Session 3.2. Identifying Strategic Options for Support

INTRODUCTION

This session looks at the design of support strategies for decentralisation, discussing issues such as sequencing, entry points and capacity building. It provides ideas and provokes discussion on obstacles to and opportunities for better harmonisation and alignment of development-partner support.

After an introduction on the basic issues that arise while designing support strategies, you will engage in a small-group discussion. You will be asked to share examples of successful support strategies and come up with a list of recommendations for designing effective support strategies for (sector) decentralisation and local governance.

The second part of the afternoon is focused on the challenges of designing aligned and harmonised support strategies. The session will start with a brief plenary presentation on the overall response strategies that are related to a country's typologies. In order to make the session practical and ensure that the discussion takes due account of the challenges and experiences from different regions, this will be followed by participants' presentations of two cases on the sequencing of support modalities and the applicability of the typologies. After the presentations, the main points will be summarised and an overview will be presented of the preconditions and action points from a review of four country practices and experiences carried out for the DPWG-LGD in 2007.

The session will end with a "fishbowl" discussion: a highly participatory form of panel discussion. You will be encouraged to join in the discussion and report on the challenges you face in harmonisation and alignment in the design of support to (sector) decentralisation and local governance. At the end of the discussion, the main points will be summarised and the conclusions will be linked back to the theory that was presented during the day.

BACKGROUND INFORMATION

Part 1: Introduction

How to identify strategic options for supporting decentralisation. Concrete strategic options for support to local governance and decentralisation should preferably be based on a thorough analysis of the country context in which the "'open-systems" approach has been applied. There should also have been a solid political economy analysis of the country context, and the different actors and stakeholders in the decentralisation process should have been mapped and understood.

EuropeAid's (2007) Reference Document on Supporting Decentralisation and Local Governance in Third Countries mentions four key considerations (focus, entry point,

sequencing and determining the capacity development approach) that need to be considered when identifying concrete strategic options.

The **focus** very much determines the nature of the decentralisation programme or project(s), which can be grounded in a philosophy of supporting processes in several ways:
- bottom-up
- top-down (which might be justifiable under certain conditions)
- a combination of both

It is also important for the focus to be clear on whether the support is to strengthen administrative deconcentration, fiscal decentralisation and/or political decentralisation (promoting the emergence of local governance and democracy). Other important questions about focus are to what extent the support should concentrate on service delivery, stimulate economic (rural) development and strengthen state institutions.

In terms of **entry points**, a variety of options may emerge from the assessment, for example:
- central government institutions
- regional governments
- local governments
- local economic actors, private companies
- civil society, NGOss, associations
- supervisory bodies, such as parliaments, audit courts and ombudsmen

The philosophy of supporting processes in a bottom-up or top-down fashion or a combination of both can be operationalised by focusing on one of these different actors or entry points. For example, in a centralised and highly controlled environment, support to nongovernmental and community-based organisations can help to create a bottom-up development dynamic that, over the longer term, might result in the creation of capacities at the decentralised level. Those capacities can be built on at later stages, when the environment is more conducive to the implementation of a national decentralisation policy.

Alternatively, there might be opportunities when the decentralisation process can be supported through broad involvement of central government institutions. Choices can be thematic (and all-encompassing, like providing training to local councillors throughout a country) or sector-specific, where one or more levels are supported (e.g., the central, regional, district and community levels).

A choice concerning **sequencing** requires a good understanding of the decentralisation process in terms of its maturity, momentum, the time it takes to advance the reform and how it can be linked with complementary government reform initiatives, such as public-finance reform. The sequencing aspect also demands thorough coordination with other development partners and the processes they are engaged in. The activities engaged in by other actors can help to determine whether development-partner support should link with that of other partners or whether the focus should be on unattended areas. Tips and tricks on sequencing are listed in Box 3.2.1.

Box 3.2.1: Tips and tricks: Some lessons learned on sequencing

Invest right from the start in a process that helps to create a shared vision on what decentralisation should be, and seek to achieve it over time.

Avoid trying to do too much too quickly.

Whenever possible, sequence decentralisation to incorporate the political, administrative and fiscal dimensions throughout the process.

Prioritise reforms for the greatest possibility of achieving results in a relatively short time period.

Transfer powers before building capacity.

In the early stages, when local governments are weak, provide modest funding to be used in a discretionary manner (to promote "learning by doing" and to build local government credibility).

Strategic differentiation among more- and less-advanced local governments can create incentives for improved performance.

Source: EuropeAid (2007).

Finally, another crucial aspect of the design process is having a clear **capacity development approach** to follow. This includes issues such as the feasibility and affordability of an intervention, its sustainability after the support is ended, options for coordination and management by partners and how to strengthen capacity. However, the capacity-building approach is often not well thought through, and a lack of sustainability of development-partner interventions has been an ongoing concern (OECD, 2006).

UNDP's approach to capacity development is interesting in this regard. It takes the existing base of capacities in every situation as its starting point and supports national efforts to extend and retain them, building on nationally determined priorities, policies and desired results. This approach is based on the idea that capacity development is a process that comprises a set of ongoing interventions and recognises the five steps shown in figure 3.2.1 as the core approach. For every context, the process begins by following the five fundamental steps: (1) jointly establishing the need for a rigorous approach to capacity development, (2) conducting assessments to establish the capacity baseline, (3) suggesting responses based on the assessment outcomes, (4) providing implementation support to the responses and (5) helping to measure changes in capacity. This approach is then adapted and tailored to the specific situation. According Svensson (2009), similar approaches are used by other DPWG-LGD members.

Figure 3.2.1: UNDP's capacity development process
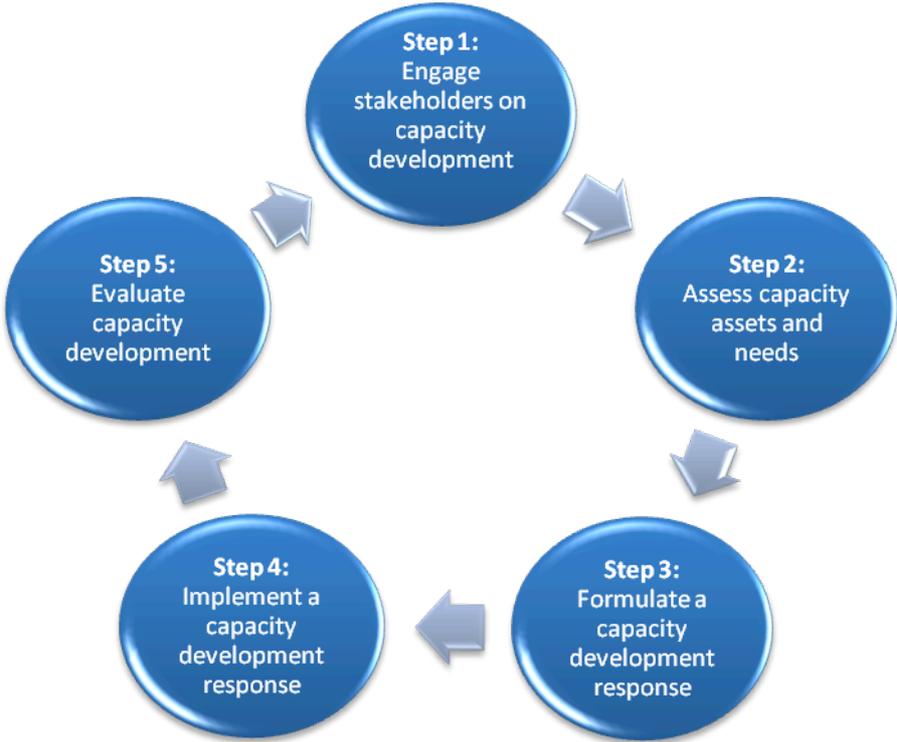
Regarding decentralisation and local governance reform, capacity development must move beyond training and low-level technical assistance in order to address broader questions of political and institutional change, leadership, empowerment and public participation, thus, ensuring sustainability. The capacity development approach assesses capacity at three different interrelated levels:

- **System level (enabling environment).** Organisations and people work within a broader system. The enabling environment includes policies, legislation, power relationships and cultural and social norms, also known as the "rules of the game".
- **Organisational level.** This includes policies, procedures and frameworks that allow an organisation to fulfil its mandate.
- **Individual level.** This refers to the skills, experience and knowledge of the people within an organisation, acquired through formal training and education or through learning-by-doing. The individual level should not be limited to people working within the organisation but should also include partners and civil society.

In their 2004 evaluation series "Lessons learned on Donor Support to Decentralisation and Local Governance", the OECD DAC presents the results of an analysis of 13 evaluations that they received from OECD DAC members. In this report, they state that only a few of these programmes have been successful in securing short-term sustainability—partly due to a lack of a well thought-through capacity development approach. They point out that there seems to be great potential for ensuring longer-term sustainability:

- Better institutionalisation or up-scaling of pilot programmes is needed.
- The ultimate form of sustainability is where the content or practice of a programme is completely institutionalised in government policy or decision-making procedures

in the partner country. In order for development-partner programmes with limited geographical focus to become institutionally sustainable at the national level, they need to be scaled up and replicated in all districts.

- Exit and/or mainstreaming strategies should be formulated for every support programme—from the initial stages.
- The ultimate goal of every external actor in governance reform should be to make itself redundant as soon as possible; however, a clear exit strategy is often still missing in project documents.

Small-group exercise. This exercise aims to distil lessons learned from your own experiences regarding effective support strategies to decentralisation, in sectors and local governance. You will first be asked to come up with examples of decentralisation strategies that—in your opinion—have been successful. Subsequently, you will analyse what made these strategies successful. Finally, you will distil a list of lessons learned from these examples and group them according to the four steps of the identification process:

- focus
- entry points
- sequencing of support
- capacity-development approach

Managing the identification process tends to be labour-intensive and time-consuming: careful management is key. In Box 3.2.2, there are some general tips and tricks.

Box 3.2.2: Tips and tricks for managing the identification process

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- Invest time to produce clear terms of reference.
- Promote and facilitate a multi-actor dialogue throughout the process.
- Make sure that government stays onboard.
- Mobilise existing sources of local knowledge.
- Coach the consultants.
- Be transparent and communicate about outputs.

Source: EuropeAid (2007).

Part 2: Alignment and harmonisation in the design of support strategies

Strengthening nationally driven policies on decentralisation and local governance (DLG) through harmonised strategic responses. DPWG-LGD's country-specific guiding principles call for development partners to build on and strengthen nationally driven DLG policies with strategic responses from development partners harmonised according to the different degrees of and commitment to decentralisation and local governance. The DPWG-LGD has developed response strategies that relate to specific country typologies. The four main overall response strategies are outlined in the country-specific guiding principles and correspond with the country typologies that were presented in the morning session.

1. A*ctively decentralising countries* with country-owned decentralisation strategies and political will: development partners are invited to fully align their strategies, approaches, funding instruments and procedures to the national framework.
   - Development partners can support programmes that provide comprehensive and harmonised support to all key aspects of decentralisation reform (policy, legal, political, fiscal and human-resource management).
   - Development of management capacities at the central and local level are also supported, along with adjustments of institutional arrangements during implementation of national decentralisation strategies, fiscal reforms to balance local revenue and fiscal-transfer systems.

2. A*dvanced intermediate decentralising countries*: the task at hand is be to stimulate the emergence and consolidation of a coherent national policy on decentralisation while providing support for policy experiments with selected national and local stakeholders (within and outside government).
   - assisting authorities at the central level to implement, monitor and evaluate decentralisation policies and their impact on poverty and public-service delivery
   - supporting fiscal decentralisation (This is strategic when some basic legal framework and local governance responsibilities are in place.)
   - developing capacities for effective local government
   - supporting inter-municipal cooperation
   - promoting local accountability and community empowerment
   - assisting central government in coordinating donor support for decentralisation

3. *Early intermediate decentralising countries*: response strategies will have to build on existing windows of opportunity (in sectors or at local levels) and support drivers of change.
   - supporting the design of national decentralisation policies and building the related capacity (supporting local government associations and/or mechanisms for representation of local governments in policy dialogues)

4. *Non-decentralising countries* or fragile states/post-conflict situations: focus first on creating basic legitimacy (i.e., rule of law) and then invest in shaping the preconditions for a decentralisation vision through a variety of entry points and instruments. It is of critical importance for the donor community to act jointly. If no formal structure for coordination exists among development partners working on decentralisation and local governance in a country, such a structure should be set up. All relevant development partners, including those working with decentralisation within specific sectors, should be invited.
   - supporting advocacy for public administration reform and decentralisation (policy dialogue, support to national policy research centres)
   - stimulating the demand side for reforms (general public, municipalities, NGOs and the private sector)

For countries in the *categories with limited commitment* to promote decentralisation and enter into dialogue with development partners, where the process is recent, the following steps could be taken:

- If you cannot align, then harmonise: if the national government is not interested in any alignment at all, the development partners could still move forward regarding the harmonisation process, using the general guidelines to harmonise support to key institutions, financial management, reviews, audits, etc.
- Although only a few advances may be made within the five critical pillars for decentralisation, these few advances could be used as the first "building blocks" for harmonisation: e.g., a common approach to fiscal decentralisation.

For countries in the *categories with stronger commitment*, one or more roundtables should be promoted for dialogue, a roadmap for alignment and harmonisation should be agreed upon, and the principles from the general guiding principles on alignment and harmonisation applied.

The following elements can be relevant for all categories of countries:
- Start a dialogue with stakeholders without waiting until all development partners commit themselves to alignment and harmonisation.
- Periodically evaluate the progress made by development partners toward harmonisation (and conduct peer reviews).
- Although each development partner is free to make decisions, require each of them to draw up strategies for alignment and harmonisation that include coordination between general support for decentralisation and local governance and support for sector programmes.
- Harmonise support to civil society participating in processes of decentralisation and local governance. Basket funds for support to civil society with national management and governance structures have had good results and could be replicated and expanded.
- It is difficult to achieve a common technical-assistance plan, but this would represent a great step forward.
- The establishment of joint mechanisms for monitoring, evaluation and audits is a key issue.

Case-study presentations by participants. Two participants have been requested to share their experiences with the sequencing of support modalities. Their presentations will focus on questions about the applicability of the country typologies, in practice, and will address questions such as: To what extent does the case follow the response strategies suggested? What was the rationale behind different choices? And, most important, to what extent has the support used and reinforced national procedures and mechanisms?

Preconditions and action points for improving the alignment and coordination of development partners. The preconditions and action points that were derived from the four country studies (Benin, Nepal, Nicaragua, Tanzania) carried out for the DPWG-LGD (2007) are summarised below:

Alignment to country: The alignment of development-partner support to country strategies depends strongly on the framework provided by partner governments. The alignment process can take various forms:

- Alignment to non-coherent national strategies can lead to conflicting and contradictory support strategies. Therefore integration of decentralisation into overall national strategies (such as the poverty reduction strategy paper) is essential.
- Gradual alignment to key elements of a national framework can facilitate the development of a comprehensive overall support programme with joint funding mechanisms.
- An overall strategy for development cooperation and partnerships (joint assistance strategy) will facilitate alignment and harmonisation.

Coordination mechanisms: To improve coordination between government and development partners and among development partners in order to make support to decentralisation and local governance more efficient, it is essential to do the following:
- Make coordination more comprehensive horizontally and vertically to be able to address all dimensions relevant to the decentralisation process in a coherent manner.
- Ensure government commitment for its leadership role in coordinating development partners.
- Set up a roadmap with specific milestones for enhancing coordination and harmonisation within the group of development partners, moving from exchange of information, mapping exercises and the development of terms of reference for the group towards joint missions, common funding mechanisms and arrangements for partnership and representation.

Part 3: Incentives for harmonisation and alignment in the design of support programmes

In their publication "Lessons Learned on Donor Support to Decentralisation and Local Governance", the OECD-DAC (2004) states that it is widely recognised that development-partner coordination is crucial for cost-effective utilisation of scarce resources. However, although most development partners have committed to this harmonisation of procedures and modalities, changing the traditional way of operating has proved to be a challenging and lengthy process. In terms of alignment, the OECD states that although some development partners are already coordinating their support with the policies, plans and capacity-building programmes of partner governments, it is frequently observed that coordination is limited. Furthermore, they argue that development-partner coordination is generally weak as a result of many factors, including a common belief that this should be the responsibility of government rather than development partners, themselves; the need of agencies to deliver a readily identifiable product; and the preference of governments to deal with development partners on an individual basis. They recommend that development partners and partner governments should examine obstacles to effective development-partner coordination and endeavour to make sure that development-partner programmes in this field are better coordinated.

In order to move towards more harmonised and better aligned approaches for decentralisation and local governance, a first step would be for development partners to

understand the factors inhibiting and supporting this in their own organisations and those of other development partners. A next step would be to try to alter the inhibiting factors and build upon the supporting factors in order to create a climate that is more conducive to working in an aligned and harmonised manner. We will discuss these issues in a "fishbowl" discussion. The questions you will be asked to discuss are

- When designing support strategies, what are the obstacles for effective donor harmonisation and alignment
    - within development partners' organisations?
    - within partner governments?
- And (how) can these be altered?

The "fishbowl" process works as follows:
- Make a circle of five chairs, four occupied (the "fish"), one empty.
- The four "fish" briefly present their experiences (their own or those of their organisations) and view on the question.
- Any member of the audience can, at any time, occupy the empty chair.
- When this happens, another member of the fishbowl must voluntarily leave.
- The discussion continues with participants frequently entering and leaving the fishbowl.

KEY READINGS AND BACKGROUND MATERIAL

DPWG-LGD. 2007. Alignment Strategies for Decentralisation and Local Governance. DPWG-LGD, Bonn.
http://www.dpwg-lgd.org/cms/upload/pdf/wg/AlignmentStudy_MainReportFinal_Oct2007.pdf
> This report summarises the findings of four country studies (Benin, Nepal, Nicaragua, Tanzania), consolidates these findings in relation to the four thematic issues related to aid harmonisation and effectiveness, and puts forward the lessons learned and perspectives.

OECD-DAC, 2004. Lessons Learned on Donor Support to Decentralisation and Local Governance. OECD, Paris.
http://www.oecd.org/dataoecd/46/60/30395116.pdf
> This publication contains a synthesis of evaluation studies on support programmes for decentralisation and local governance, aimed at practitioners dealing with the design, management and evaluation of such programmes as well as those stakeholders involved in local government reforms (e.g., civil organisations, politicians and central and local government officials). The study identifies a number of areas where positive results have been achieved, particularly in the field of fiscal decentralisation and financial management, as well as in relation to the strengthening of civil society at the local level. The study also singles out a number of issues in need of further evaluation and research.

Svensson, A. 2009. Reference Document on Capacity Development for Local Governance and Decentralization. DPWG-LGD, Bonn
http://www.sdc-decentralization.net/en/Home/library/Documents?applState=detail&itemID=3611
> This reference document provides guidance and practical recommendations on the five steps of the capacity development cycle: (1) engage with stakeholders, (2) assess capacity assets and needs, (3) formulate capacity-development responses, (4) implement capacity-

development responses and (5) evaluate changes in capacity and ensure sustained development of national capacity.

OTHER LITERATURE

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Svensson, A. and A. Rosenbaum. 1996. Local Governance. Report on the United Nations Global Forum on Innovative Policies and Practices in Local Governance. UN, New York.
http://mirror.undp.org/magnet/Docs/dec/GLOBAL2.HTM

UN. 2002. Responding to Citizens' Needs: Local Governance and Social Services for All. Report on the United Nations Global Forum on Local Governance and Social Services for All. UN, New York.
http://unpan1.un.org/intradoc/groups/public/documents/un/unpan001598.pdf

OTHER INTERESTING MATERIAL SUGGESTED DURING THE SEMINAR

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