

Session 1.1. Introduction: Aid Effectiveness, Decentralisation and Local Governance

INTRODUCTION

This session will introduce the course topic. It explains the aim of the training as well as the course structure. By doing a learning-needs exercise, you will get acquainted with the other participants and their learning goals.

The second part of this session will discuss the relationship of decentralisation and local governance with the agenda on aid effectiveness, as a background to the central topic of this course: harmonisation, decentralisation and local governance.

First an overview will be given of different international agreements, principles, charters and guidelines dealing with decentralisation and local governance. Then, after an introduction of the informal Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD), the linkages with the Paris Declaration and Accra Agenda for Action (AAA) on aid effectiveness will be discussed by zooming in on the DPWG-LGD Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation.

BACKGROUND INFORMATION

Decentralisation and democratic local governance have gained prominence over the last two decades. The motivations and directions of reform in this area vary, however. Whether by choice or as a result of external pressures, the majority of partner countries are currently involved in some form of decentralisation. Typically, the authority of local governments is increased and efforts are made to make them more responsive and effective. As a result, local authorities and their associations have emerged as key actors of development. They offer democratic legitimacy, proximity to citizens and capacity to mobilise local actors. It is thus a shared responsibility of national and sub-national governments, civil organisations and citizens to promote development in this area (DPWG-LGD, 2008).

Several international declarations and guidelines recognise the importance of decentralisation and local governance:

- The European Charter on Local Self-Government, 1988 (box 1.1.1)
- The World Charter for Local Self-Government, 2000 (box 1.1.1)
- The UN-HABITAT Agenda, 1996 (box 1.1.2)
- The UN-HABITAT International Guidelines on Decentralisation and Access to Basic Services for All, 2009 (box 1.1.2)
- The UN-HABITAT International Guidelines on Decentralisation and Strengthening Local Authorities, 2007 (box 1.1.2)

- European Charter on Development Cooperation in Support of Local Governance, Adopted by Platforma, the European Platform of Local and Regional Authorities for Development, in Strasbourg, 2008 (box 1.1.3)
- Kampala Call to Action: Pursuing the MDGs through Local Development, adopted at the Global Forum on Local Development in Kampala, 2010 (box 1.1.4)

Box 1.1.1: European and World Charter of Local Self-Government

The European Charter of Local Self-Government, which was adopted in 1988 by all EU member countries, recognises that local authorities are one of the main foundations of any democratic regime, and that the right of citizens to participate in the conduct of public affairs is one of the democratic principles that are shared by all Member States of the Council of Europe.

The Charter expresses the conviction that the existence of local authorities with real responsibilities can provide an administration that is both effective and close to the citizenry, and that the safeguarding and reinforcement of local self-government in the different European countries is an important contribution to the construction of a Europe based on the principles of democracy and the decentralisation of power. This entails the existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment.

It was only in the year 2000 that a draft World Charter for Local Self-Government was presented at the UN-HABITAT conference in Nairobi to draw up an internationally agreed-upon framework for the practice of local democracy, as a vital contribution to improving people's living conditions in cities all over the world. It was supported by world associations of cities and local authorities.

From a press release by UN-HABITAT: "The World Charter for Local Self-Government is an important step towards international recognition of the important role played by local authorities in the future of our cities," said Joan Clos, Mayor of Barcelona, Chairman of the Advisory Committee and President of Metropolis and the World Association of Cities and Local Authorities Coordination (WACLC).

Box 1.1.2: UN-HABITAT guidelines

The UN-HABITAT Agenda, adopted in 1996 in Istanbul, recognises that sustainable development of human settlements can be achieved through the effective decentralisation of responsibilities, policy management and decision-making authority (including the authority to collect revenue) to those local authorities closest to and most representative of their constituencies. It also recommends that governments should examine and adopt, as appropriate, policies and legal frameworks from other states that are effectively implementing decentralisation.

Based on the UN-HABITAT Agenda, International Guidelines on Decentralisation and Strengthening of Local Authorities were approved by the Governing Council for UN-HABITAT in 2007, to promote good governance at all levels and to strengthen local authorities. They were meant as a catalyst for policy and institutional reform at the national level to further enable and empower local authorities to improve urban governance in attaining the millennium development goals related to human settlement. They cover to the following themes:

- governance and democracy at the local level
- powers and responsibilities for local authorities
- administrative relations between local authorities and other spheres of government
- financial resources and capacities of local authorities

In 2009, the Guidelines on Access to Basic Services were added and approved by the member states of the United Nations, resulting in the publication “International Guidelines on Decentralisation and Access to Basic Services for All”.

Box 1.1.3: European Charter on Development Cooperation in Support of Local Governance

The European Charter on Development Cooperation in Support of Local Governance, adopted in Strasbourg in 2008, sets out principles and modalities for more effective cooperation in support of local governance and decentralisation in partner countries. It builds on the principles of the Paris Declaration and aims to define and share principles of action in supporting local democratic governance and decentralisation, adapted to the specificities of local contexts. It promotes the following interventions:

- promoting a national framework fostering local democratic governance
- strengthening democratic governance at the local level
- promoting social and economic development for the reduction of poverty and inequality
- strengthening fiscal decentralisation and local authorities' financing

Box 1.1.4: Kampala call to Action

The Kampala call to action, adopted in October 2010 by national governments and their development partners, calls for a joint effort to support an approach based on 'local development through local government' (LDLG) in order to accelerate the achievement of the Millennium Development Goals (MDGs). The approach relies on the design and management by local governments of local development strategies to achieve sustainable development. The document promotes the following:

- the role of local governments in preparing, implementing and monitoring national development policies to achieve the MDGs
- the further development of legal and institutional frameworks, local capacity and financial incentives for local governments to efficiently implement national policies and develop their own local policies, foster civic engagement and mobilise local resources
- the meaningful effect at all government levels of agreed-upon international principles and standards on local democracy, good governance and decentralisation, as well as monitoring their practical implementation

LINKAGES BETWEEN DECENTRALISATION AND AID EFFECTIVENESS

The growing international attention to decentralisation and local governance, as well as the need to increase aid effectiveness as expressed at the Paris and Accra meetings, form the background for the establishment of the informal DPWG-LGD in 2006.

The aims and activities of the DPWG-LGD:

- enhance coordination and harmonisation of assistance in the area of decentralisation and local governance
- contribute to an improved understanding of different donor approaches
- build consensus around fundamental issues to be considered when supporting decentralisation and local governance processes

The DPWG-LGD promotes sharing experiences and good practices through the following:

- regular meetings and workshops
- preparation of studies to take stock of experiences
- preparation of guiding principles and guidelines
- capacity development

Below, we introduce the general and specific guiding principles for enhancing alignment and harmonisation on local governance and decentralisation that have been developed by the DPWG-LGD in order to improve aid effectiveness. The general guidelines provide an overall framework for alignment and harmonisation in general. The specific guidelines cover the central fields of action under the general principles and focus on steps to be taken by the DPWG-LGD at both headquarters and the country level in order to apply the principles in a more operational manner, adapted to country contexts.

The general guiding principles

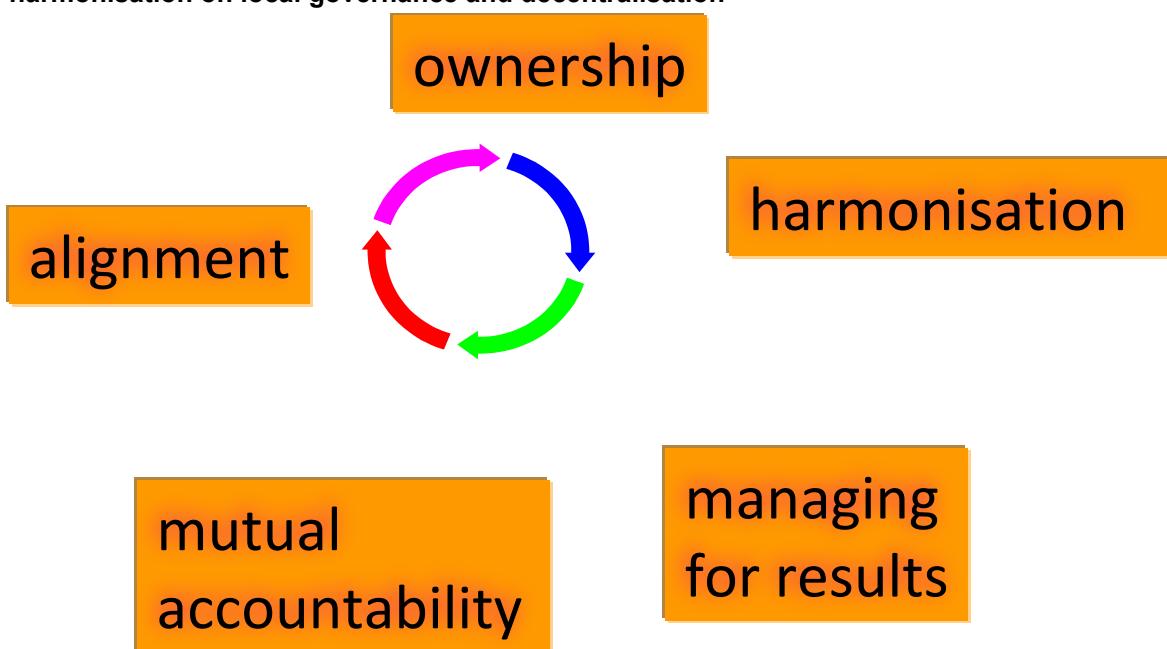
The general guiding principles for enhancing alignment and harmonisation on local governance and decentralisation, prepared by the DPWG-LGD in 2008, are based on the principles as defined in the Paris Declaration: ownership, alignment, harmonisation, managing for results, and mutual accountability. These five pillars are interdependent, and provide a solid framework for improving alignment and harmonisation in general (see figure 1.1.1).

The five pillars:

- *Ownership*

Partner country ownership is a key factor in the harmonisation of development partners' efforts. For local governance and decentralisation, in particular, this entails ownership at various levels: central government, local government, parliament and civil society. Elected local governments and their associations are key actors in local governance and decentralisation and they have their own autonomous spheres of public action. Local governance and decentralisation should be seen as political processes at multiple levels and as forming an integral part of public-sector reforms, poverty reduction and democratisation. The multi-actor and multi-level process of local governance and decentralisation implies that special attention should be given to establishing a dialogue to promote ownership at all levels. The commitment of central government is a precondition for effective support, and broad capacity building and development initiatives are key in most reforms in local governance and decentralisation. However, capacity building will not, in itself, create well-functioning and capable local governments (DPWG-LGD, 2008).

Figure 1.1.1: The five major pillars of the general guiding principles for enhancing alignment and harmonisation on local governance and decentralisation



Source: DPWG-LGD (2008).

- *Alignment*

Generally, the stronger the partner governments' commitment to and ownership of local governance and decentralisation are, the more the development partners become aligned to approved national strategies. The extent to which the support of development partners is aligned to legal frameworks, national strategies and policies, and is based on existing country institutions, systems and procedures differs greatly from country to country. Alignment can be facilitated by partner governments and development partners engaging in the elaboration of an overall strategy for development assistance (a joint assistance strategy). Local governance and decentralisation need to be reflected prominently in strategy papers on poverty reduction to avoid conflicting frameworks for alignment. When a clear national framework is lacking, alignment and harmonisation require continued support from development partners on policy and strategy development (DPWG-LGD, 2008).

- *Harmonisation*

Harmonisation refers to how development partners work together to minimise transaction costs to both recipients and themselves, as well as to improve the effectiveness of support. The coordination and harmonisation of policies and practices of DPs need to result, ideally, in an alignment with country policies, structures and procedures. On the other hand, if development partners are all aligned to national strategies, the need for harmonisation will be less. In the wide field of local governance and decentralisation, effective support largely depends on a well-coordinated set of interventions and, where possible, joint action (DPWG-LGD, 2008).

- *Management for results*

Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making. For support to local governance and decentralisation, development partners must commit to linking country programming and resources to results monitored through national and local systems, and to harmonising their monitoring and reporting systems, aiming for ultimate reliance on national and local systems.

- *Mutual accountability*

A major priority for partner countries and development partners is to enhance mutual accountability and transparency in the use of development resources. Support for decentralisation aims, in particular, to enhance local governments' accountability to increase domestic accountability, as well as modalities for downwards, horizontal and upwards accountability (DPWG-LGD, 2008).

SPECIFIC GUIDING PRINCIPLES

The specific guiding principles for enhancing alignment and harmonisation on local governance and decentralisation (see box 1.1.5) form the practical follow-up of the general guiding principles, as they apply to specific country contexts. This is based on the outcomes of previous studies, indicating that *the challenges of improving alignment and harmonisation are closely linked to two*

factors: (1) how advanced the decentralisation process in the country is and (2) what the overall approach of government to coordination of support to development partners is.

The specific guiding principles are in line with the outcomes of the AAA (2008), in which it is recognised that, to improve aid effectiveness, there is a need to broaden the concept of ownership to include multiple actors: i.e., national governments, local governments, parliaments and civil actors. In other words, lines of accountability should not only be to the donor (mutual accountability) but also to the people (citizens) in the partner countries (domestic accountability).

The AAA identifies three major challenges to accelerate progress on aid effectiveness:

1. country ownership,
2. building more effective and inclusive partnerships
3. achieving development results—and openly accounting for them—which must be at the heart of all that is being done

The AAA ends up with a political commitment to design country-based action plans that set out time-bound and monitorable proposals to implement the Paris Declaration and the AAA.

The specific guiding principles, as formulated by the DPWG-LGD, are shown in box 1.1.5. The course will pay attention to all elements in the different sessions, and you will have the opportunity to actively reflect on the guiding principles in the wrap-up sessions at the end of each day.

Box 1.1.5: Specific Guiding Principles

Ownership

1. Acting strategically to strengthen the national framework and key actors in fostering decentralisation and local governance
2. Taking the decentralisation and local governance context as a starting point
3. Strengthening the domestic development capacity to plan, implement and adjust decentralisation and local governance reforms at all levels

Alignment

4. Designing aligned response strategies according to the degree of ownership, commitment and political will towards decentralisation and local governance
5. Committing development partners to ensuring synergies and consistency between support to the national decentralisation framework and the sectors
6. Strengthening fiscal decentralisation and local authorities' financing

Harmonisation

7. Building on and strengthening nationally driven policies on local governance and decentralisation with harmonised strategic responses from development partners to different degrees of and commitment to decentralisation and local governance
8. Implementing division of labour among development partners so that the mix of support programmes and aid modalities cover the key issues and actors in country-specific process of local governance and decentralisation
9. Harmonising approaches to capacity development in sector support programmes for local governance and decentralisation
10. Adopting incentive systems in donor agencies that work in favour of harmonisation efforts

Managing for results

11. Supporting the establishment and strengthening of domestic monitoring and evaluation systems of decentralisation and local governance reforms

Mutual accountability

12. Building on and supporting decentralisation and local governance reforms that strengthen accountability on both the supply and demand sides

Source: DPWG-LGD (2009).

SUPPORTING MATERIAL

- Power point presentation 1.1: Introduction: Aid Effectiveness, Decentralisation and Local Governance
- Booklet: General Guiding Principles for Alignment and Harmonisation on Local Governance and Decentralisation, GIZ, 2009
- Handout: Specific Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation That Will Apply to Specific Country Contexts, DPWG-LGD, 2009

KEY READINGS AND BACKGROUND MATERIAL

DPWG-LGD. 2008. General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation. DPWG-LGD, Bonn.

www.capacity4dev.eu/c4d-lib/blog/general-guiding-principles-enhancing-alignment-and-harmonisation-local-governance-and-decentral

The guidelines, which have been prepared by the DPW-LGD, reflect the consensual approach on how the DPW-LGD participants can translate lessons learned and perspectives put forth by previous studies into joint action on initiatives for alignment and harmonisation that can enhance aid effectiveness in the field of local governance and decentralisation. The general guiding principles aim to foster exchange, dialogue and cooperation between actors with a view to promoting harmonisation; to encourage a common understanding of key concepts; and to improve coherence, complementarity and effectiveness of initiatives in support of local governance and decentralisation. The general guiding principles propose some central fields of action within the frame of the five pillars of the general principles that were set by the Paris Declaration: ownership, alignment, harmonisation, managing for results and mutual accountability.

DPWG-LGD. 2009. Specific Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation That Will Apply to Specific Country Contexts. DPWG-LGD, Bonn.

www.dpwg-lgd.org

After the approval of the “General Guiding Principles” in 2008, the DPWG-LGD embarked upon the elaboration of “specific guidelines for enhancing aid effectiveness that will apply to specific country contexts”. Earlier studies have indicated that the challenges of

improving alignment and harmonisation are closely linked to two factors: (1) how advanced the decentralisation process in the country is and (2) what the overall approach of government to coordination of development-partner support is. In addition to the general guiding principles, the specific guiding principles cover the central fields of action underneath these principles and focus on steps to be taken by the DPWG-LGD at both headquarters and the country level in order to apply the principles in a more operational manner.

OTHER LITERATURE

Kindornay, S. 2011. From Aid to Development Effectiveness: A Working Paper. The North-South Institute, Ottawa.

www.nsi-ins.ca/english/pdf/Kindornay.pdf

This paper describes research on development effectiveness from four different perspectives: organisational effectiveness, coherence or coordination, outcomes from aid and overall development outcomes.

Nickson, A., 2004. The Role of International Cooperation in the Decentralisation Process in Low- and Middle-Income Countries. ARI No 11/2004. Real Instituto Elcano, Madrid.

www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/cooperation+developpement/ari+11-2004

UCLG. 2009. Understanding the Link between Governance and Development. Position Paper on Aid Effectiveness and Local Government. UCLG, Barcelona.

[www.cities-localgovernments.org/upload/doc_publications/9243688416_\(EN\)_uclgpositionpaperen.pdf](http://www.cities-localgovernments.org/upload/doc_publications/9243688416_(EN)_uclgpositionpaperen.pdf)

USAID. 2009. Enhancing Coordination among Donors. Section 5.1.6 in Democratic Decentralisation Programming Handbook: 56. USAID, Washington DC.

www.usaid.gov/our_work/democracy_and_governance/publications/pdfs/DDPH_09_22_09_508c.pdf

GUIDELINES AND HANDBOOKS

OECD. 2005. Paris Declaration on Aid Effectiveness. OECD, Paris.

www.oecd.org/dataoecd/30/63/43911948.pdf

The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred ministers, heads of agencies and other senior officials adhered, committing their countries and organisations to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitorable actions and indicators.

OECD. 2008. Accra Agenda for Action. 2008. OECD, Paris.

www.oecd.org/dataoecd/30/63/43911948.pdf

The AAA was drawn up in 2008 to build on the commitments agreed to in the Paris Declaration and to accelerate progress. It contains the principles of *predictability* (donors will provide three- to five-year forward information on their planned aid to partner

countries), *country systems* (partner country systems will be used to deliver aid as the first option, rather than donor systems), *conditionality* (donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives) and *untying* (donors will relax restrictions that prevent developing countries from buying the goods and services they need wherever they can get the best quality at the lowest price).

Platforma. 2008. European Charter for Support to Local Governance and Decentralisation. Platforma, Paris.

www.platforma-dev.eu

This Charter sets out principles and modalities for better effectiveness in cooperation in support of local governance and decentralisation in partner countries. It builds on the principles of the Paris Declaration and promotes democratic governance by developing a national framework and increasing capacities and resources at the local level.

Global Forum on Local Development. 2010. Kampala Call to Action. UNCDF, New York.

www.uncdf.org/gfld/en/index.php?page=declaration

The Kampala call to action, adopted in October 2010 by national governments and their development partners at the Global Forum on Local Development in Kampala, calls for a joint effort to support a local development through local government (LDLG) approach in order to accelerate the achievement of the MDGs.

UN-HABITAT. 2009. International Guidelines on Decentralisation and Access to Basic Services for All. UN-HABITAT, Nairobi.

www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=2613

These guidelines are key to promoting good governance at all levels and to strengthening local authorities. They are intended to serve as a catalyst for policy and institutional reform at the national level to further enable and empower local authorities to improve urban governance in attaining the millennium development goals related to human settlements. The UN-HABITAT Agenda recognises that sustainable development of human settlements can be achieved through the effective decentralisation of responsibilities, policy management and decision-making authority (including revenue collection) to those local authorities closest to and most representative of their constituencies. It also recommends that governments should examine and adopt, as appropriate, policies and legal frameworks from other states that are implementing decentralisation effectively.

OTHER INTERESTING MATERIAL SUGGESTED DURING THE SEMINAR
