



## DECENTRALIZATION PROCESSES IN DEVELOPING AND TRANSITION COUNTRIES: EVIDENCE-BASED LESSONS LEARNT

### INTRODUCTION

The issue of decentralization and local governance has been on the agenda of many donors (including SDC) for the past 20 years as a means to improve governance and promote political, economic and social development. Some programs have focused on local service delivery such as health, education, or water and sanitation. Others have concentrated on supporting institutional reform and building up a decentralized state system.

A considerable effort has been made in past years to evaluate the results of donor support at the levels of output, outcome and even impact in different forms and with different objectives.

The purpose of this brief is to collect the most important evidence and lessons learnt on donor support with a view to making this knowledge available and accessible to those responsible for the relevant domain within SDC. The brief should add knowledge to the lessons already learnt by SDC in the field of decentralization and local governance.

This EvalBrief has three sections: "The "decentralization" programs evaluated", "Evidence and lessons learnt" and "Conclusions for future support programs". It can be read at two levels: the core statements are substantiated by the examples drawn from the evaluated programs (in italics).

### THE "DECENTRALIZATION" PROGRAMS EVALUATED

This brief is based on a desk study of evaluation reports. More than 70 evaluations were screened. The brief mainly draws from meta-evaluations commissioned by some important actors in the field (UNDP, the World Bank, GTZ, NORAD, OECD, see

list in "references"). These meta-evaluations cover evaluation findings from around 90 country programs, providing insights into support for decentralization and local governance reform."

Although the donor-support programs use the same terms "decentralization" and/or "local governance", the evaluations confirm that there is **no commonly agreed definition** of these concepts. Even within the same donor institution there is a lack of clarity in terms of goals and shared objectives as well as expected results, which makes it difficult for evaluators to measure and compare success and draw general conclusions from experience.

*For example, the World Bank evaluation report starts with defining a concept of decentralization specifically and exclusively for evaluation purposes in order to set a sound basis for its assessment of "good" and "bad" practice. This concept includes indicators of accountability at the local level (among citizens, service providers, sub-national governments) as well as between sub-national and national levels. The GTZ evaluation shows that the GTZ's interventions were designed in various ways, based on changing concepts which often reflected the specific objectives and the country priorities of the donor. UNDP's vision of local governance is geared towards "human development" meaning transformation of the lives of men and women, especially among the poor, victims of discrimination, and disadvantaged communities. However, in practice, UNDP's support was seen by the evaluation as governed by a rather ad-hoc approach responding to specific requests by the countries' concerned without a clear framework to assess these requests.*

It is important to note that the evaluations focus on **donor interventions** and do not present general findings regarding the success of decentralization pro-

cesses. With regard to the goals of support and expected results, the programs differ considerably.

*According to the World Bank evaluation, for example, no direct causal link has been established between decentralization and quality of service delivery. The World Bank evaluation is thus focused on the expected intermediate outcomes of the interventions: improvements to the legal and regulatory framework for fiscal relationships and service delivery, improved administrative capacity, better up- and downward accountability.*

The form and modalities of the support evaluated also differ.

*While the IFIs such as the World Bank and the Asian Development Bank provide support in the form of loans, sector work and technical assistance for policy reform and capacity building, GTZ and UNDP focused on technical assistance but often coordinated and combined their activities with other institutions providing loans and grants for local infrastructure and service delivery. All donors work with (governmental and non-governmental) partners based in the recipient country at national and local levels.*

### EVIDENCE AND LESSONS LEARNT

#### POSITIVE RESULTS IN VARIOUS AREAS

Many reports note that the **causal attribution** of results and impact on individual interventions and support is a great challenge as decentralization and local governance are governed by many factors which are not controlled by one donor.

Although the goals and modalities of the reviewed interventions may differ, most evaluations come to the conclusion that positive or at least satisfactory results have been achieved in the majority of cases, measured against the OECD/DAC evaluation criteria, namely relevance, effectiveness and impact, efficiency, and sustainability of interventions.

For example, the GTZ evaluation rated 12 out of 14 development measures as overall positive (in terms of relevance, effectiveness, impact, efficiency and sustainability). The remaining challenges were, in the view of the evaluation, rather due to implementation problems than concepts and approaches. The GTZ evaluation also tried to assess the impact of the measures on cross-cutting development themes such as poverty reduction, gender equality and capacity development, with mixed results.

According to the UNDP evaluation UNDP's support was assessed as highly relevant. However, the results were limited with regard to responsiveness to the concrete needs for support to local authorities and the decentralization process in general. The evaluation found evidence of increased democratic participation as well as improved local service delivery, although the effectiveness of UNDP's support was hampered by a rather ad-hoc approach that responded to specific requests instead of strategic priorities, by insufficient attention to gender aspects, and by limited use of institutional know-how within UNDP.

The World Bank evaluation assessed the results with regard to the various areas of support. It emphasizes that in the area of fiscal transfer, interventions produced positive results in promoting legal frameworks for intergovernmental relations and providing some incentives for enforcing laws. However in many cases transfers remained discretionary and not really related to the tasks and responsibilities transferred, or favoured disproportionately big cities (if based only on population numbers). One third of partner countries established formula-based systems of transfer, but key issues of fiscal equalization are still to be addressed. Positive results were achieved by providing incentives for fiscal and administrative reform at the local level, and debt management was improved by World Bank interventions. Results in improving own-source revenue mobilization at sub-national level were not so positive due to inappropriate assignment

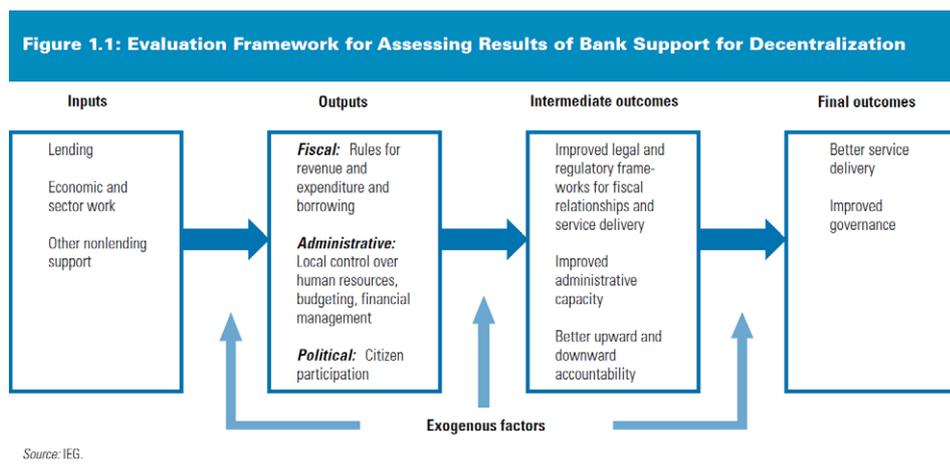


Figure from World Bank evaluation, p. xiv and 9 "Evaluation framework for assessing results of Bank support for decentralization". Source: IEG/World Bank

of revenue sources and weak local capacity in tax administration. World Bank support was also rated less successful with regard to clarifying roles and responsibilities of different levels of government.

According to those evaluations explicitly addressing gender, success with regard to integrating gender aspects was limited.

For example, the evaluations of GTZ and UNDP state that only very few interventions in decentralization and local governance did integrate gender aspects in a systematic way. Half of the GTZ interventions did not carry out any gender analysis, and no intervention had a proper gender strategy or a gender-oriented monitoring system. The UNDP evaluation also mentions that there were no indicators to measure the benefits to the target groups in a gender-related way. The GTZ evaluation highlights that in some cases specific gender officers were appointed, however their achievements mainly depended on the support of the project or program manager. The NORAD evaluation notes that in the limited number of local governance programs specifically addressing gender equality and empowerment of women, this aspect often seemed to evaporate in operational reality. While women are often present in local decision-making as well as in local governance support programs, gender issues are not seen as a priority in decentralization processes.

The hypothesis of positive impact on poverty was confirmed by most evaluations (if the intervention was designed accordingly) although this kind of impact was not regularly assessed by the evaluations.

The GTZ evaluation noted that poverty-reduction impact was most marked where the design of support measures incorporated local economic development elements. But the evaluated impact of interventions on poor target groups were assessed to a limited extent only. The NORAD evaluation observes positive results regarding poverty reduction if decentralization and local governance interventions are adequately designed as a reform process involving various governance levels with proper systems of vertical and horizontal accountability.

Despite their relevance in the general discussion around decentralization and local governance, some aspects are not dealt with in depth by the evaluations. For example, the evaluations do not in general deal with corruption, or at least not extensively.

The GTZ evaluation states that the considered country studies and evaluations did not contain any information on this issue.

Moreover, in general, the evaluations do not assess the impact of decentralization and local governance support on conflict and peace building although it has been mentioned several times that decentrali-

zation had been initiated because of internal pressure for power sharing to ease internal political conflict.

*The UNDP evaluation points to available evidence on several cases of effective support to local governance under conditions of conflict recovery and prevention, with positive results regarding changes of mindsets and perspectives on diversity at local level.*

**Regional differences** of results have specifically been mentioned in some evaluations.

*The GTZ evaluation, for example, states that interventions in Africa are rated as less successful than those in Latin America. The evaluation considers the generally lower level of governance, the different political culture, the lack of capacities and the very limited human and financial resources in many African countries as key factors for these differences. Moreover, there is an important time factor explaining the current backlog. Decentralization in Latin American countries started considerably earlier.*

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#### **SUCCESS FACTORS, FACTORS FOR FAILURE**

The evaluations identify success factors which are related to the specific thematic orientation, the specific modalities of support and the relationship to the partner country, and internal management structures of the donor concerned. However, a series of factors are frequently mentioned, in one or another form, and seem to be more general: One of the main elements is the existence of **national ownership and political willingness** to reform. The most important motivating factor for decentralization is to share political and economic power, not to improve service delivery or reduce poverty.

*The World Bank evaluation noted, for example, that best results were achieved in countries where the donor could align with national policies based on a consensus among the main political stakeholders (not governments only) even prior to the donor's engagement. In most cases, according to the World Bank's experience, countries did not decentralize mainly to improve service delivery or reduce poverty, but had a strong political motivation to share power, for example when tensions threatened national*

*identity and cohesion, or strong urban economies asked for autonomy. However, political determination may change as a result of a change in government or political instability, and many evaluations see this as a big risk for effectiveness and sustainability of all long-term initiatives in the area. The GTZ evaluation reports that in some cases the donor, based on its own values, was able to contribute to building and sustaining political determination to decentralize by means of political dialogue. If there is only limited real political determination at national level, GTZ sees good results in working at micro and meso level and trying to influence the opinions of political stakeholders relating to decentralization.*

Many evaluations note that the interventions were rarely based on **sound analysis of the context dynamics**, the underlying political interests, the determination for reform and the political economy.

*The World Bank evaluation states that some years ago an incomplete understanding of the institutional and political set-up clearly reduced the World Bank's results while, in the last few years, the analytical underpinning has improved and clearly led to a more realistic and transparent design of decentralization strategies as well as donor support.*

It is often underlined that decentralization and local governance support must be designed with a **long-term perspective** and with enough resources.

*The importance of a long-term approach has already been mentioned by the OECD/DAC, and confirmed, for example, by the NORAD evaluation which argued that the sound preparation of a decentralization-support program needs time and resources, particularly because it involves the reform of legal systems and national institutions steered and controlled by national actors, with their own political agendas.*

The importance as well as the challenges of a **multi-level approach** were stressed on the basis of the fact that a micro-level approach focusing on support to local governments only is clearly not sufficient for effective and sustainable reform.

*It was emphasized that good results with decentralization depend on the degree of "statehood", i.e. the existence of state institutions and political processes which re-*

*spect the principles of good governance at national level. According to the GTZ evaluation, state institutions are weaker in Africa than in Latin American countries and so are the prospects of successful decentralization. Best results were observed where a multi-level approach involving national and local structures was methodologically underpinned by supporting common learning and communication processes in the areas of municipal development planning, financial administration and municipal supervision. However, that does not necessarily mean that donors have to work at all levels and in all sectors at the same time but rather to take into account the interests and dynamics in a holistic way. The UNDP evaluation, however, reports limited success in linking national with sub-national interventions.*

An important factor for failure is seen in the lack of **coordination with sector policies** and line ministries responsible for public services.

*According to the UNDP evaluation, it was possible for many UNDP country offices to build up links with the central government units responsible for decentralization, however, ties were inexistent or at least less strong with sectoral line ministries (education, health, water, energy, environment). The latter have a high potential both to undermine the decentralization process and local service delivery and to promote it which is rarely exploited. The World Bank evaluation also noted that decentralization measures in the sectors, for example in education, are more successful if there is an institutionalized framework of decentralization in place.*

Overlapping roles, unclear and inconsistent **distribution of responsibilities** (between national and local authorities, between local administration and decentralized ministerial services) are often assessed as a major obstacle to effective service delivery, making it difficult to hold authorities accountable.

*The World Bank evaluation stresses that support was not very effective in clarifying roles and responsibilities of different levels and entities of government. According to the GTZ evaluation, capacity has to be built up at all levels to clarify the tasks, roles and responsibilities of national and local authorities, and to tailor them to match with resources available.*

Best results were achieved where support for **policy reforms involving administrative, political and fiscal dimensions were combined with technical assistance to build up the capacity of national and local governments.**

*The GTZ evaluation assesses GTZ's advisory services focusing on political processes and law drafting as generally positive, and reports successes where peer expertise and experience could be used. The GTZ evaluation also mentions that results at macro-level were better in Latin American countries than in African countries – possibly due to the lower level of governance as well as capacities in Africa.*

**Capacity building** was successful where it focused on capacity to act, and it was considered most effective and sustainable in cases where there was intensive and long-term support for applying acquired skills (coaching) and where national training institutions were involved.

*The GTZ evaluation also mentions the positive effects of programs where lessons learnt were systematically distilled and generalized into handbooks/guidelines and where national training institutions were involved, and where there was a strong motivation to learn. Accordingly, the UNDP evaluation mentions that one of the factors responsible for weak results in terms of effectiveness and sustainability was the lack of investment in developing adequate knowledge products. According to the World Bank evaluation, support for capacity building of local governments (particularly on audit systems) was particularly important for improving local service delivery. The NORAD evaluation, however, states that despite NORAD's awareness of the need for institutional reform, the programs still focused on traditional capacity building, while a better balance in favour of supporting institutional reform processes would be needed.*

Support for the development of **accountability mechanisms for local government performance** is considered to be a key factor for effective and sustainable results. This involves both supervision by higher level authorities and systems of citizen oversight with regard to sector specific services.

*According to the World Bank evaluation, transparency of state action and asserting the right to information for citizens are pre-*

*conditions for accountability of local government.*

**Piloting and working locally in limited geographical areas** was a frequently used approach. However, some evaluations mention that pilot approaches did lead to effective and sustainable reform in a few cases only. Clear mandates for partners for scaling-up and coordination of pilot interventions are key for success.

*Although in general, the GTZ evaluation observes that positive results at micro-level tend to increase the capacity to act at national level, it states that results at national level were achieved where there was a clear mandate for partners to do so and if such activities of national partners and international donors were well coordinated. Meso-level organizations played a crucial role in systematizing sporadic successes of up-scaling and influencing national debate through their local experience. Handbooks and guidelines for use at national-level and outside the intervention zone were a success factor for incorporating locally acquired experience into national debate. In general, the UNDP evaluation noted that the interventions did not sufficiently factor in the financial resources and capacities needed for scaling-up. Lack of long-term vision for engaging the authorities at national and local levels and high staff turnover in national and local governments as well as in UNDP itself were obstacles. The UNDP evaluation reports that in numerous cases supported initiatives remained high profile "boutique projects" with low scores on effectiveness, efficiency, and sustainability.*

Many evaluations stressed the **role of civil society** in making local government action and public services more sustainable and responsive to local needs.

*Besides its orientation towards democratic participation as a development goal, UNDP gears its concept of effectiveness explicitly towards responsiveness: Local government action is not effective if it does not respond to the needs of the population. Participation is seen as an important means to ensure responsiveness. The World Bank evaluation stresses its positive experience with the key role of citizens in monitoring the performance of local authorities and holding them accountable. According to the GTZ evaluation, civil society was regularly supported at local and national levels. However, the envisaged role of non-governmental organisations at local level*

*and the objectives of GTZ's support was not clear and consistent. GTZ's support focused on strengthening the role of NGO in participatory processes (such as planning and budgeting) and service delivery to local governments (particularly in advising and capacity building), bringing NGOs close to a role of consultancy which may reduce their legitimacy as a civil society organisations.*

A challenge identified in many evaluations was how to make the **participation of NGOs and citizens** relevant in decision-making processes, particularly with regard to national reforms.

*Although UNDP worked intensively with civil society organisations, the evaluation did not find many successes in terms of upstream participation in local and national policy-making. In general, the UNDP evaluation found that UNDP did not pay sufficient attention to ensure that local governments and the decentralization process really responded to expressed needs and engaged with the views of non-state actors. In spite of its general goals, UNDP seemed to shy away from an explicit focus on improving representation and empowerment of the poor and marginalized, and the evaluation noted that it did not really use the potential of citizen engagement for holding local authorities accountable.*

*According to the GTZ evaluation, some NGO partners do have an efficient national network, particularly those funded by churches. Some NGOs successfully helped increase political participation at local level, particularly of women, and thus contributed to increasing the political legitimacy of local structures and processes. The GTZ evaluation also showed that in almost all programs and projects assistance to municipal associations was provided. This support for national umbrella organizations is assessed as helpful for making decentralization more effective and building up political willingness for decentralization. However, the issue of financial sustainability remains since those NGOs often have a weak funding basis.*

The **general lack of coordination among donors** which do not share a framework and more long-term vision of support is seen as a main factor playing against effectiveness, efficiency and sustainability.

*At least some studies, assessments and analysis were done jointly by several do-*

nors, and some cases of co-financing were reported. The NORAD evaluation also sees a trend to use UNDP/UNCDF as a channel for harmonized support for decentralization and – particularly – local level capacity building, specifically in situations of conflict

The GTZ evaluation reports that there were no sector-wide approaches developed in the countries concerned although the bilateral measures were all in line and harmonized with national policies. The NORAD evaluation also mentions that support programs for decentralization and local governance are often unrelated either to ongoing public sector reforms or to sectoral reforms, which are frequently supported by donors through new aid modalities. According to the NORAD evaluation, there is surprisingly little discussion among donors on how to address decentralization-reform needs and local-governance capacities through new aid modalities, focusing on general budget support and sector wide approaches.

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#### INTERNAL MANAGEMENT CHALLENGES

Several challenges have been identified for the donor institutions' internal management of decentralization and local governance support.

Several evaluations consider the investment in **understanding and analyzing the relevant context** as low and not always sufficient for the proper design of decentralization and its effective support. Particularly the economic dimension of decentralization and local governance, the power dynamics, the conflict dimension, the distribution of tasks and responsibilities, the gender dimension would need in-depth attention of donors when designing, implementing and evaluating their support.

Internal governance structures and resources have to be commensurate with the planned (decentralized) interventions, and **flexibility** is needed to adapt designed approaches and plans to a sometimes rapidly changing political environment which may heavily impact on decentralization processes.

The UNDP evaluation assesses UNDP's relationship with partner governments as very close; however, UNDP's internal governance and operational structures are generally evaluated as weak. Several aspects are mentioned, such as weak presence at the very local level, project management too

rigid to be able to react to changing conditions, professional capacities inadequate to handle complex and deep-rooted challenges, cumbersome procurement process, funding spread too thinly to be effective, unclear roles and responsibilities at country level.

The donors' **monitoring systems** in the area are generally assessed as weak. However, there is no reference to national systems of monitoring in the analyzed evaluations.

For example, the World Bank evaluation mentions that monitoring focuses on indicators for outputs instead of outcomes. The UNDP evaluation notes outcomes that are too broadly stated, indicators that are unclear, and lack a gender dimension, baseline and concrete targets. GTZ's evaluation stresses that monitoring is oriented towards simple indicators which do not properly reflect the complex objective system.

The **long-term vision and concrete goals of support** are not always communicated properly to the implementing partners.

The GTZ evaluation mentions that the sub-contractors in charge focus on activities and often prioritize short-term visible results. Additional coordination effort is essential to bring them in-line with the donor's long-term approach.

The lack of an **overall strategic framework** on decentralization makes it difficult, even impossible to integrate decentralization issues into the management of development sectors.

The UNDP evaluation mentions that even within projects and programs, the variety of independent components can jeopardize a holistic and multi-level approach since the necessary exchange and coordination processes are lacking. For the sake of effectiveness and efficiency the World Bank evaluation sees it as decisive that donors develop a coherent approach so that the various components and the activities in other sectors of cooperation contribute to decentralization and do not work against it, as was the case in several country programs evaluated.

The evaluations regret the lack of **institutionalized exchange of knowledge, experience and expertise** between headquarters and the various country offices as well as among country offices, so important lessons learnt are lost.

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#### CONCLUSIONS FOR FUTURE SUPPORT PROGRAMS

The findings and recommendations presented from other donors' evaluations confirm SDC's experience in many aspects, and add some more. The following conclusions can be drawn for the support programs of future donors:

> **adopt a more strategic orientation with a view to involving local and national stakeholders in the decentralization process.**

- A **strategic framework** on decentralization is useful for donors to develop consistent support and integrate decentralization and local governance into their own sector policies and strategies as well as into new aid modalities.

- Governments of partner countries should be supported in **developing a sound framework for decentralization**, with a clear and consistent **distribution of tasks and responsibilities in the various sectors** (also between state actors and the private sector), transparent and adequate **rules for fiscal transfers**, the mobilization of local resources, and national **oversight and accountability systems** to ensure minimum quality of local governance and service delivery.

- Decentralization and local governance can be supported with interventions at micro-, meso-, and/or macro-level, but the process has to be seen from a **multi-level and multi-sectoral perspective**. From such a perspective, it is most important to strengthen communication and cooperation between the levels and sectors.

> **assess and monitor the context carefully.**

- Decentralisation is a political process steered by many factors and involving different stakeholders. Careful assessment and monitoring of the **political and economic interests of the various**

**stakeholders and the power relations between them** is essential for making interventions effective and sustainable. The assessment should include the power dynamics involved, the economic (and poverty) dimension of local governance, and the patterns of corruption particularly at local level.

- **Gender relations** at local level must be assessed with a view to ensuring a more systematic response by public services to men and women's needs as well as equal participation in public affairs at local and national level.

> **actively invest in harmonization and coordination.**

- Donors must invest in **harmonization and coordination with other actors/donors** to avoid an unsustainable variety of approaches to decentralization and local governance.

> **strengthen local actors and help make non-governmental voices heard in political processes**

- **Local participatory mechanisms** and working relationships between local executive and municipal councils should be strengthened, as well as local and national NGOs with a view to strengthening the role of assisting citizens (particularly women) in making their voices heard in local decision-making;

- Effective **municipal associations** are important for enabling municipalities to be heard in national decision-making processes.

> **focus on more effective capacity building for local partners and learning from experience.**

- **Capacity development** for partners has to be carefully designed to strengthen their abilities to translate innovations into action. Capacity development is not covered by one-off training events but is a long-term process involving individuals, organizations, institutions and their networks. Capacity development must be the responsibility of various partners at local and national, governmental and non-governmental levels. Horizontal peer-learning methodologies and coaching to promote the practical use of acquired knowledge and skills should be explored and used.

- Collection, analysis and dissemination of **lessons learnt from experience** should be a priority and more proactive and systematic.

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## REFERENCES

Among the many evaluations, reviews and assessments, this brief mainly draws on the findings of the following evaluations, synthesizing the experience from several countries:

- The World Bank Independent Evaluation Group, Decentralization in Client Countries: An Evaluation of World Bank Support 1990-2007, Washington (The World Bank) 2008. This evaluation assesses the effectiveness of World Bank support in 20 countries;
- UNDP, Evaluation of UNDP Contribution to strengthening local governance: Participation, UNDP Evaluation Office, December 2010. This evaluation draws on evaluations, reviews, studies from 69 countries in total;
- GTZ Evaluation Unit, Synthesis report on independent evaluations in 2008, in the thematic priority area of decentralization, GTZ Eschborn 2009;
- Aasen, Berit, Lessons learned from Norway's support for decentralization and local government reform in developing countries, NORAD 2008;
- OECD DAC Evaluation Series, Lessons Learned on Donor Support to Decentralization and Local Governance, OECD 2004;

A selection of further relevant evaluations:

- Asian Development Bank, Deconcentration and Decentralization Reforms in Cambodia: Recommendations for an Institutional Framework, 2011 (based on an evaluation of ADB support to Cambodia);
- Asian Development Bank, Independent Evaluation Department, Special Evaluation Study on ADB Support for Decentralization in Indonesia, ADB 2010;

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