

9. What can development partners do?

The purpose of this note is to frame a discussion on how development partner assistance to support decentralization and subnational governments in order to achieve the MDGs can be used more productively and become better aligned with official government policy and the activities of other development partners. It considers the prevailing evidence on actual practice in this area concerning development effectiveness with respect to the MDGs, and also as it pertains to the intersection of government and development partner actions across country contexts.

By contributing to improving local development outcomes, subnational governments can serve as critical building blocks for government legitimacy and institutional development. Yet development partners must recognize that decentralization is an inherently political process (see note on The Political Economy of Decentralization). As does any process of institutional change, it requires a balance of medium-term results focus and a longer commitment to aiding capacity-building and institutional reform. At the same time, supporting decentralization implies engaging subnational entities with a range of capacities and accountability mechanisms to improve service delivery and meet the MDGs.

Since its inception in 2006, the Development Partners Working Group on Decentralization and Local Governance (DPWG-DLG) has worked to promote strategy coherence and harmonization to improve the effectiveness of local governance and decentralization operations. The group has developed a number of principles for engagement in this area, and sought to validate these based on a select number of case studies of country engagement. This note summarizes some of the initial findings for this process, and sets out several questions for discussion. It raises specific issues and spotlights tensions that are pertinent to the area of decentralization, local governance, MDGs, and considers the prospects for greater development partner harmonization to development effectiveness.

The Aid Effectiveness Agenda

Major international development assistance meetings of the past decade—the 2002 International Conference on Financing for Development in Monterrey; the 2003 Rome High Level Forum on Harmonization; the 2004 Marrakech Roundtable on Managing for Development Results; the 2005 Paris High Level Forum on Aid Effectiveness; and the 2008 Accra High Level Forum on Aid Effectiveness—have consistently emphasized a need for *country ownership, alignment and harmonization* to promote aid effectiveness.

In this context, *ownership* refers to country determination of development priorities and the coordination of aid for those goals. *Alignment* involves development partner use of national strategies, institutions and procedures. *Harmonization* requires donors to work collectively in pursuit of national development goals. These principles are *interlinked* and mutually reinforcing. The higher the degree of ownership that countries exercise over

development agendas, then the easier it is for development partners to harmonize their aid and align with national goals. At the same time, if donors have already harmonized aid and aligned with country systems, it is easier for countries to assert ownership over the development process. Nevertheless, it is important to appreciate the country-specific capacity and political economy constraints that limit the positive effects of ownership.

The Logic of Ownership, Alignment and Harmonization

The rationale for pursuing ownership, alignment and harmonization, the contemporary principles of aid effectiveness, is based on the idea that *adherence to them will have a positive development impact*. The Paris Declaration on Aid Effectiveness (2005) specifically states that these principles, along with management focused on results and mutual accountability, “will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.”

This increased effectiveness is anticipated for three main reasons. First, harmonization and alignment would *reduce transaction costs*. Donor use of common arrangements for planning, funding, disbursing, monitoring and evaluation is expected to reduce the time spent by national governments on duplicate interactions with multiple donors, thus freeing up the human and capital resources that are currently expended on these activities.

Second, the use of country systems that results from alignment would *improve capacity* in those systems. Reliance on external implementation, procurement, financial management, audit, monitoring and evaluation systems means that preexisting government bodies are being used less frequently, which impedes the development of technical skills within these agencies. Parallel donor-funded systems, in fact, can reduce the quality of a national bureaucracy by siphoning off qualified staff.

Third, harmonization among donors in the form of information-sharing, joint planning, joint policy dialogues with the government and joint reviews of operations should lead to *efficiency gains in aid and service delivery*. The goal is to ensure that donors plan support that will not overlap geographically or substantively or inadvertently overlook key needs. In addition, harmonization would reduce variability and uncertainty in aid flows. If donors can ensure that countries are not overwhelmed with or deprived of funding, the resulting stability would facilitate national planning and budgeting.

At the same time, many practitioners may question the value of focusing on harmonization as an end in itself. Mechanical harmonization may reduce innovation and detract partners from engaging in more risky innovations that promised to make a significant impact on later trajectories of institutional reform.

The Role of Development Partners in Decentralization Reform

These prevailing principles of aid effectiveness have become a focus of attention with respect to decentralization support. The DPWG-DLG has adopted these principles as part of its own agenda. At the same time, the *behavior of donors providing assistance to decentralization has lagged behind these statements of intent*. A number of issues are commonly observed.

Are Donor Partners Pushing Norms and Neglecting Context?

Development partner support is often framed around technical and normative issues, with *insufficient attention to political and institutional realities and national reform priorities*. Individual donors sometimes must (or feel they must) support their own institutional policies, even when they are not fully consistent with official policy in the country they are supporting, or when they clash with other donor programs. In some cases, the reforms being promoted are inconsistent with country context. They may also require more change than the country can absorb, with little attention to a realistic implementation strategy.

Are Development Partners Privileging Their Own Needs Over Capacity-Building of Beneficiary Institutions and Systems?

In order to facilitate compliance with their own *management and accountability requirements*, development partners may insist that the government adopt their preferred procedures and modalities. In many cases, they continue to work through separate implementation units or other parallel or semi-parallel mechanisms. Inconsistent procedures and separate mechanisms may inhibit the development of a unified system and place a significant burden on national and subnational government counterparts.

Despite considerable rhetoric, the *immediate interests of development partners are not always aligned with institution- and capacity-building*. Such efforts are time-consuming and difficult, and they frequently delay disbursement of resources needed to justify funding requests for the following year. The pressure to follow disbursement schedules, however, may keep funds flowing even when they cannot be absorbed effectively or when the program may be undermining decentralization in the long term.

Is there Sufficient Development Partner Consultation and Coordination?

When a development partner has specific priorities and mandates, its *perspectives on decentralization may be incompatible with those of other donors*. If decentralization is viewed through the lens of public financial management (PFM) or civil service reform, there may be a focus on central standards and control. A sectoral lens often frames reform as deconcentration or facility-based autonomy rather than local government roles. A local government perspective emphasizes local accountability/governance and fiscal autonomy. When targeting citizen empowerment through local democracy promotion or community-driven development, donor initiatives may, due to mistrust

of formal government institutions, ignore or bypass elected and legally empowered local governments, undermining them. In any of these cases, donors may focus on specific reforms and target only certain subnational levels or individual jurisdictions, or alternatively, sidestep all levels of government.

These concerns are not exclusive to donor behavior. Some *individual agencies are also internally diverse*: departments of the same donor may be fragmented along dimensions similar to central bureaucracies of developing countries. They may support or undermine decentralization accordingly, their positioning based on agency departmental philosophy and mission rather than on country priorities or empirical evidence.

Do Donor Partner Actions Sometimes Reinforce Problematic Country Dynamics?

The perspectives and derivative actions between and among development partners can be consequential for decentralization. Different agencies or units of a large agency may *work in client countries with specific agencies that hold their own views on decentralization*. But these agencies often constitute only a portion of the diverse set of country actors involved in decentralization and local development. More than likely, they concentrate only on particular aspects of reform, and their views and approaches may be substantially at odds with those of other national agencies.

In other words, development partners, like national agencies in the countries they work in, are driven by heterogeneous and sometimes incompatible objectives. In pursuing these objectives, they and/or their constituent departments may *reinforce tensions among these national agencies* by defining activities that are mutually beneficial to the two parties directly involved but incompatible with official government policy. Thus, one donor or department may provide support to PFM or civil service reform with a Ministry of Finance or Civil Service, but develop systems that differ from those defined under local government reforms supported by another donor (or his department) working with the Ministry of Local Government.

While other reforms are underway, a sectoral department of one or more donors may be promoting service delivery reform for a particular sectoral ministry using systems that do not coincide with those evolving under PFM, civil service or local government reforms. Sector-wide approaches (SWAs) coordinate donors working in the same sector, but rarely involve those working on other related reforms. The tendency of SWAs to centralize initiatives under a sectoral ministry may reinforce the centralizing tendencies of PFM or other reforms under different agencies. It not uncommon for the *various reforms being undertaken at various ministries, with the support of different development partners, to push the development of institutions and procedures relevant for decentralization in inconsistent directions*, with potentially deleterious effects on outcomes, as illustrated by the background cases of DRC, Indonesia, and Uganda that this note considers.

The Potential Limits of Ownership, Alignment and Harmonization

Although it is clear that the lack of adherence to aid effectiveness principles can create problems for decentralization, it is less clear *how strictly these principles should be followed*. Harmonization and alignment may involve *tradeoffs*. Some tradeoffs are rooted in the complex motives of donors, such that bureaucratic, strategic and financial interests may contend with their charge to promote development. If donors “do the right thing” in terms of harmonization, for example by providing support in a way that conflicts with their institutional mandates, they may jeopardize their funding.

Other tradeoffs are related to *political economy and capacity factors* in the countries receiving assistance, which may limit the effectiveness of principle-based interventions and even undermine developmental impact. If, for example, development partners try to align with the formal decentralization framework where political/bureaucratic dynamics are at odds with official policy, aid effectiveness can be reduced. In countries where bureaucratic capacity is low, donors should not blindly embrace country systems any more than they should simply bypass them to achieve immediate results. Instead development partners must carefully design their use of country systems, both to build capacity and to ensure that concrete actions are taken to support development and poverty reduction. Many such tradeoffs will emerge in specific country cases.

Discussion Questions:

There are many possible questions about improving the quality and effects of aid for decentralization, but the following are particularly relevant for advancing the post-Accra process:

1. What can national governments do to help to ensure that development partner support to decentralization follows key principles of aid effectiveness (ownership, alignment and harmonization)? What can be done to facilitate a national consensus on decentralization and how to develop it? Is government coherence on the issues a pre-condition for effective harmonization?
2. How can development partners and governments individually and collectively assess tradeoffs involved in applying the prevailing aid effectiveness principles? Once specific decisions are made about how to proceed, what are the most effective mechanisms and procedures for managing and overseeing the process?
3. What mechanisms have development partners used to align and harmonize aid for decentralization? What are the advantages and disadvantages of each? Are certain mechanisms more effective in general or in particular situations? Is there any scope for new types of mechanisms, processes and agreements?
4. How can DFG support be mainstreamed into the PFM/PSM and sectoral reforms undertaken to achieve the MDGs?
5. Are there tensions between achieving MDGs and long-term institution-building at both the national and subnational level?