development Evaluation participants who made evaluative material available, and to Arild Schou and Jesper Steffensen for their work.

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Chair, DAC Network on Development Evaluation

The Development Assistance Committee (DAC) Network on Development Evaluation is an international forum where bilateral and multilateral development evaluation experts meet periodically to share experience to improve evaluation practice and strengthen its use as an instrument for development
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ACRONYMS

AusAid	Australian Agency for International Development
AFD*	Agence Française de Développement
BMZ*	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Co-operation and Development)
CBO	Community based organisation
CG	Central government
CIDA	Canadian International Development Agency
DAC	Development Assistance Committee
DANIDA	Danish International Development Assistance
DDSS	District Development Support Programme
DFID	Department for International Development (UK)
ECPDM	European Centre for Development Policy Management
FINIDA	Finnish Department of Development Assistance
FTS	Financial Transfer Strategy
GOLD	USAID's Governance and Local Democracy Project
GTZ*	German Agency for Technical Co-operation
IADB	Inter-American Development Bank
IMF	International Monetary Fund
KfW*	Kreditanstalt für Wiederaufbau
LDF	Local development fund
LG	Local government
LGDP	Local Government Development Programme
M&E	Monitoring and Evaluation
NEDA	Netherlands Development Assistance
NGO	Non-governmental organisation
NORAD	Norwegian Agency for Development Co-operation
OECD	Organisation for Economic Co-operation and Development

PAC*	Program d'appui aux communes du Sénégal (Support to Communes in Senegal)
PACL*	Programme d'appui aux collectivités locales
PADDUS*	Projet d'appui à la décentralisation et au développement urbain au Sénégal (Support to decentralisation and urban development in Senegal)
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SIDA	Swedish International Development Co-operation Agency
SWAP	Sector-wide Approach
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

* Denotes acronym in original language.

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EXECUTIVE SUMMARY

Background

Over the past two decades decentralisation and local governance support have become major fields within international development co-operation. Both bilateral and multilateral aid programmes have gained a wealth of practical experience enabling donors to draw on lessons learned. It is in this context that the OECD/DAC Working Party on Aid Evaluation[1] decided to conduct a critical study of support to decentralisation and local governance. This study was sponsored by the United Nations Development Programme (UNDP) and the German Federal Ministry for Economic Co-operation (BMZ).

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

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

- The link 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 study corroborates official evaluation literature produced by the members of the OECD/DAC Working Party on Aid Evaluation. Moreover, the team has drawn on findings and observations that it has come across during visits to selected OECD capitals and developing countries. This information has been particularly useful for identifying emerging issues in this area of donor support and key areas that need special attention in future evaluations.

Main lessons learned

Need for long-term support

Evaluation literature shows that successful decentralisation may take more than a decade when in a context of financial and political instability.

Central government (CG) commitment limits

It is an overall observation in the literature that implementation of decentralisation support is not always coupled with top-level commitment by partner governments. Sometimes such commitment is only found in local government ministries. The government is not typically seen as the driving force

1 . Now the DAC Network on Development Evaluation.

that integrates and co-ordinates central and line ministry interests, facilitates a working relationship with civil society and the private sector and takes the initiative to establish systems for co-ordination between donors and between itself and the donor community.

Gender issues

There is a strong focus on gender issues in several of the evaluated programmes. However, it is difficult to see how these programmes have contributed to the empowerment of women in local decision-making and have helped gear decentralisation programmes towards improving local government (LG) services for women.

Donor programmes' poverty-orientation

Although a poverty focus is highly visible in the profile and design of some of the evaluated programmes, several programmes either weakly, absently or inadequately elaborate on this issue.

The quality of donor-coordination and donors' coordination with government

Although there are examples of effective coordination between donors, coordination is generally considered weak, both at national and local government levels. This is a result of many factors including a common belief that donor co-ordination should be the government's responsibility rather than donors themselves; the need for agencies to deliver a readily identifiable product; and governments' preference of dealing with donors on an individual basis. Moreover, the evaluations also show that in several instances donors are not able to successfully co-ordinate their support with the partner governments' policies, implementation plans and capacity building programmes.

Sustaining programme support

A major challenge for the programmes evaluated is sustainability. There is a general lack of strategic, long-term sustainability. Moreover, only a few programmes have been successful in securing short-term sustainability by institutionalising their programme output, replicating pilot projects nation-wide, providing effective feedback to national policy-makers or elaborating on exit and mainstream strategies.

Fiscal decentralisation support

Efforts to improve financial management (*e.g.* planning, budgeting and accounting) appear to have been more successful than other fundamental improvements in the overall system of local government finance and sustainability.

Enhanced partnerships

Programmes designed to enhance partnerships between 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 governments

In order to make donor support in this area more effective and sustainable the donor community needs to:

- Integrate programmes more effectively with partner governments' own policies and plans.
- Support partner governments in preparing implementation plans that outline prioritised areas needing donor support.
- Establish joint government-donor forums for reviewing and implementing reforms.

Enhance co-ordination between donors

Donors and partner governments should examine obstacles to effective donor co-ordination and endeavour to ensure 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. Donors are recommended to:

- Formulate exit strategies and plans for up-scaling or institutionalisation of programme activities in the early stages of a programme.
- Provide effective feedback from programme activities to national policy-makers.
- Ensure that support to other areas (*e.g.* to SWAPs) is not undermining support to decentralisation.
- Design programmes in a holistic way taking into consideration LGs relations with CG as well as civil society.

Strengthen poverty focus

The poverty focus of programmes needs to be strengthened. Possibilities for improving poverty orientated programmes by supporting poverty-targeted district development programmes implemented by LG need to be explored. Furthermore, an effort should be made to increase the poverty orientation of local government transfer systems and to establishing poverty-targeted capacity building and training and pilot programmes. For donors who provide support to civil society organisations interacting with local governments there is a particular need to:

- Ensure that service delivery support targets underprivileged groups, including the poor.
- Stimulate bottom-up, grassroots-based governance (*e.g.* citizen-based budget watch and citizen-based service delivery monitoring).

- Enhance LG-civil society interaction at the lowest echelon of the LG system.

Financial development and sustainability of local governments

There is a need to make sure that donor programmes:

- Strengthen local government capacity, exercise economic autonomy and ensure incentives for improved local government performance are not restrained by intergovernmental fiscal transfer systems.

- Are designed in a holistic way taking into account reforms of LG tax systems, assignments, types of taxes and tax sharing arrangements.

Box 1. Summary list of lessons learned and recommendations

General

- To see results, support needs to be provided over time.
- Ensure that CG is committed to decentralisation.
- 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 programs.

Support to fiscal decentralisation

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

Support to local accountability

- Combine 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.

Emerging issues and areas for further study

In addition to the above lessons learned and recommendations, the team identified several emerging issues some of which need to be considered for future evaluations and for designing programmes which successfully support decentralisation and local governance.

The donor community needs to conduct more systematic evaluations of their total decentralisation portfolio in a given partner country, their total programme portfolio in this area or

cross-country evaluations of one or several types of support. In particular, future evaluations should focus on: [2]

a) 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 a LG and the poorest LG in a given country. Priority should be given to evaluating the lessons learned from cases where donors have successfully been able to shape the poverty orientation of decentralisation programmes.

b) SWAPs, PRSPs and decentralisation.

For the poorest countries, there is a need to carry out focused follow-up evaluations to determine more precisely whether Poverty Reduction Strategy Paper (PRSP) processes and sector-wide approaches (SWAPs) are supporting or undermining decentralisation efforts. A review of the Poverty Reduction Strategy Credits (PRSC) for decentralisation – similar to the present central government budget support system - is also required.

c) 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 also subsequently provoke conflict. Such conflicting relationships need to be more systematically evaluated and a check-list on how donors and partner governments can assess the conflict potential in supporting decentralisation needs to be produced.

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 programmes these projects are fully integrated into local government operations whilst in others they are established external to governmental bodies. The literature gives little consideration to the comparative advantages of these very different approaches to integrating capital funding in terms of their implications for strengthening LG capacity, sustainability and local accountability.

Donor support to LG finances

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

- Links between central-level support (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 Annex C.

2 . Listed in order of priority.

Intergovernmental fiscal relations

A more comprehensive review of the links between the support of 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 source in isolation, ignoring possible interrelationships between central transfers and LG's 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 decentralisation.
- Decentralisation and conflict.
- Integration/non-integration of funds for capital investment into LG operations.
- The effect of overall donor support on local government finance.

INTRODUCTION

Background

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

At a meeting between the study team and the OECD/DAC Steering Committee on 15 November 2001, the idea of arranging a stakeholder workshop on the basis of a draft study was put forward and a consensus was reached that the study team should make preparations for such an event.[3] The workshop was subsequently held in Oslo on September 23-24, 2002 and the present study draws on comments relevant to the draft report that were presented at the workshop (Schou and Steffensen, 2002b).

The objectives of the evaluation

In accordance with the Terms of Reference (ToR), the study focused on key aspects of donor support to decentralisation and local governance (see Annex A):

Linking political decentralisation and poverty alleviation

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

Local government and civil society partnerships

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

3 . The study team consisted 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). The team would like to thank all those who contributed to the evaluation exercise, including the funding agencies BMZ and UNDP for making this study possible. For the background information on the decentralisation process in Uganda the contributions from Emmanuel Ssewankambo (Mentor Consult Ltd – Uganda) have been of great value. We would further like to thank Mie Baek (Nordic Consulting Group/Tanzania) and Berit Aasen (NIBR) who have been involved in assessing individual evaluation reports included in the study. Moreover, several NIBR researchers have read draft versions of the report or commented upon the methodology applied. Among them, Marit Haug and Terje Kleven deserve special thanks. Finally, a special word of gratitude to two representatives from NIBR's staff, Berit Willumsen and Inger Balberg, who played key roles in administrating the OECD/NIBR conference on decentralisation and local governance held in Oslo, 23-24 September 2002.

Sustainability

Another key dimension to 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 enhances the financial and institutional sustainability of decentralisation processes and helps local governments stand on their own two feet economically?

Furthermore, the ToR stipulates that the report 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.

Concepts and analytical focus

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* (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 & Gaventa, 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, although relations with other levels of government will be analysed where relevant.

Concepts

Decentralisation

Decentralisation is an ambiguous term but may generally 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 *et al*., 1990, p. 89). However, decentralisation takes different forms and involves different institutions and functions of government. In the following we shall make a distinction between four forms of decentralisation:

a) *Political decentralisation* presupposes the 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 *et al.*, 1990; Conyers, 1983).

b) Administrative *decentralisation* means the 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).

c) *Integrated decentralisation* means the transfer of tasks or authority to local "multi-purpose" institutions with a territorially restricted mandate. This refers to institutions which are supposed to co-ordinate and set priorities between a number of different functions and activities within "their" area, *i.e.* "political" activities involving distribution of scarce resources between and across sectors. Multi-purpose local government authorities are an example (districts and counties), as is the typical integrated prefect (Ridley, 1973).

d) *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 such as education, health, agriculture etc.

Poverty

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, p. 38).[4] 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 the separate heading of "participation".

This study focuses on the poorest segment of a 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 implies that those institutions and actors that regulate the behaviour of public bodies stimulate citizens' participation in government and ensure that public–private boundaries are not blurred (World Bank, 1994). The following seven elements are at the forefront of the current debate surrounding good governance, although 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).[5]
- Transparency in the public sector.
- Public participation at all levels of government.
- The functional division between administration and politics – a 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. Any future reference to the concept of local governance is drawn from the UNDP definition of decentralised governance. "… [D]ecentralised 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 MDGD, 1998, p. 1*)*.

4 . Some authors question the usefulness of linking material income and the wider 'functioning' of society, such as access to social services and one's ability to participate in society (Maxwell, 1999).

5 . In this study the term 'accountability' is defined as 'answerability'. For this definition and its critics see O'Loughlin, 1990.

Analytical framework

The thematic structuring of this study, both in terms of findings and recommendations, reflects the assessment framework presented in the inception report. This framework sets out the relationships between the different variables in the analysis (see Annex C).

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.

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* the team observed during its visits to selected OECD capitals and developing countries that are not yet treated systematically in the evaluation literature.[6]

The study team received a total of 45 evaluations considered relevant to the study from OECD/DAC members (see Annex B). For several reasons the team chose to concentrate the analysis on a "core group" of thirteen evaluations (see Annex D).

Methodological aspects

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 the same support areas (*e.g.* training of councillors) and between different donor interventions in the same geographic area. In the context of this study however, it is possible to extract some of the lessons learned from individual donor programmes and then critically assess whether these lessons can be applied generally.

Structure of the report

The next three chapters outline general and specific lessons gathered from the reviewed evaluations; highlighting good and not so good practices and presenting the main emerging issues. 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.

6 . In addition the team drew on its recent work reviewing decentralisation reforms in African countries – particularly Tanzania, Malawi and Uganda.

GENERAL SUPPORT TO DECENTRALISATION PROGRAMMES AND THEIR IMPLEMENTATION

Introduction

Support for decentralisation and governance in less-developed countries is often provided in contexts where the status of the decentralisation process, in terms of legislation, policies and implementation, 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 priorities for donor support and where 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.

Forms of support

a) Creating a favourable legal and political environment.

This may involve advice and technical support for framing relevant legislation and policy. As 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.

b) Assistance to start implementation.

Some donor programmes are also designed to assist partner governments carry out their decentralisation policy through, for example, training programmes for government staff at various levels and councillors. Donors may also assist in framing regulations for certain areas such as systems for planning or transferring funds from central to local government.

c) Assistance to deepen and sustain decentralisation.

National decentralisation policies are not always fully implemented. Some forms of donor intervention 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. “Special” support comes through “decentralised cooperation” where funds are made available for cooperation at the local government level between “similar partners including NGOs, professional associations and public authorities - both in donor and partner countries” (EU, 2000).

Main findings and lessons learned

The core evaluations examined below highlight the specific lessons donors learned from their own programmes ranging from programme design to programme implementation. The lessons concern issues of sustainability, monitoring and evaluation, forms of training, interaction with partner governments and relations between donors.

a) Support in a highly politicised context.

Decentralisation is not simply 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 for decentralisation has strong political associations. 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. Decentralisation may also trigger resistance from professional groups transferred from central to local government payrolls.

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 is advisable to perform a feasibility study to determine whether there are sufficient prospects for success; such a study would have to take into consideration state–society relations, relations between government ministries as well as the overall political situation (BMZ, 1998).

b) The need for long-term support.

Donors need to take into account the long-term nature of government initiatives to decentralise public services (UNDP/BMZ, 2000; AFD, 1996; 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 the context of financial and political stability (Crook & Sverrison, 2001). This will normally require both long and short-term vision by 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.

One general observation drawn from the different decentralisation reforms is the ambiguity characterising central governments' 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 as illustrated by SIDA's support to Botswana in the 1990s (see Box 3).

The degree of government commitment has significant bearing on what donors can expect from their support.[7] Several evaluations (see UNDP/BMZ, 2000; UNCDF, 1999) show that commitment is a precondition for effective donor support to decentralisation and governance. Among the countries covered in this study, there are large variations in governments' commitment to decentralisation. In Bolivia and the Philippines, for example, government 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).

7 . Manor (1999) established two ideal motives for decentralisation (in the real world they are often mixed). Firstly, *genuine attempts at empowerment* where the purpose of decentralisation is to deepen democracy, enhance local participation, ownership and autonomy and to promote partnership between state and society. Secondly, *decentralisation for narrow or partisan advantage* where 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.

However, commitment is not always a sufficient pre-condition. Other factors in the programme and the broader environment need to be in place for decentralisation support to work. The enabling 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 project design and technical advice have been structured to support this objective (UNCDF, 1999, p. 40). It should also be noted that political commitment can be developed during a programme period.

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' is often used inconsistently by the partner country itself and maybe conceptualised differently by members of the donor community and partner countries respectively. For instance, while donors talk about devolution, partner governments speak of de-concentration (BMZ, 1998). Furthermore, government commitment in the form of a declaration of intent in policy papers, does not always translate into commitment to 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 stating 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 and 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, p. 76).

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

- Donors cannot force Governments to comply.
- Capacity building and training measures are integral to the decentralisation process.
- Capacity building by itself will not create autonomous local governments.

Co-ordination between stakeholders

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. For both 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.

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, were established in close co-operation with the government, and were seen as 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, 1999).

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 be of help in taking care of the sustainability concerns of the programme activities.

USAID's programme in the Philippines does not deal directly with central government. The programme evaluation notes 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 also offered opportunities for addressing national level policy issues (USAID, 1998).

b) Strengthen central government's capacity to implement reform.

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, *e.g.* in Thailand, there are serious limitations at the national level in areas such as financial management, accounting, auditing, service delivery and basic public administration (UNDP/BMZ, 2000). Moreover, in several countries such as Guatemala, Uganda and the Philippines, there seems to be an absence of a comprehensive national implementation strategy for decentralisation reforms.[8] 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, 2000).

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

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 in terms of, for example, organisational management capacity, networking/linkages with other governmental organisations and other organisations and strategic alliances in the broader environment (UNDP/BMZ, 2000, p. 59; CIDA, 1998, p. 34). Thus, it is recommended that donor-funded capacity building programmes comprise 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, support to civil society groups in local planning and support to the national budgeting and planning procedures).

8. In Uganda such a strategy is being developed but in its absence initiatives have overlapped or are redundant.

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

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 necessarily harmonisation, in policy, planning and implementation at the operational level leads to a more cost-effective utilisation of scarce resources.

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 exist and serve as venues for information exchange. However, in terms of co-ordinated efforts to enhance decentralisation and governance the forums have not worked properly.

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 although this potential has not been proactively explored (CIDA, 2000).

Neither have multilateral donors fully utilised their potential as lead coordinators in the field. In the evaluation of UNDP's support to decentralisation, for example, there was little evidence of UNDP being able to take a lead role. At the same time it is noted that UNDP has several comparative advantages that give it considerable potential for taking on a lead role in co-ordinating the co-operation between donors and partner governments 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: page x).

The French decentralisation programme in Senegal appears to have been the most successful at promoting donor co-ordination (see Box 4).

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 was partly related to the 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 French Minister for Development Co-operation stated explicitly at the inception of the programme that France would support all co-operation between PADDUS and other sector related programmes and activities funded by donors in the sector in Senegal. The project became 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 acted as a liaison between PADDUS and PACL. His task was to strengthen complementarity between PACL and PADDUS, and also to represent PACL at selected PADDUS meetings. Moreover, there was also an exchange of information with GTZ and CIDA supported PADDUS indirectly by introducing a non-feasible project in the same sector. PADDUS also co-operated with French NGOs working on restructuring urban non-formal sector (PADDUS Urban components).

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

Source : AFD, 1996.

Sustainability

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 sustainability is where the content or 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.

Programme sustainability can be strengthened by:

- Co-financing:

  – 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.

  – 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.

Since only two of the programmes (AFD, 1996; DANIDA, 2000) were evaluated after their completion, 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 are an integrated part of the programme design. Some lessons drawn from these programmes include:

a) The importance of institutionalisation of programme input.

CIDA's support programme in the Philippines highlighted that both long and short-term sustainability is insufficiently managed. If the Canadian funds for training of LG personnel are terminated, partner institutions such as NGOs, academic institutions and others may not seek alternative funding to continue support to local government. Moreover, very few members of local government are in a position to invest in capacity building of their staff and councillors. Thus, it is recommended that the programme work more closely with academic institutions that are part of 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 replicating pilot and district programmes at a national level.

Intensive support to a restricted number of LGs can bring about impressive changes, but it may be difficult to sustain and replicate more broadly. Moreover, it may create inequalities across LGs and multiple modalities, reporting, accounting systems etc. Finally, although effective, it is costly. For example, the GOLD project in the Philippines spent USD 20 million on eleven LG units over a period of five years (USAID, 1998, p. 55). In most cases neither partner governments nor donors had the financial capacity to ensure that the other councils benefited from similar capacity building efforts (AFD, 1996; USAID, 1998; FINIDA, 2002; EU, 2000), as illustrated by the EU's programme for decentralised cooperation (see Box 5).

Box 5. EU's programme for decentralised co-operation

The 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 concluded that the EU DG/DEV has to give it more political support to this budget line.

Source : EU, 2000.

The UNCDF's programme is the only example whereby a programme was successfully institutionalised and replicated nation-wide (see Box 6). The programme was a success because it was implemented in close co-operation with governments and aimed at promoting sustainable and replicable institutional development of LG from the outset.

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.

Evidence from the evaluation shows 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 already been upscaled 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.

A more indirect way of ensuring 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.

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, for example, associations of local authorities have been strong enough to serve such a function enabling USAID's programme to address national-level policy issues precisely through those associations (USAID, 1998). A facilitating factor was the active role conferred on the national associations by the local government act. 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.

Only two of the evaluated programmes have formulated exit strategies for their activities, although notably they are formulated at very different stages after the inception of the programmes. In SIDA's Botswana programme, 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.

Poverty focus and gender sensitivity

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. Crook and Sverrison (2001) 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.

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 enable the electorate to make sure 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, experience of democratic decentralisation shows that elites at lower levels may hold prejudices against the poor,

women, and minorities – more so than higher level elites. 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) community groups are able to hold elected officials accountable thereby encouraging them to serve the immediate needs of the poor and b) if central government puts incentives in place that support investments and services for the poor.

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.

Donors can shape the poverty orientation of decentralisation programmes by:

a) Supporting poverty-targeted national district development programmes run by LGs.

b) Supporting district development programmes/capacity building programmes in poor regions.

c) Assisting government in poverty-mainstreaming of decentralisation programmes.

d) Supporting poverty-targeted training programmes.

e) 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.

Given the five options set out above for poverty-oriented support to decentralisation and governance it is fair to conclude that poverty focus in the programmes evaluated is limited – especially in programmes with national coverage. In the 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, p. 44). Moreover, two of the capacity building programmes (CIDA, 1998; DANIDA, 2000) were located in poor regions. In general, such programmes can contribute to pro-poor decentralisation by complimenting national poverty alleviation efforts that must necessarily focus on broad-based measures. However, because these are pilot programmes, their overall effect on LG services for poor sections of the community in their respective countries is limited.

Moreover, there is little or no evidence that these donor interventions have contributed significantly to pro-poor *outcomes* in any of the senses identified above by Crook and Sverrison (2001).[9] However, it should be said that the lack of pro-poor outcomes is often 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 example, the donor community has pushed the government to change the formula for CG transfers to LGs to cater for the poorest members of population. However, the government is still hesitant to do so.[10]

9 . 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 certain poor groups more than others.

10 . Interview with AusAID in Manila, 24 May 2002.

b) Gender orientation is present in most programmes.

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

When it comes to programme output, however, it is difficult to assess whether the programmes actually help to empower women (see below).

c) Pilot programmes and equity.

Piloted implementation of decentralisation support has certain advantages in that it gives 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 problematic if programmes are not able to successfully up-scale their pilot activities (which in most cases does not happen).

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, p. 57) – unless the programme is not coupled with sufficient capacity building support to the weaker districts such as the UNCDF-supported LDF.

d) Capacity building and equity.

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 as well.

Monitoring and evaluation

Need for improved systems of monitoring and evaluation of donor support

Generally the reviewed evaluations observed a lack of adequate monitoring and evaluation mechanisms. Many donors have not systematically developed systems of indicators or benchmarks (quantitative or qualitative) in order to control quality outcome or assess programme performance. Nor have they established baselines against which output can be measured. This is a serious weakness since project evaluations often provide the basis for programme follow-ups and documents the comparative advantages of a programme. Moreover, programmes that are subject to ongoing monitoring and evaluation are more viable in a context of shifting government priorities in highly politicised contexts.

Again, the monitoring and evaluation of the GOLD project in the Philippines is one notable exception. 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, quarterly reports, "Gold conferences", "Result Package Indicator Measurement" and site visits. These different initiatives provide different channels of information for the decision-making process (USAID, 1998, p. 53).

Issues not systematically evaluated

There are several possible reasons why the reviewed evaluation literature does not discuss the donor community's most recent concerns 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 reason is that it takes some time before the support trend for decentralisation programmes trickles down to the actual programmes themselves.

a) Few bilateral evaluations of cross-country experiences.

One of the most striking findings in the reviewed literature is that few 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 evaluations by multilateral donors, however, are cross-country evaluations (UNDP/BMZ, 2000; UNCDF, 1999; World Bank, 1999).

b) No systematic evaluations of donor co-ordination.

An observation repeatedly 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. 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 are, however, absent. Such studies would need to identify and analyse successful and unsuccessful practices of donor co-ordination in order to establish conditions under which successful co-ordination may take place.

c) Inadequate analysis of contextual elements.

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 political environments, organisational structures and socio-economic characteristics.[11] Such elements have only sporadically been considered in the reviewed evaluations. This has severe implications for the possibilities of making a valid analysis of whether or not a programme can be replicated in another context.[12]

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

11 . The following contextual elements are identified in the literature and presented 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.

12 . A notable exception is the DFID evaluation of the donor-funded capacity building programme in Zimbabwe (DFID, 2002).

differences (*e.g.* vibrancy and strength of civil society, LGs' tax base) which make local government politics in urban and rural areas different.

d) Co-ordination between support to decentralisation reforms and other reforms.

Reviewed evaluations tend not to discuss how donors can most efficiently co-ordinate their programme portfolios with other reforms – public sector reforms or other national reforms.[13] Although briefly mentioned in a couple of evaluations none provide any advice on how donors could co-ordinate their support most effectively.[14]

There is a need to generate more systematic knowledge of this relationship and how donors can support decentralisation and other reforms in a coherent fashion. Tax reforms, for example, (especially the systems for tax sharing between 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. Privatising local government services (such as outsourcing or privatisation of certain functions) will have implications for the division of labour between local government and the private service delivery system.

e) Support to national associations of local government.

Some evaluated programmes (SIDA, 2001; USAID, 1998) contain a component of support to associations of local government from which one of the main lessons learned is that such associations may serve as bridges between local government and influential national actors (including government). However, given that several donors have supported such associations for many years, particularly SIDA and DANIDA, there is a need to evaluate this kind of support more systematically. There should be a focus on whether it has been instrumental in enhancing their financial self-sustainability, boosting the professionalism of the secretariats (for example in terms of budget negotiations) and whether the support has been instrumental in strengthening procedures for good governance and democracy within the associations themselves.

f) Public-private partnership at the local government level.

Although this evaluation study focuses on the governance aspect of decentralisation and on interaction between local government and civil society, it must be mentioned that interaction between LG and the private sector also has important implications for local economic development and thus for poverty reduction. As such there is a need for more systematic evaluations of the conditions under which donor support to local government facilitates economic development.

Emerging issues

There are a number of emerging issues that may also need extra attention in future evaluations of donor support to decentralisation and local governance.[15]

13 . One evaluation touches on the relationship between structural adjustment and the decentralisation programme in Tanzania (Government of Norway, 1995).

14 . The BMZ evaluation outlines briefly the implications of privatisation for local government service provision (BMZ, 1998, p. 6) and the UNDP/BMZ evaluation emphasises the importance of decentralisation programmes to be phased in and linked to other reforms (UNDP/BMZ, 2000).

15 . Many of these opinions were expressed in joint donor–government reviews of decentralisation processes in Africa in which the team took part, and on team visits to the Philippines, Uganda and OECD headquarters.

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

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 the effectiveness of donor programmes. However concerns have been raised that they could undermine decentralisation efforts. 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).

At the same time, SWAPs could undermine decentralisation efforts by i) ignoring lower-level (cross-sectoral) planning in planning for SWAPs; ii) supporting the transfer of conditional (earmarked) grants to LGs;[16] or iii) channelling support to institutions that are operating in parallel to LGs (Nielsen, 2001).

There is little systematic evidence of SWAPs' instrumental performance or their relation to decentralisation.[17] Some observations indicate that SWAPs may undermine decentralisation. In Zambia, for example, donors have switched their avenues of disbursing 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). The result has been a proliferation of unofficial parallel structures and organisations being tied to a specific donor for receipt of funds (Crook & Manor, 2001). One should not overestimate the potentially negative impact on decentralisation on the basis of experience of a single country. 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.

Since 1999, when the World Bank and IMF 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.

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

c) Decentralisation and conflict.

Since decentralisation represents a reallocation of resources in society, it is obviously in the best interest of some but not others. Indications as to how these conflicts of interest manifest themselves in countries embarked on a programme of decentralisation, in terms of tension between classes, layers of governments, ethnic groups, regions, and centre and periphery, have not been systematically assessed in the evaluation literature.

Nor are the possible stabilising or destabilising effects covered systematically. The few observations that have been made concerning these effects point in diametrically opposite directions. For example, the

16 . See the RAKAI evaluation for examples of this contradiction (DANIDA, 2000) and the newly adopted Fiscal Decentralisation Strategy, March 2002, GoU, Uganda.

17 . Valuable reflections about the relationship between SWAPs and decentralisation can be found in Shepard, 2001 and Nielsen, 2001.

BMZ evaluations of its programme in El Salvador and the Russian Federation noted that decentralisation of administration in countries with extreme political contrasts can contribute to a balance of opinion and consensus (BMZ, 1998). The evaluation of its Indonesian programme, 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 urban-based political elites (USAID, 2001).

d) Division of labour between bilateral and multilateral donors.

One aspect of donor co-ordination 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, to encourage increased co-ordination and complementarity among donors, it should be discussed more explicitly. One way of addressing this issue and encouraging 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.

e) Redefinition of integrated rural and urban development programmes.

In the 1990s a number of donors who had previously supported an integrated urban and rural development programme at district level, changed the focus of their support to decentralisation and local governance. The national decentralisation process started to take off long after two of these programmes had been established (DANIDA, 2000; FINIDA, 2002). The need for the donor community to draw more systematically on each other's experiences regarding such a redefinition was expressed. Norway's evaluation of its district development programmes in Tanzania could serve as a starting point (Naustdalslid and Aasen, 1995).

f) How do donor programmes evolve over time?

The reviewed evaluations provide valuable information about the status of a project at a given 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 (NIBR Report, 2002, p. 6). As part of this 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 and is collecting and analysing data. At the same time there is an ongoing dialogue and feedback of results to the stakeholders concerned.

SUPPORT TO FISCAL DECENTRALISATION

Introduction

The vast majority of developing countries are pursuing decentralisation policies that devolve functions and responsibilities to LGs.[18] Most of these countries have fiscal decentralisation at the top of their agenda as an integral and vital component of this process.

The success of decentralisation reform hinges on the way 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 prioritising. As preferences vary across regions this should lead to outcomes that reflect more truly the actual needs of citizens. In addition, it is impossible for central governments to plan 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.

The component of reforms dealing with fiscal decentralisation also touches on the important interrelations between objectives such as efficiency, sustainability, equity and poverty concerns. Some 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 investments sustainable in the longer run? And finally, are there sufficient accountability systems and procedures in place?

Many donors support fiscal decentralisation, both at the systemic level, by supporting the development of basic legal frameworks, institutional development (*e.g.* establishment of finance commissions). As well as 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.

Types of donor programmes evaluated

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

The study team reviewed experiences set out in the literature 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 decentralisation, *e.g.* no evaluations on areas such 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.

18 . See Precis, World Bank Operations Evaluation Department, Spring 1999, Number 178.

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

Key findings and lessons

The reports made available to the study team highlighted the complexity of the challenges facing fiscal decentralisation attempts.

Findings

a) Systems of revenue raising/mobilisation.

Developing sustainable systems of generating LG revenue has been a central focus area in a number of programmes (*e.g.* DANIDA, 2000; NEDA, 1999; USAID, 1998). Most countries experienced a decline in LG revenue sources as a 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 proven difficult to reverse through existing support mechanisms. Among the reasons for this trend the following are worth mentioning:

- A lack of systematic approaches that address all aspects of the problem, including legal, fiscal and institutional frameworks and LG incentive system (DANIDA, 2000).

- Central government transfer systems create disincentives to improve LG revenue mobilisation (DANIDA, 2000).

- A lack of clear programme conditions on co-funding and follow-up can weaken incentives to collect taxes (NEDA, 1999).

- Unfavourable LG tax assignments. LGs are often left with low-yielding and unpopular taxes that are difficult to collect (DANIDA, 2000; NEDA, 1999; USAID, 1998). 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 wealth and income).

- Tax administration management, 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 a lack of trust in LGs, a lack of links between services and taxes, and a lack of sanctions and oversight in tax administrations (valuation, registers and collection).

No systemic evaluation 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. has been conducted.

b) Capacity building support for LG finances addressed by district support programmes.

Donor support to fiscal decentralisation has supported all elements of capacity building within the areas of LG finance. Most district support programmes contain elements of assistance for capacity building, especially in relation to planning, budgeting and raising revenue. Support aimed at improved planning and budgeting has been found to be 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, the quality of which has increased considerably (USAID, 1998; DANIDA, 2000; NEDA, 1999; World Bank, 1999). Although a time-consuming process, plans and budgets are appreciated when in place and the process is important in itself for dialogue between LGs and citizens.

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

c) New local government development programmes.

In addition to the core evaluations, the team 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.[19] Uganda and Malawi in particular have tested such programmes, which are now going to be replicated in countries such as Tanzania and Nepal. These programme evaluations have generally been positive due to two factors. First, as the non-sectoral grants have made it possible to improve allocation efficiency at LG levels. Second, a performance measurement system linked to rewards for improved administrative performance has ensured appropriate incentives for LGs to improve on administrative capacity and service delivery. Links between development grants and capacity building have also proved appropriate (see below). Encouragingly, central governments allow LGs to establish their own priorities (combined with proper incentives), these programmes will improve their planning capacities and direct investments towards the national poverty priorities areas (Government of Uganda, 2002). Despite programme conditions for co-funding (often 10 % of the total costs), other factors weigh heavily such as political influence, elections, lack of incentives in the transfer system to collect own LG taxes, unfavourable LG legal tax assignments etc. Many investments are therefore at risk from poor maintenance which poses a serious sustainability risk to future programmes.

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

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

Good Practices

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

Evaluation of World Bank-supported projects in Brazil and the Philippines towards developing 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. 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 include: strong project design with thought given to LG incentives to improve sustainability (improve own LG revenue base); competition created among LGs; 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 also functioned.

Source : World Bank, 1999.

Overall lessons

Evaluation literature, although scarce in the field of fiscal decentralisation, contains important lessons for future programmes, including:

- Attempts at fiscal decentralisation seem to be more successful when reforms – legal, institutional, administrative, human resources and fiscal - are pursued in a parallel, holistic and balanced way.

- Decentralisation of tasks and funding needs to be done simultaneously, although not necessarily at the same pace.

- Support to improve 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 legal framework, institutional set-up and capacity building at all levels of government 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. Tax reforms should therefore be elaborated in a way to ensure few, high yielding, stable and predictable LG taxes which are 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. Requirements should be realistic 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. For example, does the CG transfer system create disincentives for LG revenue collection? How does the transfer of funds from CG and donors affect incentives to collect revenue from LGs' tax bases?

- 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 an uncoordinated 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 link between the various bilateral support programmes. Particularly those aiming to support transfer systems, tax systems and capacity building programmes to create proper synergy effects.

Other findings

Valuable findings regarding donor support to fiscal decentralisation can also be found in sources other than the official evaluation literature.

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

LG finance systems are being reformed in the majority of developing countries. Bilateral donors acknowledge that support to decentralisation has to address government at both central and local levels. This requires a strong centre to support the lower LGs with a distinct role and primarily focuses on policy matters, M&E and mentoring functions, rather than field implementation. Many donors, among them DFID, 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 has promising implications for intergovernmental relationships. Some of the main lessons have been:[20]

- Most intergovernmental systems of fiscal transfers have severe problems with overall objectivity, 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 government is important to ensure advocacy and support (mentoring).

- Support to the establishment of decentralisation secretariats may be a way to boost the process in the short term, 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. They also act as a neutral body for coordination and clarification of CG – LG interests. Their role needs to be better defined in order to ensure that they focus on the above key areas and not only on general administration and LG financial supervision.

Support to the development of LG finance systems, although crucial, has often been fragmented, scattered and without an overall strategy or action plan for the way forward. For instance support to the 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.

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

b) System of intergovernmental fiscal transfers.

A number of donors have given support to developing intergovernmental fiscal transfers systems (grants and equalisation systems) though with varying degrees 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 can play an important role in supporting systems of LG finance (design and implementation) especially by giving technical advice and short-term consultancy expertise.
- Donor supported systems can create 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 downward accountability and increasing demands on the weak administrative LG capacity.
- The experience from the development of poverty sensitive grants and equalisation system is rather limited and first attempts have been restrained by a 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).
- Attempts at channelling funds to LGs through formal central government institutions have faced challenges in terms of delays, bureaucracy and lack of transparency. Such challenges are overcome through experience, budget support and use of existing administrative systems which are more sustainable in the long run.
- Administrative support to improve tax administration (registers, collection, training etc.) may be constrained by a lack of top level political commitment and a non-conducive legal framework. This calls for a holistic approach in the future.
- 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 begun in a number of countries such as Uganda (Fiscal Transfer).

c) Support to the development of local government revenue sources.

As previously mentioned, support to development is one of the cornerstones to sustaining the system of LGs in developing countries. Without significant revenue resources LGs 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 with regards to raising revenue, but again with varying degrees of success.[21] LG autonomy in relation to revenue sources has fallen in many countries in recent years, with the following results:

- Support has been piecemeal and scattered, *e.g.* some donors have worked on improving property taxes, others on income taxes without a clear picture of the overall tax potential and capacity.

21 . See Steffensen and Trollegaard, May 2000.

- Support to improve local government revenue sources has lacked a review of basic LG incentives to collect taxes and has not been linked sufficiently with other initiatives, especially the transfer systems.
- Tremendous support to LG tax administration is needed in order to make systems more efficient, fair, legitimate and equitable.
- Donors should support the development of systems with more stable, predictable and high yielding LG taxes.
- Such challenges are overcome through longer term budget support experiences, close monitoring and gradual improvement of existing administrative systems. This tends to be a more sustainable approach in the long run.

d) Financial and resource management.

Strong financial management is one of many crucial means to improving the credibility of LG operations, attracting additional resources, ensuring efficient use of resources and boosting citizens' willingness to contribute to LG operations. Recent donor support to LG financial management has been significant, particularly towards developing central budgeting and accounting systems, IT systems and accountability institutions such as audit authorities and other supervisory bodies (inspectors, ombudsman etc.). Some key lessons include:

- Budgeting systems need careful preparation and strong support otherwise efforts may be counterproductive and incentives to participate diminish. (Although support to participatory budgeting has been rather successful in a number of countries, it needs to be coupled with larger autonomy on LG resource management in order to ensure planned discretionary funds).
- Multiple control authorities (audit, inspectors, accounts committees) alone are not sufficient to improve accountability, but need to be coupled with improved downwards accountability aimed at citizens (information, dialogue with citizens etc.) and strong follow-up measures and sanctions in mismanagement cases. 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 general audit and control institutions to improve accountability and sustainability.
- 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.
- The development of benchmarks and competition among LGs seems to have a positive impact on administrative performance.

Emerging issues and further evaluation needs

As mentioned earlier, evaluation literature concerning the impact of donor support on fiscal decentralisation is limited. The main areas requiring further studies and the emerging issues regarding donor-support to fiscal decentralisation include the following.

a) Links between fiscal decentralisation and poverty alleviation.

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.

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.

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.

Many countries experience a move away from district-specific donor support (development grants) towards more mainstreamed (on-budget) support mechanisms. This will demand new tools for dialogue between governments in developing countries and the donor community, for example, concerning 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.[22] Support to the 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.

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 that 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.

Many programmes aimed at fiscal decentralisation were introduced without proper study of the LG incentive structure (including for politicians and staff). What are the incentives to improving financial management, to collecting taxes, to utilising funds in an efficient way etc? Some 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 upcoming evaluations.

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

Most countries have experienced a large inflow of funding to LGs within a relatively short time with multiple requirements for LGs regarding accountability (multiple modalities and reporting systems). Countries like Uganda have seen a four-fold increase of LG transfers within only four years. The newly adopted Fiscal Transfer Strategy in Uganda (June, 2002) is an attempt to answer these challenges and could stand as an example for other countries with the similar problems (See Box 8).

22 . Such a process is under preparation in Uganda by the World Bank and bilateral donor-supported second phase of the LGDP.

Box 8. The Fiscal Transfer Strategy – the case of donor-government co-ordination in Uganda

The Fiscal Transfer Strategy (FTS) 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 setting priorities, multiple CG and donor modalities (sometimes conflicting), reporting systems and grant/programme-specific requirements, *e.g.* on bank accounts, auditing etc. and little community involvement in decision-making concerning the utilisation of grants.

The FTS is 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 actively work together with key ministries and other stakeholders. Moreover, it shows that donor co-ordination is crucial for success of major reforms like FTS 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 Annex C).[23]

23 . 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 donor support.

ENHANCEMENT OF LOCAL ACCOUNTABILITY

Introduction

There is a widespread consensus in the decentralisation literature that local government accountability will only be achieved with the active participation and support of the population at large, either as i) individuals, 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.

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

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 which 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 the following 'voice and responsiveness mechanisms' which encourage active citizen participation in local government service delivery:

- 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

Councillors do not necessarily consider the interests of the poor in local government decision-making. In such cases pro-poor interests need to be attended to through alternative means. Crook and Sverrison (2001) suggest the following:

- 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.

Findings and lessons learned from evaluation literature

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

Against the background of the increased focus on "civil society" in development aid over the last decade (see, for example, Edwards 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. Of the programmes reviewed in this study, only one has comprehensively reviewed the role of civil society groups (CIDA, 2000). Moreover, the civil society component in several other programmes is small.

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 conflict/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.

Despite these weaknesses important lessons can be extracted from the evaluations.

b) Combination of LG and NGO/CBO support in an integrated approach offers potential synergies for enhancing accountability.

Several evaluated programmes combine capacity building efforts at the LG level with strengthening of CBOs and NGOs (USAID, 1998; USAID, 2001; 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. In geographical areas of the GOLD project where these two efforts were not pursued in tandem, the impact of the programme suffered. Moreover, in Uganda Danish support to both 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. The two-channel strategy ensured greater scope for the programme to reach groups that the LG system found difficult to include (DANIDA, 2000).

This "two-channel support" may be particularly successful in settings where NGOs/CBOs have a mandated role in LG decision-making as seen in Bolivia and in the Philippines.

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

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 not least when NGO/CBO leaders are not elected and their organisations lack any kind of grassroots or mass base.

The evaluation of the GOLD-project noted a tendency for better financed or organised civil society 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.

Another phenomenon curtailing their ability to represent citizens' interests 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 fishermen). There was also little evidence of inclusion of urban poor and women.

d) Grass-"rooting" of NGO/CBO support can form the basis of a bottom-up process of governance-building.

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

CIDA's support to anti-corruption NGOs in Kenya is an interesting case in point (CIDA, 2000). The project's primary objective is to provide civil education on the national budget with the intention of "unpacking" the budgetary process and have citizens participate. In order to achieve this objective 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). They provided the network not only with a grassroots base, but also a moral authority, which led to the formation of branches elsewhere. When the Network started to focus 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.

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 area 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 of the Philippines below serves 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 (examples of traditional local patronage politics are still found), LDCs have become vehicles for civil society organisations to mobilise people in rural councils to claim minimum basic services and to prioritise projects to be supported from local government. 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) working 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, Freidrich Ebert Stiftung and involved over 30 active NGOs and CBOs. They were involved in several interventions ranging from 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 Barangay Consortium programme. It found that the programme contributed to improvements in the area of good governance. By systematically comparing Barangays 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; for example, in the programme almost all Barangay documents are made available at the Barangay Hall for public scrutiny.

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

The majority of evaluations note that 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 up scaling programme design. Moreover, attempts to upscale are often hampered by a lack of financial resources or interest among government bodies and other donors.

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 ensure that programmes adhere to government guidelines and regulations concerning decentralisation and local governance. 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, 2002).

g) Enhancing the effective involvement of women.

None of the evaluated programmes have an overall objective of empowering women's participation in local government decision-making although most programmes have, at least, a minor gender component that includes measures and targets in relation to women's participation. In some cases 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, certain problems have been seen to hinder women

from making *effective* contributions to local government decision-making (SIDA, 1993; DANIDA, 2002; USAID, 1998, p. 57).[24] DANIDA's programme in Bolivia provides an example of this (see Box 10).

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

Since 1998 DANIDA has supported various district level bodies 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 the government in parallel to locally 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 enhanced 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 had significant impact on involving women or promoting their strategic interests in municipal government.

Source: DANIDA, 2002.

Other findings

Monitoring and evaluation of accountability

Several evaluations make use of relatively solid evaluation methods by drawing 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 the Democratic Value Survey, carried out during the first three years after the inception of the programme in 1998. The collected data showed that the project scored significantly higher on accountability variables such as "attendance at municipal meetings" and "complaints to vigilante committees" (USAID, 2001, p. 38).

Issues not systematically evaluated

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

Only a few of the mechanisms between LGs and citizens described at the beginning of this section 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 who influence planning and policy-making by contacting local officials individually or collectively.

24 . 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 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 & Sverrison, 2001). Female representation had previously been very poor during the 1980s, 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 council. The experience showed that members from castes or tribes rarely spoke at meetings, and if they did they were often ignored.

- Support to NGOs/CBOs organising citizens to participate in the regular monitoring and evaluation of government services.

- Donor-supported civil society-based service-delivery schemes initiated by LGs (*e.g.* water boards/committees).

- Donor-supported local government public accounts committees.[25]

- Support to joint LG–civil society management delivery of services, *e.g.* in forest and water management.[26]

- 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.

Although some of the evaluated programmes have targeted NGOs and CBOs working with or organising poor and marginalized groups (*e.g.* 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.

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.

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 programmes report 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.

Capacity building at the LG level of some evaluated programmes runs parallel with support to small-scale infrastructure projects. Moreover, these projects are *fully integrated* into local government operations both in terms of planning, budgeting and financial management (in particular UNDP, 2000). Yet in other programmes (*e.g.* FINIDA, 2002 and World Bank-supported social fund projects) such projects have been established externally to governmental bodies in the sense that programmes have 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

25 . 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 to control LG funds.

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

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

Parker and Serrando (2000) addressed the integration/non-integration issue on a more systematic basis. They 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 (less 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 less 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* serving as an example of decentralised local government planning. There are also instances where social funds seemed to undermine decentralisation processes. For example, social funds in Peru minimised the role of local governments in their operations and, as a result, some local governments perceived erosion of their legitimacy as co-ordination agents of local service delivery.

Emerging issues

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

Donors can enhance citizens' voices and local accountability in local government affairs by strengthening democratic 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 (see before).

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

b) Need for a demand-driven support.

Donors increasingly acknowledge that if support to NGOs is to be sustainable it should respond to 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 they run the risk of pushing NGOs to seeking more donor-funding and to adjusting their policies to donor-driven policy agendas, thereby weakening their grassroots base and demand-driven agenda (Birmingham University, 2002).

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

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

determined in collaboration with local stakeholders, ownership and support sustainability are enhanced. At the same time, incentives for donor competition are reduced. 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.

SUMMARY OF LESSONS LEARNED, RECOMMENDATIONS AND EMERGING ISSUES

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 evaluation examined in this study reveals lessons that could help donors, partner governments and others improve 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 following section of the study briefly outlines the key lessons, the major gaps in the evaluation literature and the most topical issues emerging in this field.

Lessons learned and recommendations

General support to decentralisation programmes and their implementation

Support to decentralisation and governance in developing 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, donors learn that:

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, when donors are starting up support programmes in this area it will take some time before they see any tangible results.

Central government commitment is a precondition for effective support

Successful implementation of decentralisation support calls for commitment on behalf of the partner government. Governments need to be the driving force that integrates and co-ordinates central and line-ministry interests, assures working relationships with civil society and the private sector and takes the initiative to establish systems for co-ordination between donors as well as between itself and the donor community. SIDA's support programme in Botswana is a case in point. Over twenty years SIDA was involved in an extensive capacity building programme but because, of the 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.
- Capacity building by itself will not create autonomous local governments.

Successful implementation also depends on the environment in which support is taking place such as adequate accountability structures, sufficient resources (financial and human) and a culture that

generally supports decentralisation. Aspects of the programmes themselves such as designing programmes to promote sustainable and replicable development of LGs are also a key factor.

Improve co-ordination between donors and partner governments

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

Co-ordination between donors is essential

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 at the national and local government level is generally weak. Weak donor co-ordination is a result of many factors including a common belief that donor co-ordination should be the responsibility of government rather than 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. 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.

Long- and short-term sustainability is a major challenge

Long-term sustainability is a major challenge for the evaluated programmes. Since the majority are either ongoing or new, one cannot expect to find great long-term achievements. However, long-term sustainability strategies can be expected to be a part of the original programme document or to be formulated at a relatively early stage of a programme cycle. Although all the programmes include attempts to establish foundations for short-term sustainability there have only been a few success stories. One of them is UNCDF's support programme for bottom-up planning and for decentralisation of capital funding to LGs, which in some countries has been scaled up nation-wide. This was successful because the programme was implemented in close co-operation with partner governments and from the outset aimed at promoting sustainable and replicable institutional development of local government.

However, there seems to be great potential for ensuring longer-term sustainability 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

Although evaluated programmes do tend to focus more on gender issues rather than poverty issues there is still a need to make sure that 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

Poverty focus needs to be strengthened. Although 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. In addition to which there is little programme output to demonstrate any bearing they have on pro-poor decentralisation in their respective countries. Thus, there is 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.

Support to fiscal decentralisation

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. This may be attributed to the fact that fiscal decentralisation has typically been initiated as one of the later pillars in country decentralisation reform programmes, 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

Based on the limited literature available and the team's review of the country studies, it appears that 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

Most countries have experienced increased dependency on LGs with regards to transfers from donors and central governments and decline in their own LG revenue sources. Support in this area has not created sufficient links between the design of transfer system support and LG's own revenue sources systems. In addition, 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

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 and proper links between the various systems, *e.g.* 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

New institutions, such as associations of local authorities and independent finance commissions, have shown that they can play an important role in enhancing knowledge and information about LG finance, mediating conflicts of interest between central and local governments and sharing experiences in

support of replicating pilot schemes. These institutions are obvious subjects for future joint (basket) donor support.

Support to local government accountability

The evaluation literature on programmes aiming at strengthening local accountability contains important lessons which point to several recommendations:

Combine support to LGs and efforts to strengthen civil society organisations

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). Such support, combined with efforts to strengthen civil society groups' capacity to take advantage of these improvements, *e.g.* participatory opportunities would seem to reinforce the effect of both efforts. Thus, it is recommended that donor interventions in the field take the form of dual-channel support.

Support broad-based organisations with grassroots linkages

In many instances civil society organisations are not effectively representing citizens' interests because they represent 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.

One way of ensuring that support reaches the grassroots is through supporting NGOs that interact with LGs at the *sub-district level*. The evidence from the Philippines serves as an example (see Box 9). For donors that provide support to civil society organisations interacting with LGs at the district, there 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 a full part in LG decision-making.

- Stimulate grassroots-based governance-building from below by supporting NGOs that address issues seen as vital for the community.

Emerging issues and areas for further studies

More systematic evaluations

Most of the evaluation literature, particularly concerning evaluations produced by bilateral donors, is made up of evaluations of individual projects in a single country. The donor community therefore needs to make more systematic evaluations of the whole decentralisation portfolio in a given partner country as well as 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

There is a need for a more extended dialogue between governments in developing 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 they keep to their commitments concerning decentralisation in practice. 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. A review assessing the need for developing a poverty-reduction strategy credit for decentralisation similar to the present central government budget support system is also required.

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

In several of the evaluated programmes capacity building at LG level runs parallel with support to small-scale infrastructure projects. In some cases, these projects are fully integrated into local government operations both in terms of planning, budgeting and financial management. In others, they are established external to governmental bodies with their own planning, implementation and financial structures. Little consideration to the comparative advantages of these very different approaches is given in the literature.

Overall donor support to LG finance

In the area of donor support to fiscal decentralisation there is a need for a more systematic examination of how various donor activities affect LG's finances. The following areas require particular attention:

- Links between systemic support to the central level 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

There is a need for a more comprehensive review of the links between support to central transfers to LGs and development of LG's own 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

In many partner countries district development support programmes are gradually being main-streamed into general reform programmes and budget support systems – *i.e.* 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 tools necessary 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

Since decentralisation represents a reallocation of resources in a society, it can be found to serve the interests of certain segments of the society and go 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 and centre and periphery has not been systematically examined in the reviewed evaluations. Thus, there is a need to produce a check-list on how donors and partner governments can assess potential conflict in supporting decentralisation.

Monitoring and evaluation

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

Regular 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 also help stakeholders in decentralisation programmes adjust the course of the programme implementation in a way that improves service delivery. Formative process research is also an instrument undergoing the decentralisation process over time and caters for regular feedback of programme output to all stakeholders. One comparative advantage is that it also strengthens local research capacity.

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ANNEX A

TERMS OF REFERENCE

Background

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.

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.

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.

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).

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

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

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.

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

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

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

Project focus

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?

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.

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.

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.

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.

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

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 and obtain local resources that are exploited by party bosses or to please donor agencies that favour decentralisation.

Local autonomy and central government control

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.

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-legitimate the state and erode the councils' chances of serving the poor.

Support to local government bodies and civil society organisations

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

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 perusing 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

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

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.

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 administrating donor funds. Thus, the balance between donor support and mobilisation of own resources will be a key dimension in the proposed analysis.

Methodology and work plan

Methodology

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.

Work plan

Activities 2001	Man Days	Responsible	Timing
1) Identification and reading of relevant written material 2) More elaborated project design paper	2 man days 5 man days	AS AS/JS	September – December 2001
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 (Kazakhstan) BA (Vietnam) FA (Ghana) OA (Sri Lanka) AS (Tanzania)	January 2002
Preparation of a draft report Writing of country reports	19 man days 18 man days	AS, JS (JS, BA, FA, AT. JH. ES)	February-May 2002
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
Total	**80 man days**		

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

ANNEX B

RECEIVED EVALUATIONS

Table B.1 Received thematic evaluations of donor programmes on decentralisation and local governance that are relevant for the analysis[28]

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 and 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	Évaluation 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 "Cencoa"	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 Foreign Affairs, Norway, Evaluation Report 4.95	1995

28 . The analytical focus for the evaluation is spelled out in the assessment matrix on page 9 of the Inception Report.

Table B.1 continued

Member Agency	Evaluation Focus/Title	Year
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 and 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 maîtrice 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

Table B.2 Other documents on donor support received[29]

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

29 . 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.

ANNEX C

ASSESSMENT MATRIX

Table C.3. Matrix for analysing donor experiences in supporting decentralisation and governance[30]

Aspects of decentralisation	Forms of donor support/ intervention	Sustainability aspects	Poverty Orientation	Contextual variables
i) Degree of political decentralisation				
Number of devolved functions, LG control over personnel matters, overall fiscal decentralisation environment etc.	- Donor pressure and conditions? - Support to systemic reform - Donor co-ordination - Support to operational issues - Co-ordination with support to other reforms	- CG's political commitment & decentralisation strategy - Long-term support to capacity building?	- Centrally funded poverty reduction programme? - Monitoring of poverty - Institution building of councils with low capacity?	- Historic legacies - National political environment - Incentives to decentralise - Regional (ethnic and social) differences
ii) Fiscal decentralisation				
- Share of LG expenditure of total public expenditure - Share of LG dev. Exp. of total development expenditure - Composition of LG expenditure - Own revenue sources as share of total LG revenue - Type of LG revenue assignment	- Support to design of overall system of LG finance - Support to finance development grants systems (WB, UNCDF etc.)	- Links between grants/donor funding and LG own revenue - Design of tax and user charges systems - Revenue sharing between LG and CG	- Share of general administration and wages of total LG expenditures - Own revenue sources spent on poor groups? - LGs incentives to spend sources on poverty areas	- Tax base and resources endowments - Financial accountability? - Existence of LG associations to take care of the local interests

30 . 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
iii) Accountability: relations between LGs and their citizen				
- Participation in LG decision-making - Lobbying - Citizen-based monitoring and evaluation - Civil society-based service delivery schemes imitated by LG - Citizen-based auditing - Joint (between LG and civil society) management of sector programmes - Government framework for participatory planning	- Form of support to civil society organisations working with LGs - Degree of integration of donor-funded small-scale capital investment in LG operations - Capacity building of sub-district planning bodies	- Degree of up-scaling and institutional-isation of partnership projects - Integration of social funds in LG operations	- NGOs and CBOs organising poor groups? - Poor groups' interests taken care of by sympathetic elites? - Special support to weaker groups to take part in the decision-making.	- Character of civil society (strong and vibrant, social capital, local strongmen) - National networks of NGOs and CBOs? - Culture of dialogue, involvement

ANNEX D

EVALUATION METHODOLOGY

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.

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.

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.

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.

Then thirteen core evaluations (see Table D.4 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 D.4. 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[0]													
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. + civil society	Gov. + civil society	Gov. + civil society	Gov. + civil society	Gov.	Gov. + civil society	Gov. + civil society	Gov. + civil society	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

1. Aspect is not discussed in detail in the evaluation.

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

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.

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).

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

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.

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.

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.

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.

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.

ANNEX E

LIST OF PEOPLE INTERVIEWED

BMZ

Horst Breier	Head, Evaluation Office
Dorothea 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
Ted Kliest	Policy and Operations Evaluation Department, Netherlands
Marie Hulsman	Netherlands Ministry of Foreign Affairs
Goberdhan Singh	Head Evaluation Office, CIDA
Fernando Soto	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
Linda McGuire	Evaluation Office, UNDP
Tove Degnbol	Evaluation Office, DANIDA
Niels Dabelstein	Evaluation Office, DANIDA

UGANDA

Ben Kumumanya	Government Donor Coordination Officer
Edward Mugabi	Director Decentralisation Secretariat
William Ndolerire	MoFPED
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ANNEX F

ASSESSMENT CHECKLIST FOR EVALUATION REPORTS

1. PURPOSE AND APPROACH	**TITLE OF EVALUATION**
Project objective	
Project design • Integrated in or external to government bodies. • Which level of government. • Integrated/sector specific. • Supporting government, NGO or private sector? • Singe/multiple donor involvement. • Urban/rural. • Forms of assistance: technical assistance, training, investment in infrastructure etc. • Pilot/not pilot.	
Status of evaluation • Final evaluation. • End of phase. • Mid-term review. • ToR: yes/no. • Independent evaluation team: yes/no.	
Methods applied • Desk study. • Case study. • Field work. • Field work methods (survey, interviews representative sample of project sites, control case).	
Type of evaluation • Of goals. • Of organizations. • Of processes. • Of activities. • Of effects.	

2. PROJECT ACHIEVEMENTS IN RELATION TO ASPECTS OF DECENTRALISATION	
1) Pace and direction of decentralisation • Support to systemic reform (legal changes, preparation of implementation plan, sector devolution plans etc.). • Support to operational issues (capacity building). • Relationship between donor support and pace and direction of reform. • Significance of donor co-ordination • Character of relations between donors and government. • Feedback on national policy.	
2) Relations between central and local government • CG system for auditing control, legal compliance, monitoring and evaluation. • CG system for regulation and policy development. • System for financial co-operation of interests between CG and LG.	
3) Fiscal decentralisation/autonomy • The design of overall system for LG finance. • LG systems for development spending. • Enhancement of local revenue generation/collection.	
4) Relations between local government and its citizens: accountability, governance and citizens' voice. • Empowering of civil society. • Enhancement of local accountability. • Popular participation in local service delivery. • Synergies between LGs and NGOs/CBOs and private sector. • Participatory monitoring and evaluation.	
5) Crosscutting: degree of poverty and gender orientation • Institution-building targeted towards poor councils. • Donor support to LG finance system that addresses poverty. • Support to NGOs and CBOs organising poor groups. • Poverty monitoring. • Gender-orientation.	
6) Crosscutting : degree of sustainability • Up scaling and institutionalisation of donor support (*e.g.* pilots). • Sustainability of capacity building programmes. • Sustainability O & M of small scale capital investment projects. • Increased locally raised revenue.	
7) Other observations/findings	

3. CONCLUSIONS/LESSONS LEARNED	
General and specific lessons learned • Under issues in 1-7 above.	
Facilitating/limiting factors for success/ failure i) Factors related to objectives, planning and implementation of project. ii) Contextual factors: • Decentralisation design. • National political environment. • Government commitment. • Character of civil-society and state-civil- society relations. • Financial aspects.	
Prospect for replication in other countries/regions	

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Decentralisation and local governance support are today major fields in international development co-operation. Over a number of years, bilateral and multilateral donors, NGOs and partner governments have accumulated a considerable wealth of experience in this area. This study presents a synthesis of recent evaluations of programmes and projects supporting decentralisation and local governance in developing countries. It identifies lessons learned and areas in need of further research. It also provides a number of findings and insights based on practical experience from various donors and countries.

This publication is the first in a new series which follows on from the former "Evaluation and Aid Effectiveness" series. The new series was created to serve as a vehicle for the dissemination of work conducted by the DAC Network on Development Evaluation.

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