

# **Policy dialogue on decentralisation**

Advanced seminar on decentralisation  
DEVCO, 3<sup>rd</sup> of July 2012,

# **PLAN OF THE SESSION**

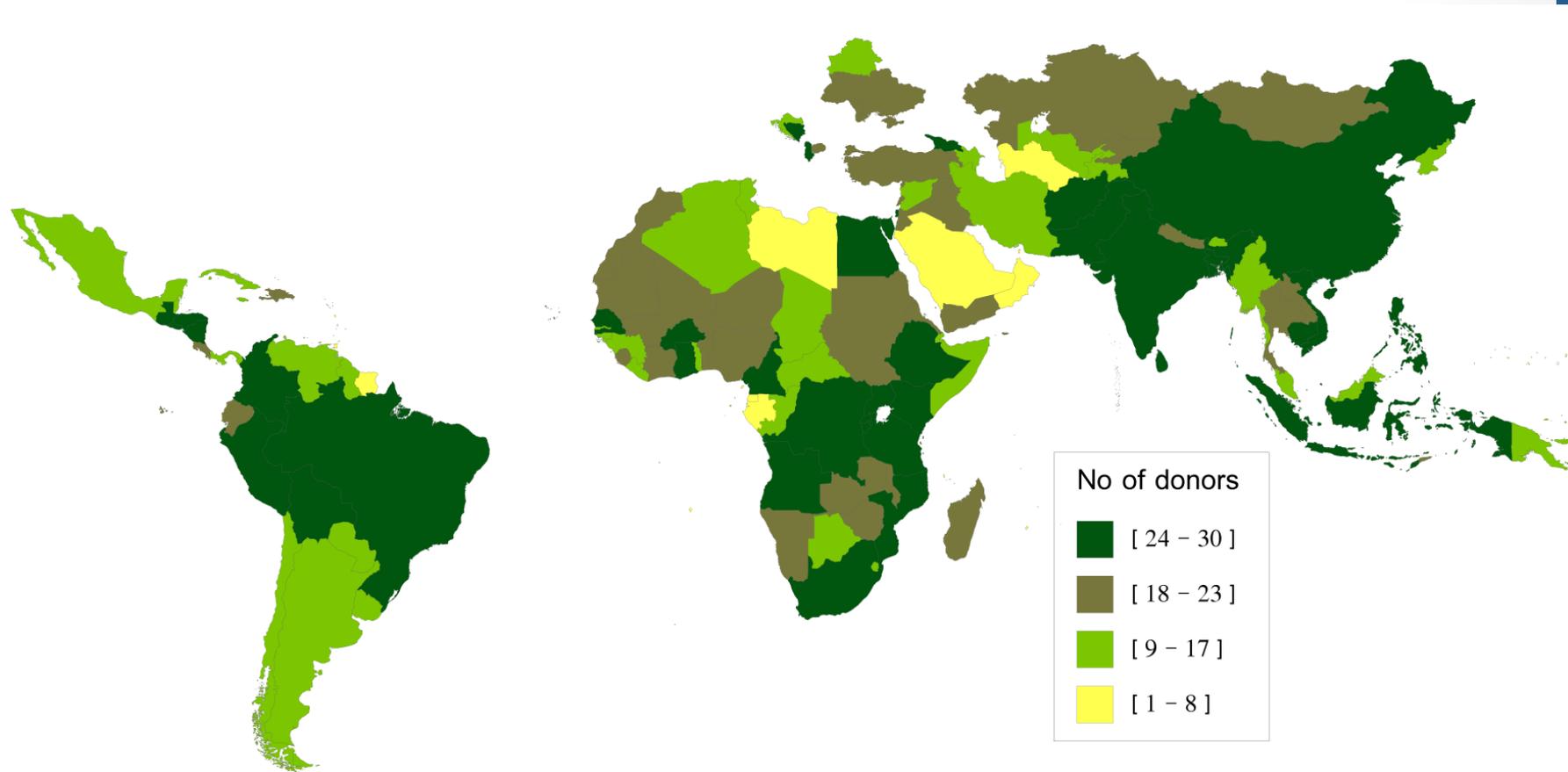
**PART I – SETTING THE SCENE & FRAMING THE SUBJECT**

**PART II – THE CASE OF POLICY DIALGUE ON DECENTRALISATION IN CAMBODIA**

**PART III– WRAPPING-UP AND GENERIC LESSONS**

# INTERNATIONAL ENVIRONMENT:

37 recipient countries with 24 donors or more



Source: OECD DAC - Towards Better Division of Labour:  
Concentration and Fragmentation of Aid, December 2007

# INTERNATIONAL ENVIRONMENT

## EU POSITION AND COMPARATIVE ADVANTAGE

### 27 Member States + Commission

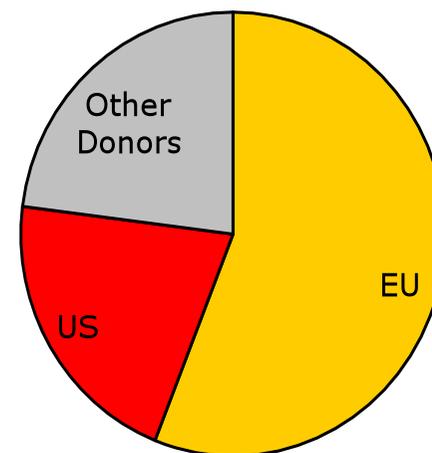
- Together : **56% of ODA in 2009** (€48,2 Mds)
- USA : 24% (€20.6 Mds)

### Commission alone:

- 2nd donor (13%)
- Active in 150 countries

### EU Comparative advantage & roles

- Big financial provider
- Political player
- Development agency



# INTERNATIONAL ENVIRONMENT

## COMMITMENTS ON AID EFFECTIVENESS



**Monterrey  
Consensus  
(2002)**



**Rome HLF on  
Harmonisation  
(2003)**



**Paris  
Declaration on  
Aid  
Effectiveness  
(2005)**



**Accra Agenda  
for Action  
(2008)**



**Dili Declaration  
on fragile states  
(2010)**



**Bogota  
Statement  
on SSC  
(2010)**

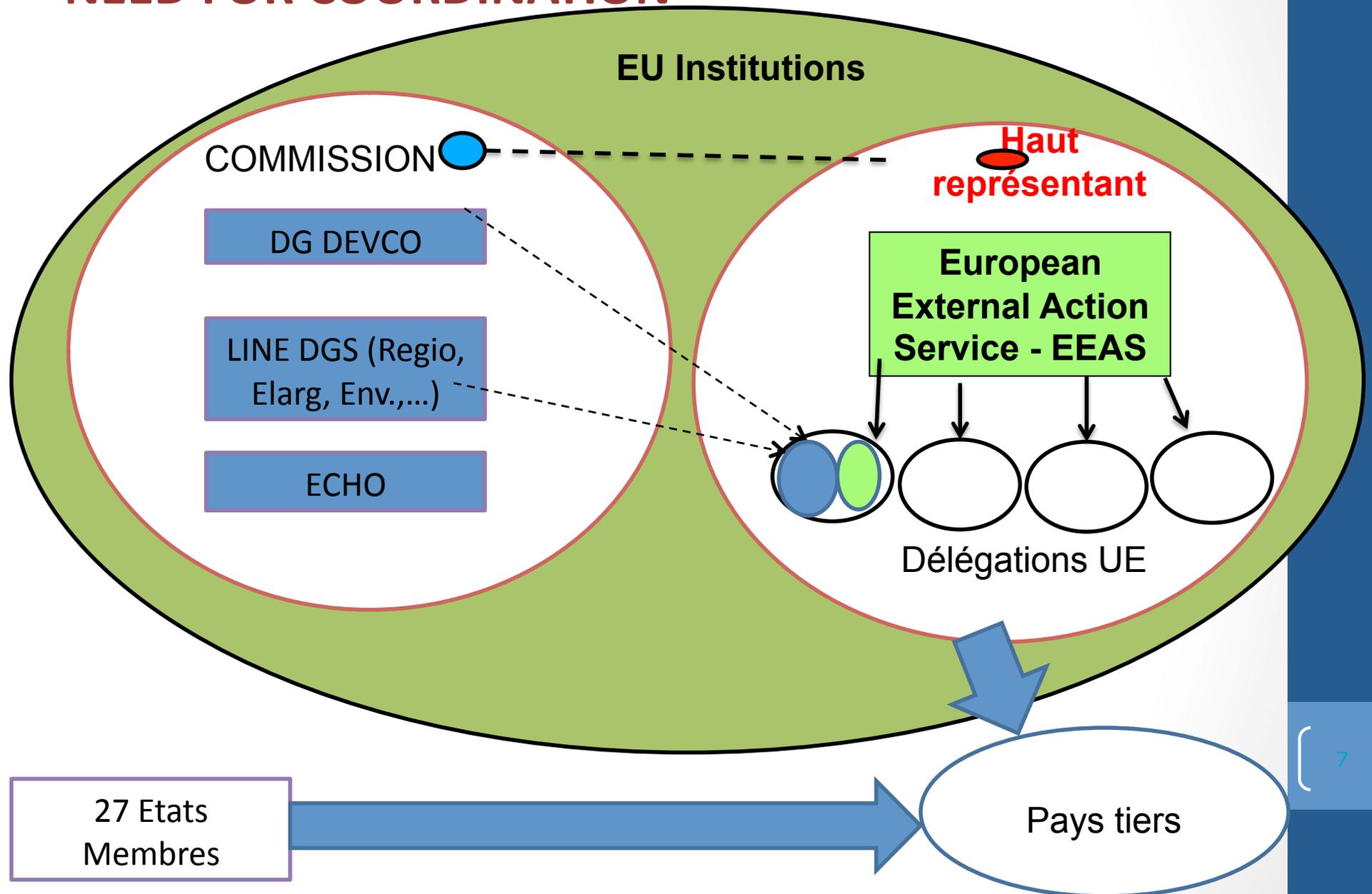


**Korea HLF  
(29 Nov. –  
1 Dec.  
2011)**

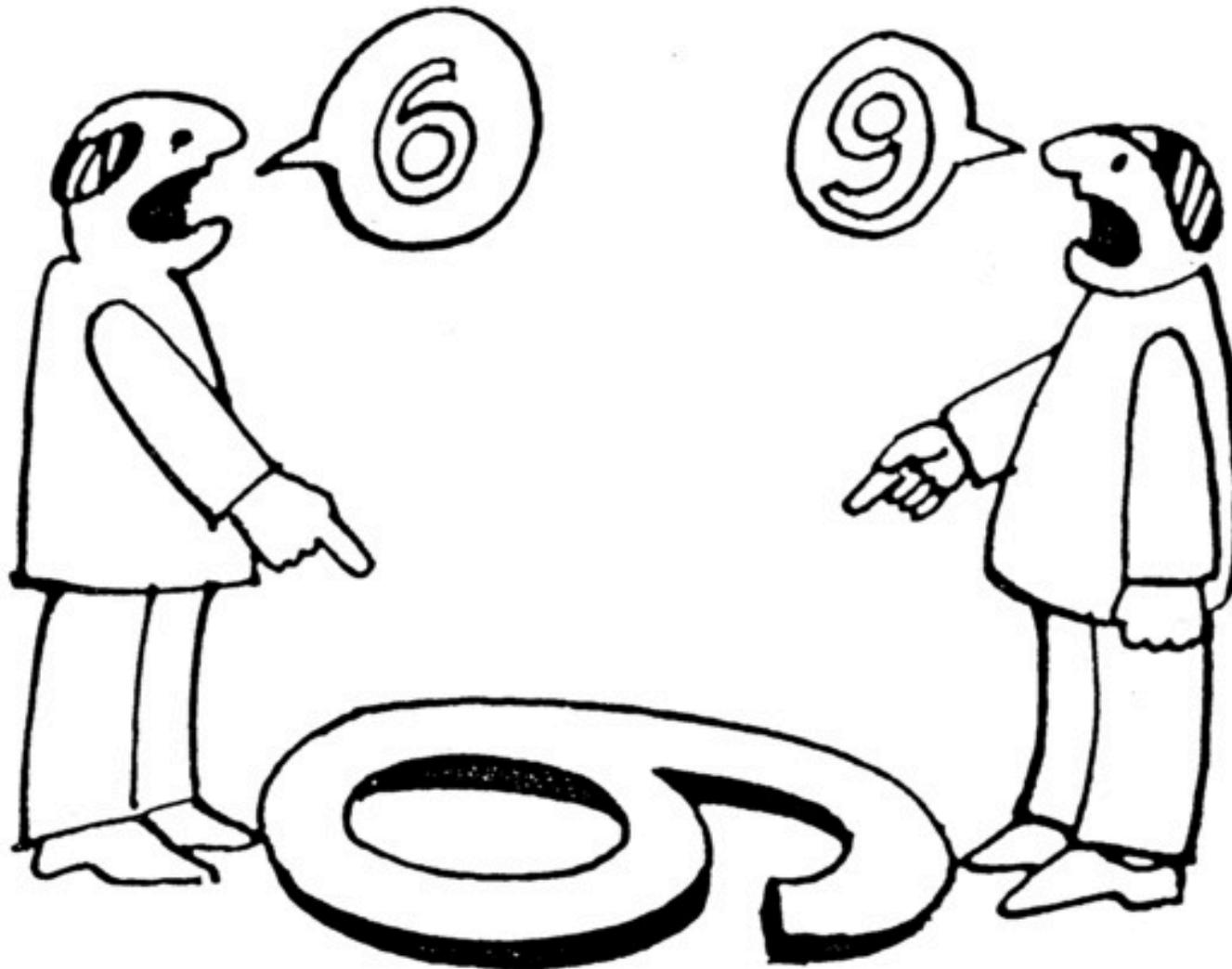
# INTERNATIONAL COMMITMENTS: LINKING AID EFFECTIVENESS AND POLICY DIALOGUE

- ❑ **PD is part of the cooperation package & of sector approaches**
  - Move to *reform-driven cooperation*;
  - From tangible inputs to intangible results more difficult to showcase
  
- ❑ **The functions of Policy dialogue evolve over time:**
  - Paris Declaration focuses PD on mutual accountability
  - Accra & Busan: from gvt to country ownership & domestic accountability
  
- ❑ **Impact on 'how' to conduct PD:**
  - Multi actor process: Whose ownership counts?
  - Focus on partner's reforms and public policies

# THE EU CONTEXT, DIALOGUES AND INSTITUTIONS: NEED FOR COORDINATION



**THE EU CONTEXT: POLICY OR POLITICAL DIALOGUE?**  
**A DIALOGUE DE SOURDS**



# DEFINING THE SCOPE OF POLICY DIALOGUE FOR THE PURPOSE OF THE SESSION

Political Dialogue	Policy Dialogue
<p><b><u>Focus:</u></b> EU external policies (security, trade...) Development: one point in a broader agenda</p>	<p><b><u>Focus:</u></b> development cooperation policies</p>
<p><b><u>Objective/function:</u></b> EU interests &amp; values through continuous diplomatic relations (Art 21.1 Lisbon Treaty). Not conditioned to ODA.</p>	<p><b><u>Objective/function:</u></b> Part of the 'development package' to support domestic reforms (financial flows, technical cooperation and Policy Dialogue).</p>
<p><b><u>Content of dialogue:</u></b> wide spectrum of policies. As regards development it focuses on: allocation, programming &amp; fundamental values (Art. 8, 9, 96 of Cotonou Agreement).</p>	<p><b><u>Content of dialogue:</u></b> partner country's reforms in particular: sector reforms (health, education...) and <u>governance reforms</u>.</p>
<p><b><u>Policy dimension:</u></b> outcomes of negotiations may influence reforms in partner countries</p>	<p><b><u>Political dimension:</u></b> reforms are political, PD is conducted at technical and at strategic levels and choice of interlocutors.</p>
<p><b><u>Mechanism:</u></b> highly codified in legal bases</p>	<p><b><u>Mechanism:</u></b> Not codified (flexibility: context and sector specific).</p>

## **COMMON ASSUMPTIONS ON POLICY DIALOGUE**

- 'PD is just a matter of participating to some meetings'**
- 'PD is a donor-government matter. The rest is a domestic issue'**
- 'Financial leverage triggers meaningful policy dialogue'**
- 'Budget Support triggers & enhances policy dialogue'**
- Successful PD means making the other party adopt your views**

# **PART II- POLICY DIALOGUE ON DECENTRALIZATION IN CAMBODIA**

# COUNTRY ASSESSMENT:

## COUNTRY CHALLENGES & GOVERNMENT RESPONSE

### POLITICAL INSTITUTIONS:

- ❑ Decades of internal conflict, transition and constitutional monarchy
- ❑ Weak separation of powers, party competition and State-Citizen relation
- ❑ Centralised State with 4 Gvt layers (Commune: only directly elected)

### ECONOMY:

- ❑ Growth but aid dependency (EU: largest DP in country & decentralization)

### PUBLIC SECTOR (PFM, PAR/CSR):

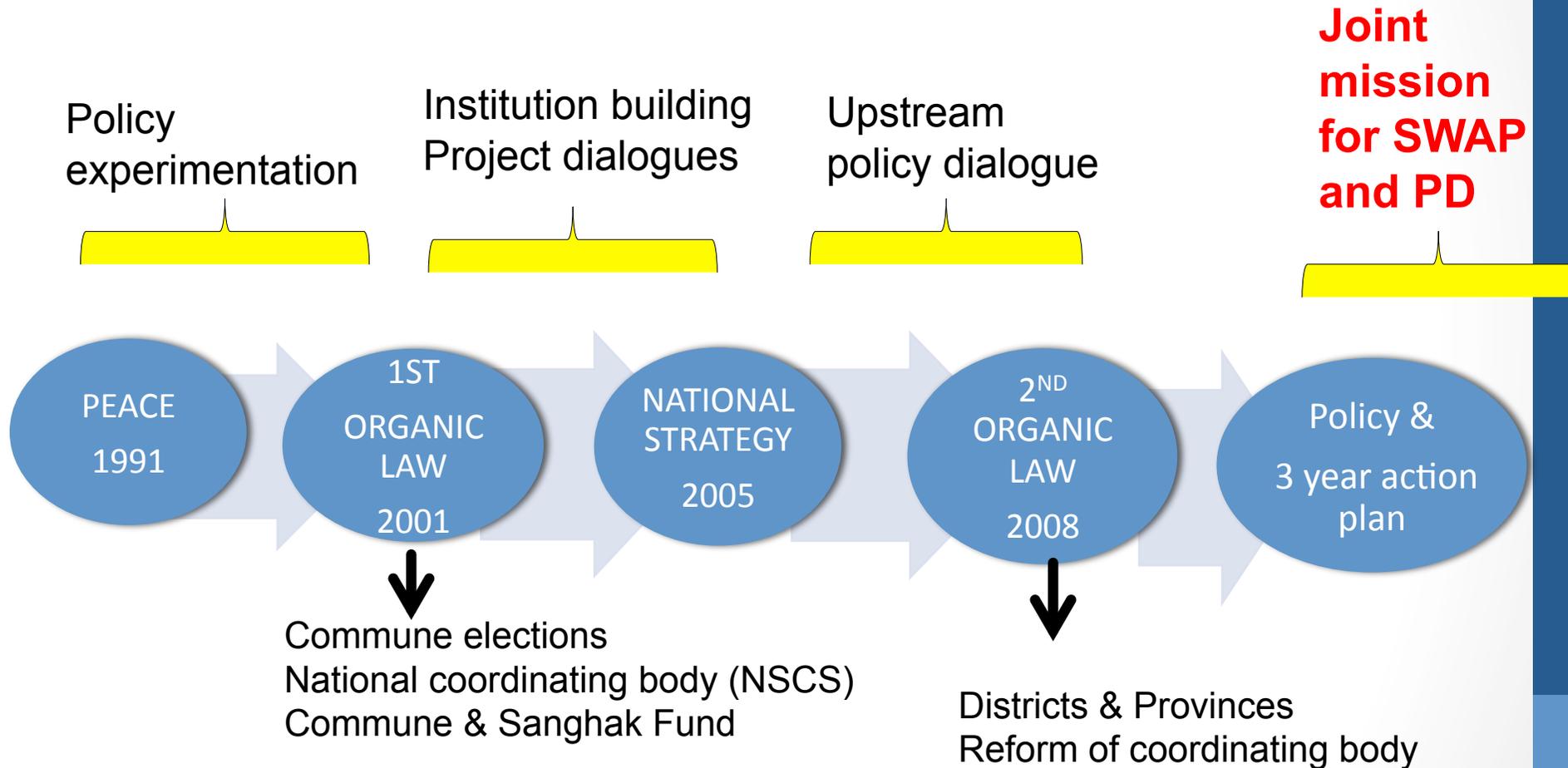
- ❑ Underdeveloped public sector
- ❑ PFM: off budget revenues and expenditures (clientelism)

### GOVERNMENT RESPONSE AND PRIORITY REFORMS

- ❑ PFM, PAR and *Decentralization (D&D)*
- ❑ Objectives of D&D: local development and democratic governance

# ASSESSMENT OF DECENTRALISATION:

## A HISTORICAL PERSPECTIVE TO POLICY DIALOGUE



# ASSESSMENT OF DECENTRALISATION: THE VIABILITY OF THE REFORM

## How is the assessment conducted (7 key areas of assessment)

### Macroeconomic framework

- Balanced framework
- Economic performance

### Public finance Management

- Revenue collection
- Allocation
- Spending

### Decentralisation policy (transversal)

- Budget
- Policy coordination and dialogue
- M&E
- Institutional capacities

## The findings: major weaknesses/risks

### Macroeconomic performance

- fiscal policies, off budget expenditures/revenues,
- Decentralisation budget vs. expenditure ceilings

### Public Finance Management

- resistances on accountability side (FMIS roll out)

### Cross reform coordination

- PFM: fiscal decentralisation/FMIS roll out at SN level
- Public administration reform: statute/wages
- Legislative reform on Civil society

### Intra-reform inconsistencies

- Functional assignment, fiscal decentralisation, participation, sector coordination & M&E

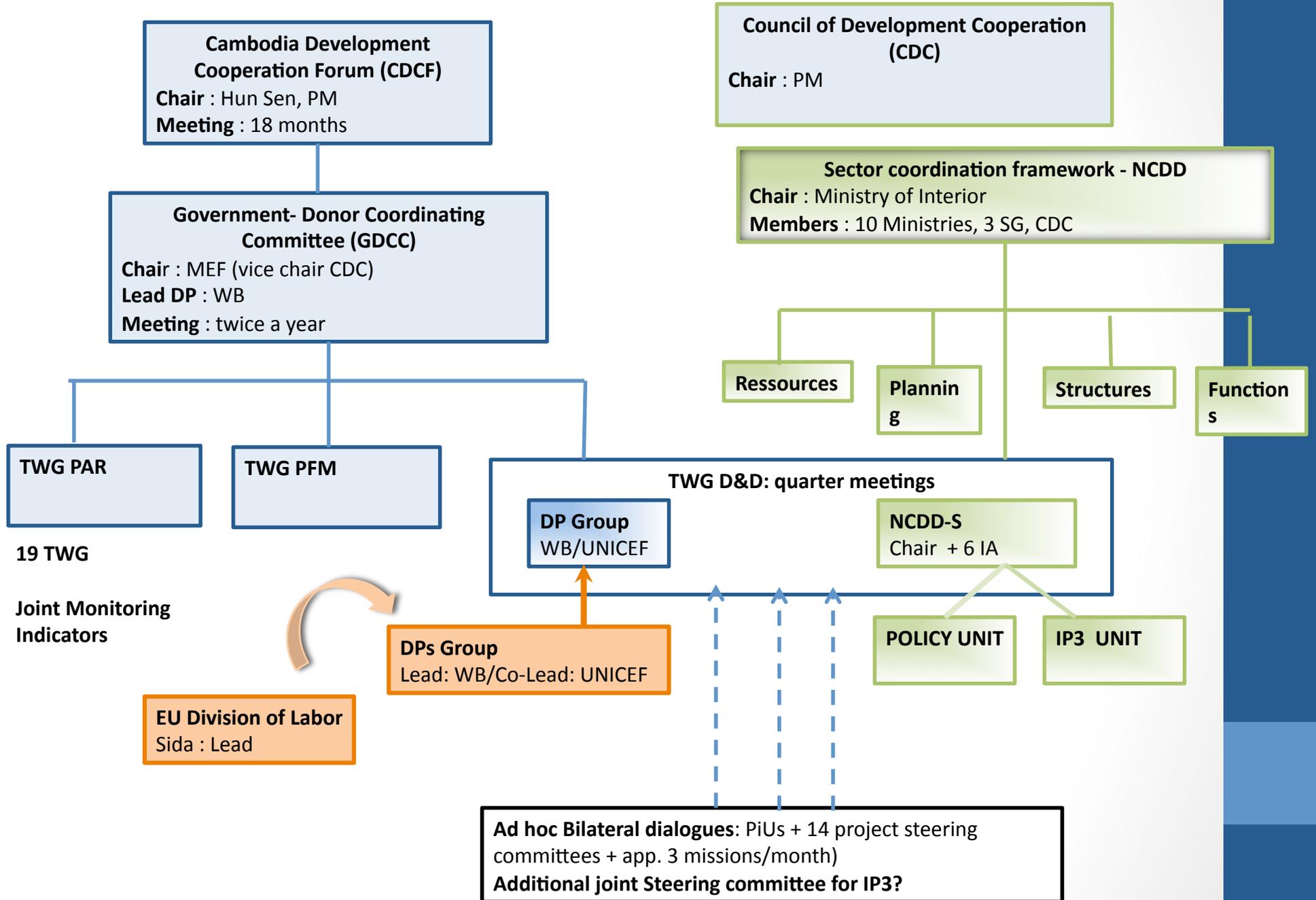
# **ASSESSMENT OF DECENTRALISATION:** CONSOLIDATING CENTRAL POWER OR BUILDING ACCOUNTABILITY FROM BELOW?



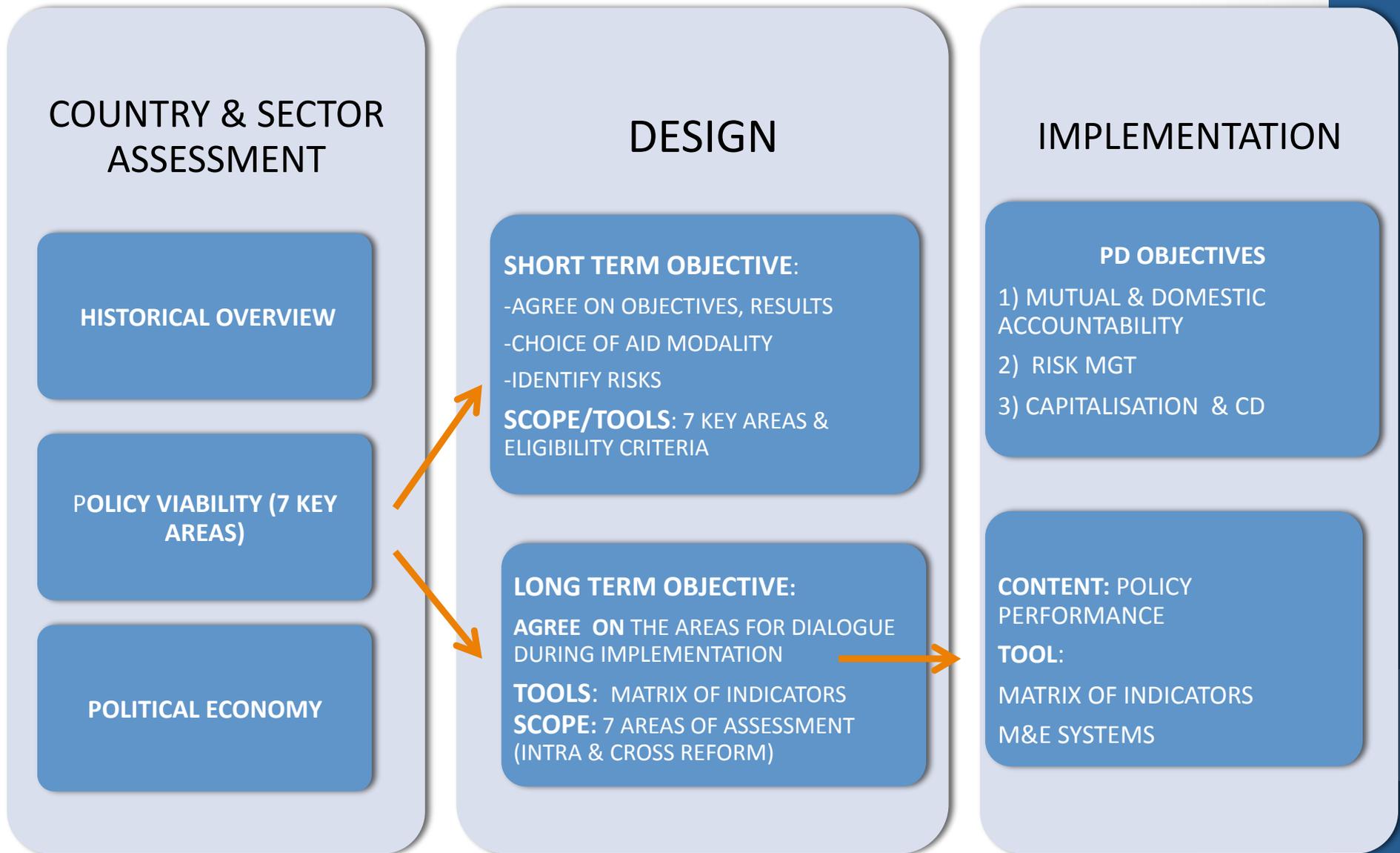
*Decentralisation  
means navigating in  
UNCLEAR WATERS*

**WHAT IMPLICATIONS FOR THE PROCESS & THE  
CONTENT OF POLICY DIALOGUE?**

# POLICY DIALOGUE PROCESS: FRAMEWORK & ACTORS



# CONTENT OF POLICY DIALOGUE: CONTINUOUS THROUGHOUT THE PROGRAM CYCLE



# THE CONTENT OF DIALOGUE: Walking the talk from joint appraisal mission to policy indicators

## Findings and main risks (menu of issues)

**Macroeconomic framework** (fiscal policy, off budget flows, affordability)

**Public Finance Management** (FMIS)

### Cross Reform Coordination

PFM (fiscal decentralisation, FMIS at SN level), PAR (Statute, wage reform), Civil society

### Reform coordination/inconsistencies

functional assignments, fiscal decentralisation, sector coordination framework

## Aide memoire recommendations

Mainstreaming gender

Capacity development for elected decision makers (systems and skills)

Technical assistance (cost & skills transfer)

Address budget inaccuracies & ownership

Policy implementation (internal coordination)



## NEGOTIATION PROCESS!

THE CHALLENGE IS TO ACT JOINTLY ON THE FINDINGS OF ASSESSMENTS  
(quid trade-off quality vs joint policy dialogue?)

# **PART III- WRAPPING UP AND GENERIC LESSONS FROM EXPERIENCE**

# WHAT LESSONS FOR POLICY DIALOGUE?

## REALITY CHECK OF COMMON ASSUMPTIONS

- ❑ **‘PD is just a matter of participating to some meetings’**
  - Underestimates complexity, transaction costs and needed expertise
  
- ❑ **‘PD is only a donor-government matter. The rest is a domestic issue’**
  - DP talk to only a few people: No risk management and mixed results
  
- ❑ **‘Financial leverage triggers meaningful policy dialogue’**
  - Missed opportunities (e.g. added value in middle income countries)
  
- ❑ **‘Budget Support triggers & enhances policy dialogue’**
  - BS becomes an end in itself, mixed results (CoA), missed opportunities
  
- ❑ **Successful PD means making the other party adopt your views**
  - DPs Overshadow and undermine domestic processes

# WHAT LESSONS FOR POLICY DIALOGUE?

## WHAT IS POLICY DIALOGUE?

- ❑ **Enabling framework:** political will, actor's credibility, policy framework (in place/under formulation);
  
- ❑ **Parallel formal/informal dialogue linked to policy making:**
  - *Domestic policy dialogue on national or sector policy*
  - *Country- Donor Policy dialogue*
  - *Intra-donor policy dialogue*
  
- ❑ **Political dimension** (choice of interlocutors; intra and cross sector trade-offs...)

# WHAT LESSONS FOR POLICY DIALOGUE?

## HOW TO CONDUCT POLICY DIALOGUE?

□ ***Policy dialogue is an “Art” rather than a science....***

□ *Principles for PD & soft skills*

□ *THINK OUT OF THE BOX AND LOGFRAMES! (no predictable)*

□ **... but “to comprehend the art we must master the techniques”**

- **Knowledge** of context/sector (technical knowledge and PEA)
- **Process:** framework and actors (multi-actor dialogue)
- **Content:** *process & content* issues (regulatory, policy, planning)

□ **And we must mobilise the means to ensure credibility & added value**

# WHAT LESSONS FOR POLICY DIALOGUE?

## □ **Process:** act as a facilitator and broker (network approach)

- Map the forums, transaction costs and functional links,
- Trust within the framework (formal/informal measures)
- Credibility (tailored to capacities, continuity, access to influential level)
- Process conditions for meaningful multi-actor & multi-level policy dialogue

## □ **Content:**

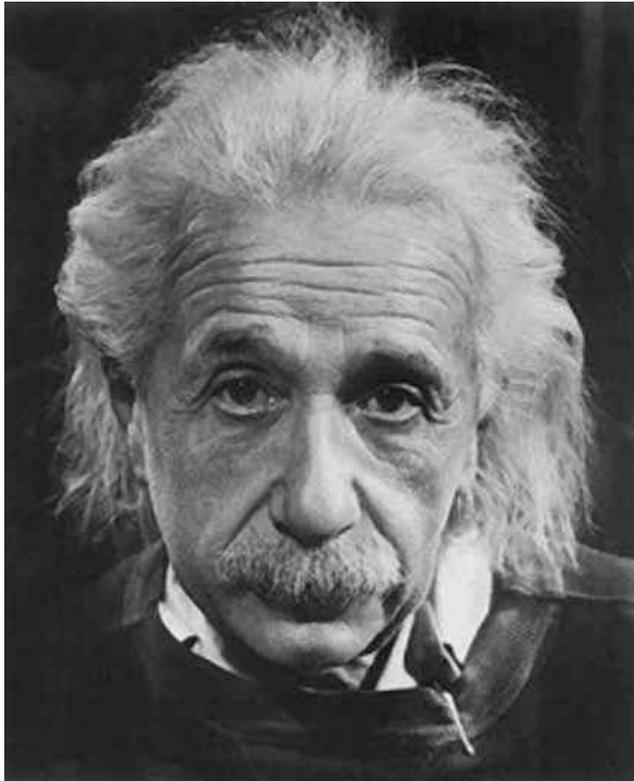
- Decentralisation (political, administrative, fiscal);
- Cross-sector dialogue & coordination (PFM, PAR, Sectors)
- Seek a balance between development/managerial issues
- Make strategic use of indicators (political economy):
  - Large matrix against « islands of excellency » approach
  - Monitoring systems (evidence-based dialogue)
  - Balance between process and result indicators

# WHAT LESSONS FOR POLICY DIALOGUE?

## □ **Means and credibility**

- Credibility comes from the ability to generate good ideas (internal/external capacities and capabilities);
- Coordination between policy and political dialogues;
- Donor coordination, harmonisation and political economy;
- Rigorous approach to assessments of conditionality and performance orientation;
- Promote evidence based dialogue.

## WHAT LESSONS FOR POLICY DIALOGUE



*“Not everything that counts can be counted, and not everything that can be counted counts”, Einstein*



**THANK YOU FOR  
YOUR ATTENTION!**

# QUESTIONS FOR DEBATE

- What are in your views and experience the difference between policy and political dialogue and how to coordinate?
- Process: What can donors do when policy coordination and dialogue is not taking place at domestic sector level first? Can the play facilitator/broker role and how?
- Content: how can one evolve and address cross sector issues?