

Session 2.3. Linkages between Decentralisation and Sector Support

INTRODUCTION

After the elaborate discussion of the three components of decentralisation (political, administrative and fiscal) and their coherence, the afternoon of Day 2 will be dedicated to the relationship of decentralisation with sector-support programmes. The central question is how can sector-support programmes and decentralisation reforms become mutually reinforcing? This relates to specific guiding principle 5: sector-support programmes should help to strengthen decentralisation.

After an opening exercise, in which you have to place yourself on the lines between international-local and decentralisation-sector, you will explore the relationship between sector support and decentralisation in development processes. The impact of sector approaches on decentralisation and local governance will be discussed as well as the (potential) benefits of decentralisation for improved sector performance. It will be argued that sector approaches tend to overlook the role of local and regional governance in public service delivery (the micro-macro gap), along with explanations of the, often, delayed effect of decentralisation on service delivery and poverty reduction in practice.

Country examples of and tools for creating linkages between decentralisation and sector support, such as the consistency check and lessons learned, will be presented.

Three working groups will analyse and discuss a country case from one specific sector, derived from the practice of one participant. The cases illustrate sector objectives and decentralisation policies, assignment of functions between the different government levels, inter-administrative and fiscal arrangements, issues around human-resource and capacity development and the impact on access and quality of public services. The cases also provide greater insight into how decentralisation in sectors can contribute to service delivery.

The second part of the working groups and the plenary feedback session focus on what donor partners could do to better integrate decentralisation and sector support. You will discuss questions related to your own working practice and gather ideas for sector support programmes that are coherent with or even strengthen decentralisation.

BACKGROUND INFORMATION

The main challenge for this afternoon's session is how to combine sector support programmes and decentralisation reforms so that they reinforce each other in improving service delivery. Remember *specific guiding principle 5*, which underlines the importance of ensuring that sector support programmes do not run counter to decentralisation.

One of the main objectives of decentralisation is improving service delivery and poverty reduction by making governments more responsive to citizens' needs, improving access to and quality of public services and strengthening accountability. The delivery of services to the population of a country needs to be geographically dispersed. This automatically involves not only the sector ministries in the capital but also regional and local governments. Distribution of functions and responsibilities between the different levels of government and inter-institutional arrangements can vary considerably between sectors, depending on the service that is provided.

Boex (2010) identifies six main obstacles to service delivery at the local level, three of which have to do with technical obstacles and three with political and institutional constraints (see Box 2.3.1).

Box 2.3.1: Obstacles for improved service delivery at the local level

Technical obstacles

- Weak capacity of local government
- Poor design of decentralisation reforms and weak intergovernmental systems
- Absence of linkages between the national poverty-reduction strategy and the local public sector

Political and institutional obstacles

- Resistance because of domestic political considerations
- Resistance by central bureaucracies (line ministries)
- Centralising bias of the international development community

Source: Boex (2010).

Both the country characteristics and the sector-specific arrangements between the different government levels have an important influence on the quality of and access to public services. For the benefits of decentralisation to materialise, a technically sound system of inter-governmental relations is required in which there is a balance between political, administrative and fiscal mechanisms. Poorly designed decentralisation reforms and weak inter-governmental systems are important obstacles for improved service delivery.

For understanding weak performance at the local level, it is important to look not only at the technical obstacles but also at the political and institutional obstacles. Even when there are laws, policies and systems in place, the commitment of (sector) ministries to implement decentralisation and involve local governments is often weak. There are several reasons for this. Some have to do with time constraints. Poverty-reduction strategies and the objectives of the millennium development goals aim at concrete results in the short and medium term, while involving sub-national levels of government requires more time: tasks and responsibilities between the different layers of government have to be defined, and coordination mechanisms installed. Moreover, engaging in consultation processes both between national and sub-national levels and between government and nongovernment actors is time consuming and less efficient.

It is also important to look at the role of the donor community. Donors tend to focus on national governments and to overlook the local and intermediate level. They may even reinforce local dependency on the centre and undermine the decentralisation process because of the following:

- Channelling resources through central ministries strengthens their control over the entire sector.
- The lack of incentives for the centre to involve lower levels of government or civil society reinforces top-down planning and budgeting and reduces the influence of local governments in the formulation of sector strategies.
- Earmarked funds reduce the flexibility of the local level to respond to the demands of the community.
- Fiscal transfers from the centre often require excessive reporting from lower to central government levels, at the expense of local authorities' accountability to their own community.
- Clear roles and responsibilities are often lacking, as is capacity at the different levels of government, making it difficult for an effective transfer of responsibilities and resources.

The sector-wide approaches (SWAPs) that emerged in the 1990s as an alternative to project support increased alignment with national policies as well as the capacities of national ministries. However, other aims, like the increase of government ownership and improved quality of services at the local level, have only partially been reached. Reesch (2007), in her article about micro-macro-linkages in sector-wide approaches, looks at the negative side effects of SWAPs. The focus on national ministries, sector programmes and budget support, in combination with project support at the community level, creates a “micro-macro gap” in which the intermediate level—also referred to as the “missing middle—is overlooked. See Box 2.3.2 for lessons on SWAPs and Box 2.3.3 for the case of Uganda, which illustrates the strong dependency on sector ministries.

Decentralisation can help in overcoming the micro-macro gap because it strengthens lines of accountability from the national to the local level and vice versa, as well as from local authorities to their constituencies.

Box 2.3.2: Lessons on SWAPs

The Joint Learning Programme (JLP) on Sector-Wide Approaches, a sub-programme of the Train4Dev network, has summed up lessons learned in the paper “SWAPs in motion”. This document, based on several regional JLP-seminars, looks at the tendency of donors to engage with partner governments in top-down planning in which central ministries determine what needs to be done. It notes that this may interfere with decentralisation reform and established mandates of sub-national governments, and may not be based on real local needs and priorities. The authors recognise that most SWAPs have failed to take on board relevant stakeholders outside central governments—not only local governments but also civil organisations—in policy formulation, implementation and monitoring.

Source: Boesen and Dietvorst (2007).

Box 2.3.3: Uganda: Impact of sector programmes on local government

The case of Uganda shows a number of examples of top-down planning in sector programmes where local needs and priorities were disregarded.

- The fact that town councils receive funding for only two sector programmes (namely, water and roads) and the other sector programmes (health, education, agriculture) are controlled by the districts restricts the discretionary powers of town councils to fully manage their budgets/plans.
- Priority setting by municipalities is limited by the fact that they cannot use sector funds for activities like street lighting, garbage collection and traffic management, which are the top-priority expenditure lines for most urban councils.
- Guidelines for the road sector prohibit urban governments from using sector funds for renovating their tarmac roads, since the sector programme only covers feeder roads.
- Local circumstances in the housing market were not taken into account in the education sector, thereby creating inequalities between the supply of teachers in urban areas (where housing is expensive) and in rural areas.
- Most sector programmes base their budget allocations on population numbers, overlooking the fact that the statistics ignore the almost-double day populations (commuters) which urban authorities have to handle.
- Municipalities are not allowed to use sector programme funds for co-financing the activities of other donors (even when such activities fall under the same sector).
- Support to developing the capacity of local authorities is determined by line ministries, based on the needs of the particular sector. Since there is little coordination between the sectors, this runs the risk of duplication and a lack of coherence in capacity development at the local level. Moreover, the opportunity for districts to identify their own capacity needs is limited, and the development of general capacities, like management, administration, planning or accountability, is ignored.

Source: Kasumba and Land (2003).

MIXED RESULTS ON SERVICE DELIVERY AND POVERTY REDUCTION

The obstacles described earlier clarify why there is often no clear positive impact of decentralisation on service-delivery outcomes. Research in different countries and various sectors on the impact of decentralisation on service delivery and poverty reduction shows mixed results.

A study by the OECD concluded that of 19 countries, in only one-third had decentralisation actually led to poverty reduction. In the majority of cases, decentralisation had no impact at all. The study identified the following characteristics of positive performers:

- reforms inspired by desire to improve social, economic and political conditions
- governments visibly believing in the process and the ability to shape it
- decentralisation programmes adopted by design
- governments capable of carrying out reforms with transparency, participation and coherent policies
- a comprehensive approach adopted, which concurrently undertook political, fiscal and administrative decentralisation

- real delegation of power to lower tiers of government, rather than just decentralisation

The OECD lessons learned on donor support to decentralisation and local governance stress the need to further examine the conditions under which decentralisation improves service delivery to underprivileged groups, including the poor.

The lack of clear effects from decentralisation on service-delivery outcomes is often used as a reason for re-centralisation. However, the issue should not be whether or not to decentralise but how to design and implement decentralisation policies in such a way that they contribute to achieving national objectives in service delivery.

Country examples and lessons learned

Let's go back to the challenge formulated earlier: How do you design sector programmes in such a way that sector support and decentralisation processes will strengthen each other?

There are several examples of EU support in which different forms of support to sectors have been accompanied by measures to support decentralisation and local governance (see Box 2.3.4). See also the example of a sector-support programme in water and sanitation that shows that technical support teams, monitored by the national government, can effectively support the capacity of local governments to manage water systems and involve different stakeholders (Box 2.3.5)—not only in line with decentralisation reforms but even strengthening them.

Box 2.3.6 gives an overview of the lessons learned on balancing EC support between different levels of government. Another tool that may be helpful is the checklist that can be used by donors to check whether sector support is consistent with the decentralisation policies in a country (Box 2.3.7).

Box 2.3.4: Examples of sector programmes that include support to decentralisation

In *Honduras*, the EC supported the development of sector policies by

- Providing funding for projects aimed at promoting service delivery at the local level
- Stimulating the formulation of a sector policy
- Supporting the national decentralisation strategy and wider government-led institutional reform

In *Niger*, the EC has supported the young decentralisation reform process via

- Budget support for macroeconomic stability and public finance
- Sector budget support, especially the education sector, by addressing the sector's high level of centralisation and the weaknesses in human-resource policy, definition of functions and communication between the centre and the regions
- Complementary projects to improve management and planning

Another example is *Senegal*, where the health and education sectors are supported with non-targeted budget support through central government systems. In addition, programmes have been developed to strengthen local development initiatives as well as the capacity of sector ministries for maintaining a dialogue with and monitoring performance of lower levels of government.

The employability programme in *Syria* is an example of developing the decentralisation process from the bottom up. The programme on vocational education and training for employability aimed at stimulating demand-led vocational training at the local level. On the basis of local experiences, a new, decentralised vocational training and employment policy for the sector could be formulated at the central level.

In the *Philippines*, the process of redefining the role of the national level in the health sector has been supported by taking local priorities and budgeting responsibilities into account.

- Local government operational plans that build on the pillars of the health-sector and public finance-management reform were formulated. These plans form the basis for fiscal transfers from the centre.
- Memoranda of understanding were developed between the Ministry of Health and the provinces. These define the implementation modalities of the programme and the roles and responsibilities of the respective parties.

Source: EuropeAid (2007).

Box 2.3.5: Reinforcing the decentralisation process through sector support

An imaginary example of a sector-support programme in water and sanitation improving local government water management is a programme in which the Ministry of Water and Lands has established technical-support teams at the regional level. These technical teams support the decentralisation process by building capacities for water management at the local government level (districts). They transfer technical knowledge about water systems and their maintenance and provide knowledge and information about institutional and organisational aspects of water management. They also support the local government units in the coordination with other sectors, the involvement of NGOs, the set up of village water-management committees, monitoring, etc. The water-sector programme ensures that the ministry monitors and evaluates all activities executed by the technical teams.

Source: EuropeAid (2007).

Box 2.3.6: Lessons on balancing EC support between different levels of government

Provide support for capacity development at all levels of government. Staff and systems need to be strengthened at the decentralising levels (e.g., staff in the local government sector) as well as at the deconcentrated levels of government (e.g., regional technical-support services). Such capacity strengthening should pay attention to enhanced vertical integration within a sector (intra-sector integration and coordination) but should also stimulate horizontal interactions between sector staff and colleagues working at the same level in other sectors.

Where possible, stimulate the execution of discretionary powers. Local governments need to have some minimal space to experiment and build their capacities according to their own insights and priorities. Inter-governmental financial transfers from the centre to local governments for a particular sector should—in principle—allow for the execution of a minimal amount of discretionary power. At the same time, the sector-support programme needs to ascertain that these transfers are used in line with the priorities set for the sector, for instance, through monitoring and evaluation systems that pay particular attention to discretionary spending.

Recognise that the principle of subsidiarity is applied. In a decentralising environment, responsibilities and tasks should be executed at the lowest possible level of government and society. A capacity assessment—ideally done during identification and formulation—can help to determine the lowest possible level to take on these responsibilities and tasks. This could be within government (e.g., district administrations or municipalities) or NGOss that provide services or are engaged in monitoring activities.

Do not forget the governance dimension. Considerations of technical and managerial efficiency related to the delivery of services should take equal account of the governance dimensions of the decentralisation process. For the education sector, for example, this could mean that some educational funds are transferred to the school level and that the users of school services are directly involved in monitoring school expenditures through parent committees or school boards. This way, new accountability relationships are established that might stimulate new forms of governance.

Apply a multi-actor perspective. Not everything has to be undertaken by the state or by its lower levels of government. Often government lacks sufficiency and is better advised to engage in public-private partnerships with NGOss or private-sector entities working at the national, regional or local level. Involving NGOss in service delivery can be particularly worthwhile in areas where government presence is weak. While applying a multi-actor perspective, sector support needs to ensure that all actors work in line with the policies and priorities set for the sector.

Each sector needs to be dealt with in its own right. Each sector has its own specific challenges and types of actors. Health and education, for example, are traditionally more centrally managed, since they require the application of certain professional standards and have a level of complexity for which it is difficult to find adequate capacity at the decentralised levels. Agriculture, on the other hand, has a great number of private-sector actors with diverse profiles and activities.

Support-sector ownership and donor coordination. The complexities of supporting decentralisation through sector-support programmes require an intense dialogue with government and good-quality coordination among the development partners. Equally important is for EC sector-support programmes to be consistent and coherent with the country's own decentralisation policy.

Source: EuropeAid (2007).

Box 2.3.7: Consistency check for sector support

Legal context

- Is there a legal framework that outlines and defines the roles and responsibilities of the respective levels within government?
- How does the legal framework foresee the relationship of the sectors vis-à-vis the decentralised levels in government?
- Is the legal framework enforced?

Policy

- Is the sector support consistent with the decentralisation policy of the partner government?
- Is the sector support in line with the decentralisation policy and guidelines of the EC?

Dialogue and coordination

- To what extent did a policy dialogue take place with the partner government?
- At which level of the partner government did the dialogue about the planned intervention and

its objectives, outcomes and effects take place (central, regional, decentralised) and with whom?

- Regarding consultation and coordination with other development partners, is the planned sector support consistent with the decentralisation support interventions of other partners?
- Did consultations take place with nongovernmental actors active in the sector?

Implementation

- To what extent are the implementation arrangements (central management, decentralised management, financing via international organisations) for the sector support consistent with efforts to support decentralisation?
- To what extent are the financing modalities (sector budget support, pool funding, EC procurement and grant procedures) for the sector support consistent with efforts to support decentralisation?
- Where nongovernmental actors will be involved in the implementation of the sector-support programmes, how will arrangements ensure that their work does not undermine efforts to strengthen the decentralisation process?

Capacity development

- Do capacity-development activities of governmental and nongovernmental actors and their organisations for the sector take account of the decentralisation policy?
- Are the systems and procedures set up in such a way that they do not undermine efforts to support decentralisation?

Accountability

- How is accountability in the sector-support programmes arranged? Is it consistent with the decentralisation policy or efforts to support decentralisation?
- To whom and at which levels are the actors accountable? Only upwards (which might weaken efforts to strengthen decentralisation and local governance)?

Source: EuropeAid (2007).

KEY READINGS AND BACKGROUND MATERIALS

Boesen, N. and D. Dietvorst. 2007. SWAPs in Motion: Sector Wide Approaches: From an Aid Delivery to a Sector Development Perspective. Produced for the Joint Learning Programme on Sector Wide Approaches and the Aid Delivery Programme—EuropeAid. Train4Dev-network.

www.train4dev.net/fileadmin/Resources/Working_documents/Report_SWAP-in-Motion_07.pdf

The paper takes a closer look at experiences with sector-wide approaches (SWAPs) as discussed in the Joint Learning Programme events of the Train4Dev-subgroup on SWAPs. The authors analyse the current practice of sector policies in a macro-context, public financial management, institutions and capacities, accountability and monitoring, and harmonisation and alignment. They promote moving beyond the aid-effectiveness agenda and adopt a sector-development perspective as the basic point of departure, taking into account actual sector performance, the wider political economy, governance and accountability at the sector level, and decentralisation and

deconcentration. The authors argue that during the Joint Learning Programme events, it became evident that SWAPs risk anchoring key actors from government and development partners solidly in offices, meetings and conference rooms in the capital, where they would lose touch with the realities on the ground. The authors fear that too great a focus on the vertical sector approach may come at the cost of territorial approaches that emphasise local autonomy and local government mandates.

Boex, J. 2010. Localizing the MDGs: Unlocking the Potential of the Local Public Sector to Engage in Development and Poverty Reduction. Urban Institute, Washington DC.

<http://www.urban.org/publications/412237.html>

Given the vast scale of the global development challenge, it is increasingly clear that the millennium development goals are pursued in a manner that is excessively top-down in nature and that the distance between central government authorities and their citizens is too large for central authorities to effectively empower the people over the public sector. This paper explores to what extent local public entities—whether in the form of elected local governments or through deconcentrated local departments of the national government—can contribute to achieving poverty reduction and development outcomes.

EuropeAid. 2007. Supporting Decentralisation and Local Governance in Third Countries. Tools and Methods Series: Reference Document No. 2. EuropeAid, Brussels.

<http://capacity4dev.eu/c4d-lib/document/decentralisation-local-governance-refdoc-final-en-0>

Kasumba, F. and A. Land. 2003. Sector-Wide Approaches and Decentralisation: Strategies Pulling in Opposite Directions? A Case Study from Uganda. ECDPM, Maastricht.

www.ecdpm.org/Web_ECDPM/Web/.../uganda_report_final_version.pdf

This case study describes the decentralisation policy of Uganda in relation to efforts for poverty eradication. It describes, among other things, the impact of conditional (sector) grants on decentralisation and the lack of commitment for capacity development that goes beyond concerns of project implementation. The authors give suggestions for donors to reinforce the process of decentralisation in Uganda.

Reesch, E. van. 2007. Bridging the Macro-Micro Gap: Micro-Meso-Macro Linkages in the Context of Sector-Wide Approaches. *In A Rich Menu for the Poor: Food for Thought on Effective Aid Policies*. Dutch Ministry of Foreign Affairs, The Hague.

www.gsdrc.org/go/display&type=Document&id=2914

Although sector-wide approaches have contributed to an increase in funding for delivery of social services and better management capacity at the national level, the impact on the local level is as yet less evident. This article seeks to explain the “micro-macro gap” and argues that a systematic effort is required for it to be bridged. Rather than reverting to donor-driven interventions at local levels, the challenge is to help strengthen mechanisms within the partner country that ensure more macro-micro linkages.

OTHER LITERATURE

Bossuyt, J. and J. Gould. 2000. Decentralisation and Poverty Reduction: Elaborating the Linkages. Policy Management Brief 12. ECDPM, Maastricht.

Ehtisham, A. and G. Brosio. 2009. Does Decentralization Enhance Service Delivery and Poverty Reduction? Studies in Fiscal Federalism and State-Local Finance Series. University of Maryland, College Park, MD.

Education and Decentralization: Implications for Sector Policy Dialogue. Unpublished.

Handley, G. 2009. Sector Budget Support in Practice: Literature Review. ODI, London.
www.odi.org.uk/resources/download/4578.pdf

Jütting, J., C. Kauffmann, I. McDonnell, H. Osterrieder, N. Pinaud and L. Wagner. 2004. Decentralisation and Poverty in Developing Countries: Exploring the Impact. Working paper No. 236. OECD Development Centre, Paris.
www.oecd.org/dataoecd/40/19/33648213.pdf

Jütting, J., E. Corsi and A. Stockmayer. 2005. Decentralisation and Poverty Reduction. Policy Insights No. 5. OECD, Paris.

Land, T. and V. Hauck. 2003. Building Coherence between Sector Reforms and Decentralization: Do SWAPs Provide the Missing Link? Discussion Paper No. 49. ECDPM, Maastricht.

Steiner, S. 2005. Decentralisation and Poverty Reduction: A Conceptual Framework for the Economic Impact. GIGA Working Paper No. 03. German Institute of Global and Area Studies.

Williamson, T. and Z.K. Agha. 2008. Building Blocks or Stumbling Blocks? The Effectiveness of New Approaches to Aid Delivery at the Sector Level. Good Governance, Aid Modalities and Poverty Reduction Working Papers 6. ODI, London.
www.odi.org.uk/resources/download/1526.pdf

Williamson, T. and C. Dom. 2010. Making Sector Support Work for Service Delivery. Project briefing paper. ODI, London.

GUIDELINES AND HANDBOOKS

EuropeAid. 2008. Analysing and Addressing Governance in Sector Operations. Tools and Methods Series, Reference Document No 4. EuropeAid, Brussels.
http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/149a_en.pdf

This document offers guidance to EC sector specialists on how to analyse and address governance in sector operations in a more systematic and comprehensive way. The EC and EU member states invest a considerable amount of aid in traditional sectors such as health, water and sanitation, education and transport, as well as upcoming sectors like forestry, mining, migration and security sector reform. Getting results in all these policy areas is critical to making progress towards the millennium development goals. Yet, ensuring sustainable results with sector aid is a challenging

task. Often the issue is not a lack of good ideas and funding, but political constraints and institutional issues in and beyond the sector, or what are broadly termed “governance” issues. Sector programmes sometimes face challenges because the governance environment is not conducive to them. It is therefore becoming a key consideration for EC sector specialists to ensure that governance is adequately addressed in their sector.

EuropeAid. 2007. Guidelines for EC Support to Sector Programmes: Covering the Three Financing Modalities: Sector Budget Support, Pool Funding and EC Project Procedures. Tools and Methods Series. Guidelines No 2. EuropeAid, Brussels.

http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t105_en.htm

Sector approaches or sector-wide approaches (SWAs) are processes aimed at the development of coherent sector policies and strategies. They involve governments, donors and other sector stakeholders in a unified process and framework. The Guidelines describe the key characteristics of these processes and outline how the EC believes they may best be supported. They deal, in particular, with the EC's instrument for supporting a sector programme, which is called a sector policy support programme (SPSP).

EuropeAid. 2007. Supporting Decentralisation and Local Governance in Third Countries. Tools and Methods Series: Reference Document No. 2. EuropeAid, Brussels.

ec.europa.eu/europeaid/infopoint/publications/europeaid/138a_en.htm

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

www.unhabitat.org/downloads/docs/6243_488_K0950029_HSP_GC_22_2_ADD6.pdf

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

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