

Session 4.1. Implementing Support to Decentralisation

INTRODUCTION

This session deals with various issues related to the implementation of support to decentralisation. First, you will jointly reflect on the role donors can play as agents of change. Then, you will break up into groups for a structured exchange of experience on three questions:

- How to effectively conduct policy dialogue with national authorities and different actors of decentralisation?
- How to design and implement capacity development programmes involving different stakeholders of decentralisation and local governance processes at the national and local level?
- How to support the design and operation of different funding mechanisms for local government?

The discussion in the groups will draw on practice cases, some of which will be presented by participants. Due attention will be given to the challenges of coordination, harmonisation and alignment as well as lessons learned.

BACKGROUND INFORMATION

The reference document “Supporting Decentralisation and Local Governance in Third Countries” (EuropeAid, 2007) distinguishes five generic functions to be taken into account during the implementation of decentralisation support:

- Conducting a dialogue with partners
- monitoring the implementation process
- ensuring coordination and harmonisation
- supporting implementation
- communicating and reporting on progress

These five functions are interdependent.

Policy Dialogue

In its reference document on support of decentralisation, EuropeAid argues that, to successfully accompany the implementation of support to decentralisation, an active and meaningful dialogue (taking place in various forms and at various levels) is essential:

- Dialogue with government should include the central ministries (such as the Ministries of Finance, Interior, Local Government and Planning) insofar as the transfer of services to lower levels is concerned. Regional and district

administrations need to be involved, as well as local (elected) district and/or municipal governments.

- Dialogue should be established with municipal associations, mayors and civil society, umbrella organisations, fora and (sector) networks of NGOs or faith-based organisations, as well as with selected municipalities and individual NGOs. Dialogue with the private sector should also be considered where private entities are directly connected with supporting the decentralisation process.
- Dialogue with other development partners is important, as well as with other actors in decentralisation.

Within EC delegations, decentralisation experts and sector support specialists should engage in dialogue on how to assist decentralisation and put support into practice. Reflections on incentives and spaces for dialogue between decentralisation and sector experts, including macro-economic advisors, seems worthwhile for all donors who maintain such expertise in their embassies or country offices. Discussions in training courses tend to show that often too little time and priority is given to this kind of exchange.

In some countries, dialogue on decentralisation is part and parcel of the overall dialogue on state reform. Such talks are often undertaken in the context of steering committees or in ad hoc meetings involving government functionaries, delegation staff, technical assistants and other stakeholders, as required. Informal dialogue among the various actors can help, for instance, to provide complementary information, prepare proposals and resolve bottlenecks (EuropeAid, 2007). Dialogue tends to be easier when it is related to technical and operational matters.

Coordination, harmonisation and alignment

The need for coordination and harmonisation among development partners is a key message of the Paris Declaration, where it is combined with a request for interventions to be complementary and supportive of endogenous reforms. As such, the coordination and harmonisation of policies and practices of development partners should result, ideally, in an alignment with country policies, structure and procedures (EuropeAid, 2007).

Coordination and harmonisation at the country level must clearly move beyond the “shoptalk” level. In the wide field of decentralisation, effective support largely depends on joint action and, where possible, a well-coordinated set of interventions. There are many ingredients that can be considered in putting coordination and harmonisation into practice, such as holding regular coordination meetings, appointing a lead development partner to function as a key interlocutor with government on behalf of all partners, working on joint assessment and country programming missions, developing joint work plans, sharing managerial responsibilities, engaging in knowledge networking, agreeing on a specific number of technical-assistance personnel, and agreeing on the number of development partners. Obviously, coordination and harmonisation need to be adapted to the specific country context.

Taking a capacity-development perspective

Implementation needs to be supported with a capacity-development perspective in mind. External assistance is granted for a limited period of time and should serve endogenous processes of change. As such, the role and positioning of an intervention need to be continuously reflected upon to ensure the following (EuropeAid, 2007):

- Activities can be integrated gradually into the partner context.
- There is enough space and time for the partner institution/organisation to test its own approaches and ideas.
- Partners construe the intervention as an opportunity to build their own capabilities and do not use the resources for gap-filling purposes.
- The overall approach of the intervention is supportive and not perceived as dominating.

These principles reflect the spirit of the Paris Declaration.

Box 4.1.1: The Paris Declaration

The Paris Declaration was signed by most donor and recipient countries in 2005 and represents the overarching framework under which future development aid should be delivered in order to enhance its effectiveness. Five main principles, critical to the delivery of more effective development assistance, have been identified:

1. **Ownership:** partner countries exercise effective leadership over the development policies, strategies and coordinating actions.
2. **Alignment:** donors base their overall support on the national development strategies, institutions and procedures of partner countries.
3. **Harmonisation:** donors' actions are more harmonised, transparent and collectively effective.
4. **Results:** resource management and decision making are improved in order to bring results.
5. **Mutual accountability:** donors and partners are accountable for development results

The DPWG-LGD guiding principles are quite specific on the issue of capacity development, and are directly in line with the Paris Declaration see DPWG-LGD Specific Guiding Principle No. 3 (Box 4.1.2).

Box 4.1.2: Specific guiding principle 3

1. Strengthening domestic capacity for planning, implementing and adjusting decentralisation and local governance reforms at all levels

In many ways the issue of lack of capacity at the local government level is a “chicken-and-egg” dilemma. Decentralisation might not take place because capacity is lacking, but capacity has never developed because there has never been any meaningful degree of decentralisation. The recommended approach to this issue is a pro-active policy that combines capacity training and asymmetric measures with the progressive devolution of responsibilities and financing instruments. It does not make much sense to wait for decades, as in some countries, for capacity to appear at the local level. At such a pace, local governments may never be ready. But the need for resources and a strategy might not be the main obstacles to developing capacity at the local level; rather, the problem might be entirely political.

- **Avoid fragmented ad-hoc approaches.** Much remains to be done to properly frame development partner-supported capacity development activities in a coherent, long-term, institutional development strategy. Specific areas of attention include the need to (1) fully integrate the political nature of capacity development, (2) respect the legitimate role of the different local actors throughout the project cycle (e.g., in the division of roles between central and local governments), (3) combine support to government agencies and civil society actors and (4) improve the methods and tools used to induce organisational change (e.g., within local governments).
- **Adopt an “empowering” approach to institutional development.** In cases where such an approach has been adopted, this has led to impressive achievements in building local government capacity. In practice, it puts a premium on (1) starting from where the local governments are (rather than imposing a standard formula for planning and management), (2) accepting that capacity development emerges from a process of change that will be incremental, unpredictable and risky, (3) applying basic qualification criteria (willingness to change), (4) injecting discretionary capital funds into local governments (so as to promote learning by doing), (5) setting up incentives for good performance and penalties for poor or non-performance and (6) establishing medium- to long-term horizons.
- **Focus more on the “demand side” for capacity-building support.** One recurrent criticism of capacity-development initiatives is that they are too “supply-driven” (i.e., primarily conceived, designed and implemented by donor agencies). The need to better map and prioritise the demand side for capacity development is now widely recognised. The task at hand is to transfer responsibility for identifying capacity needs to the actors themselves (e.g., local governments). In cases of recent processes of decentralisation and local governance, supply offerings must also be made available. One approach could be a flexible mix of supply and demand oriented to the specific situation, with joint determination of the goals of the measure.
- **Give responsibilities to local structures.** Development partners have committed to reducing and finally abolishing project implementation units and shifting to a more diverse combination of technical and management support. Questions that go along with this policy are to what extent the support can be provided through existing institutions (government and others) and whether there is a need to work through other structures attached to or even outside an institution.

2. Support and strengthen the domestic capacity to plan, implement and adjust decentralisation and local governance reforms and to achieve their objectives at all levels

Responsibilities should be assigned in accordance with local capacities; however, it will be impossible to transfer functions in most poor countries without accepting some interim gaps. It should also be acknowledged that local governance capacities can be developed along the principle of “learning by doing” and that capacity can be enhanced when responsibilities are being transferred.

- **Place greater focus on strengthening the organisational capacity of local government units** and deploying additional methods of transferring knowledge and skills, such as learning by doing backed by coaching and mentoring, as a means to promote substantial changes to workplace performance or to enhance the development capacity of target institutions.
- **Make capacity development more effective through learning by doing** rather than through “listening”. There is an emerging consensus that decentralisation can, in itself, be the best way to build local capacity. Actually, it is even argued that the citizen oversight made possible by decentralisation can be an important incentive to actively improve capacity.

Source: DPWG-LGD (2009).

The role of donors as agents of change

Finally, as generally acknowledged, governance is all about supporting locally driven processes of societal change at various levels (political, institutional, social and economic). It touches on norms, values and rules for exercising power; on state-civil-society relations; and on vested interests, as well as institutions and the way those institutions operate. Donor agencies that intervene in this arena are, by definition, not neutral players, but “actors” themselves, with the potential to perform as positive *agents of change*. This has the following implications for donor agencies willing to provide really effective support to governance processes that require societal change, such as decentralisation and local governance:

- They have to be open and transparent about the reasons decentralisation is supported (or not). This clarity from the donor side helps to create the basis for an effective policy dialogue on decentralisation with the government and other stakeholders.
- Donors are under growing pressure from local stakeholders (particularly local government actors and civil society) to act as agents of change when they engage in political reform processes, such as decentralisation. Local stakeholders want to be included in setting the governance agenda and they call upon external partners to support a truly inclusive multi-actor debate on the type of decentralisation a country needs.
- Decentralisation and local governance are endogenous processes; nonetheless, there is a lot that external agencies can do to “turn the key”, for example, by providing financial incentives for effective implementation that leads to positive outcomes in people’s lives.

There are no simple answers on how best to play the role of an *agent of change*. Much depends on prevailing country conditions, available windows of opportunity and the actors on the stage, as well as broader contextual elements (e.g., the evolving international and regional environment). In essence, agents of change agent often must “walk a tightrope” (EuropeAid, 2007).

GROUP WORK

Group One

Group One will focus on how to establish a policy dialogue to formulate conclusions and recommendations that will succeed in supporting local governance and decentralisation processes.

Key questions

- With whom should dialogue be established? This relates to the necessity of considering decentralisation as a complex system that therefore requires a systemic support system.
- How can meaningful dialogue be established and ensured? And on what topics?
- What are the tips and tricks for ensuring a meaningful dialogue?

Group Two

Group Two will concentrate on approaches and tools for developing capacity at the national and sub-national level. If decentralisation is perceived to be an open system, it is necessary to design systematic capacity-development programmes that include all the levels and sectors involved. Participants will share the capacity-development processes in which they are personally involved and design a coherent capacity-development programme for a specific case.

Group Three

The third group will look at how donors can support the design and operation of different funding modalities for local governments (i.e., systems and mechanisms that are used to channel financial resources to these entities). In many decentralising countries donors play a crucial role in providing local government with sufficient funding to assume their mandate in terms of service delivery and local self-government. The session will revolve around two case studies provided by participants. These case studies will outline experiences with different financing modalities which aim to channel financial resources to local government while stimulating the development of capacities that allow local governments to make effective use of these funds and increase the mobilisation of own revenues. In the discussion, particular attention will be given to the challenges of harmonisation of external support and integration in national transfer systems.

After the group work, the outcomes of the groups will be shared and discussed.

KEY READING AND BACKGROUND MATERIAL

DEGE/NCG. 2006. Survey on Support to Local Governance and Decentralisation. DPWG-LGD, Bonn.

International and bilateral donor agencies have increasingly recognised the importance of working with decentralisation, either through direct support to decentralisation reforms, as part of support to wider public-sector reforms or good governance programmes, or as part of other sector programmes. In many countries, there are a substantial number of individual projects supported by different donors with corresponding problems of overlap, lack of coordination or even occasional conflicting programming. In recognition of this, the DPWG-LGD met to share experiences and to work in support of harmonisation. This meeting was a first step towards this objective. The aim of the meeting was to analyse donor rationales, strategies, practices and lessons learned with support to local governance and decentralisation reforms and processes in order to facilitate harmonisation and alignment of the support in partner countries. The study recommends undertaking a review of partner-country developments in national decentralisation strategies (detailed case studies) and their effectiveness in guiding donor harmonisation, as well as supporting the generation of comparable cross-national statistics on decentralisation and local governance issues to enhance cross-country sharing of experiences, enable documentation of the impact of decentralisation and generate good practices.

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. 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 the coordination of development-partner support is. In addition to the general guiding principles, the specific guiding principles cover the central fields of action underlying 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.

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>

Goudriaan M. 2010. Effective Aid through Municipal Contracts: A Challenging Perspective on Strengthening Decentralization and Local Governments for Investing in Service Delivery and Economic Development. VNG International, The Hague.

www.dpwg-lgd.org/cms/upload/pdf/Effective_Aid_through_Municipal_Contracts.pdf

This document aims to provide a better understanding of the municipal-contract model as an aid modality for supporting local governments. Municipal contracts have proven to be effective in supporting local governments, as well as when wider decentralization processes were difficult. They have increased the financial capacities of municipalities and, consequently, investments in infrastructural and service-delivery projects. The document includes an overview of results and lessons learned with the actual implementation of municipal contracts in a selection of countries (Ghana, Guinea, Mali, Niger, Senegal) and a critical analysis of the model in terms of strengths and weaknesses.

Millet, C. and J. Nkongolo. 2010. DRC Case Study. Draft document. World Bank, Washington DC.

www.dpwg-lgd.org/cms/nl/pdf/DRCCaseStudy.pdf

As one of three detailed case studies, this case study on the Democratic Republic of the Congo (DRC) reflects a difficult post-conflict environment of decentralisation, where reform is subject to varying degrees of support at the central, provincial and sub-provincial levels of government. Even though certain aspects of decentralisation are laid out in the 2006 constitution, implementation has been problematic. The engagement of development partners has been substantial but insufficient for the country's needs. Although structures for aid coordination exist and partners have shared objectives and strategies, aid in the DRC is highly fragmented. The government fears that this is leading to a multi-speed decentralisation process, where certain provinces are becoming “aid darlings” and others are “aid orphans”. The aid-

management platform provides a means through which the government can receive predictable data on development-partner assistance but does not as yet provide a completely accurate picture of aid in the DRC.

Ssewakiryanga, R. 2010. Uganda Country Profile. Paper Prepared for the June 2010 Meeting of the DPWG-DLG. UNCDF, Uganda.

Uganda's early openness to new ideas and policies, and its "technical" partnership with donors, would probably not have been possible in the absence of a domestic political project around decentralisation. This helped in setting priorities for international assistance and policy dialogue. In this regard, Uganda is unique, because its post-war government based its legitimacy not just on security, but also on poverty reduction as a tool for "nation building", giving officials enough autonomy to deliver on the policy as well as marketing decentralisation as a home-grown project that serves as an important vehicle for service delivery. The current challenges, however, require some reflection. Some services are being centralised, districts are being split out in unviable technical units and various political entities play their role in policy reversal as well as policy re-engineering. Although development partners have clearly engaged in decentralisation, many potential gains are being eroded on the altar of political expediency.

Werner, J. and A. Yorke. 2006. Options for Finance and Grants to Support Municipal Infrastructure Delivery in Ethiopia. GTZ, Bonn.

This report examines the different options for financing local public infrastructure in Ethiopia, based on the assumption that the Federal Government of Ethiopia will not provide any guarantees for local borrowing. In addition to a detailed description of the local public-finance system and the capital market in Ethiopia, the report also sets out some successful international practices in financing municipal infrastructure. Based on the observation of the Ethiopian case and consideration of international experiences, the report has two major pillars that very specifically identify actions required for implementation. On the one hand, the report recommends a number of feasible arrangements to generate the revenue enhancement of local authorities in the existing inter-governmental framework. On the other hand, the report suggests a solution—for creditworthy as well as for potentially creditworthy urban local governments—to finance their future demand for public infrastructure with national finance institutions as well as international donors.

Winters, M.S. 2010. Country Profile: Indonesia. Paper Prepared for June 2010 meeting of the DPWG-DLG. University of Illinois, Urbana-Champaign, IL.

After a "big bang" decentralisation in 2001, the Indonesian central government's approach to decentralisation continues to evolve, and development partners continue to play key supporting roles at both the national and local levels. This paper first describes the process of decentralisation and the way in which the national government has tried to coordinate decentralisation policy across ministries and levels of government. Then it describes the general trends in aid harmonisation and the functioning of the Decentralisation Support Facility, which is a bold and still-evolving attempt to harmonise donor support. The paper concludes with a brief

discussion of the role that civil society has played in coordinating support for decentralisation, which is, despite some interesting initiatives, rather limited.

OTHER LITERATURE

AFD. 2005. Financer les Investissements des Villes des Pays en Développement. Synthèse des travaux du groupe de travail «Financement des investissements des collectivités territoriales ». AFD, Paris.

<http://www.diplomatie.gouv.fr/fr/IMG/pdf/ND-24.pdf>

Anonymous. 2008. Intergovernmental Funding Flows and Local Budget Execution in Tanzania. Final Draft. October 16, 2008.

Blore, I., N. Devas and R. Slater. 2004 Municipalities and Finance: A Sourcebook for Capacity Building. Earthscan, London.

Boschmann, N. 2009. Fiscal Decentralisation and Options for Donor Harmonisation. DPWG-LGD, Berlin. In particular chapter 5 and annex 9.

EuropeAid. 2005. Institutional Assessment and Capacity Development: Why, What and How? Tools and Methods Series, Reference Document No. 1. EuropeAid, Brussels.

http://ec.europa.eu/europeaid/multimedia/publications/documents/tools/europeaid_institutional_assessment_capacity_devlpmt_2006_en.pdf

This note offers a conceptual framework for dealing with institutional and capacity assessment, and capacity-development issues, mainly in the public sector. This framework is particularly useful in the preparation of support to sector programmes and budget-support exercises. More generally, the objective of the note is to enable readers to engage in dialogue with stakeholders and specialists about issues regarding institutional assessment and capacity development, as well as support to capacity development in the design and implementation of sector or budget-support operations.

ECDPM. (n.d.). Institutional Development: Learning by Doing and Sharing. Approaches and Tools for Supporting Institutional Development. ECDPM, Maastricht. Draft.

www.pacificwater.org/userfiles/file/IWRM/Toolboxes/institutional%20reform/institutional_dev.pdf

This booklet aims at bringing together people who are active in institutional development in the North and South, by identifying and sharing practical experiences, useful approaches and tools. It focuses on how we can enhance learning among development practitioners and encourage them to share their experiences with institutional development. And how we can ensure we remain practical, given that institutional development has already been the subject of a great deal of conceptual thinking. The booklet presents a number of experiences and tools used in institutional development. The value of the tools lies not so much in their nature as in the way they are used. In other words, the key point is the attitude of the facilitator or consultant concerned. While tools may play a role as incentives for further thinking or

in helping to analyse material, they can never replace a good facilitator. Each section in the booklet ends with a number of references to material that readers can use for further reflection.

Gaventa, J. 2003, 2006. Power Cube.

www.powercube.net

GDI. 2009. Integrated Fiscal Decentralization. Concept, Determinants, Sequencing Strategies. Paper prepared for the DPWG-LGD meeting in Bratislava, 25 May 2009. GDI, Bonn.

GDI. 2010. Integrated Fiscal Decentralisation: Taking New Aid Modalities to the Local Level. Briefing Paper 12/2010. GDI, Bonn.

[http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/%28ynDK_contentByKey%29/ANES-89YFH4/\\$FILE/BP%2012.2010.pdf](http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/%28ynDK_contentByKey%29/ANES-89YFH4/$FILE/BP%2012.2010.pdf)

Groupe Technique Décentralisation-Déconcentration et Aménagement du Territoire au Bénin. 2009. Le point sur les collectivités territoriales au Bénin. Cotonou.

Heselbarth, S. et al. 2007 Harmonisation and Alignment Strategies in the Field of Decentralisation and Local Governance: A Review of Country Practices and Experiences. Tanzania Case Study. Final Report. In particular, pages 17–45.

InWEnt, GTZ, BMZ, Faculty of Economics Gadjah Mada University. 2006. Budget performance. Capacity Building for Effective Public Finance. Document prepared for the Training on Indonesian Local Financial Management, 6-9 March 2006, Jogjakarta, Indonesia. In particular, pages 27–31.

Jonsson, U. 2003. Human Rights Approach to Development Programming. UNICEF ESARO, Nairobi.

KIT/Royal Tropical Institute, Amsterdam.

www.kit.nl/

A good resource portal on capacity development for governance and decentralisation, including many links to relevant documents, studies and toolkits

Nitschke, U. and T. Auracher. 2010. The Right Balance. *D+C*, 2010/09, *Tribune*, pp. 336–337.

<http://www.inwent.org/ez/articles/178161/index.en.shtml>

OECD-DAC. 2006. The Challenge of Capacity Development: Working towards Good Practice. DAC Guidelines and Reference Series. DAC Reference Document. OECD, Paris

www.oecd.org/dataoecd/4/36/36326495.pdf

This document recognises that capacity development is a fundamental component of development and aid effectiveness. This is why the DAC Network on Governance and

the Learning Network on Capacity Development prepared this publication, which reviews 40 years of development experience and concludes that donors and partner countries alike have tended to look at capacity development as mainly a technical process, or as a transfer of knowledge or institutions from North to South. It explains how donors have often failed to recognise the critical importance of country ownership and leadership, and how they underestimated the importance of the broader political context within which capacity efforts take place. It also offers invaluable guidance about how to think systematically through the capacity-development challenge. The evidence suggests that what is necessary is a fundamental change in development practice, including focusing on capacity as an endogenous process, agreeing on capacity objectives at the country level and monitoring outcomes from the perspective of the beneficiaries. Such changes could have a substantial impact on development outcomes.

Tretner, C.-H, E.M. Bukhvald, H. Zimmermann and B. Huber. 2005. Intergovernmental Fiscal Relations: International Experience and the Russian Reform. Public Finance and Reform Studies. Fiscal Studies No. 2. Public Finance and Administrative Reform Studies. GTZ, Eschborn.

www.gtz.de/de/dokumente/en-intergovernmental-fiscal-relations-russia.pdf

In particular, pages 73–96 on principles for devising a system of financial aid for local governments.

UNCDF. 2010. Performance-Based Grant Systems: Concept and International Experience. UNCDF, New York.

www.uncdf.org/english/local_development/uploads/thematic/pgbs.pdf

UNDP. 2009. Supporting Capacity Development: the UNDP approach. Five steps for Capacity Development. Capacity Development Group, Bureau for Capacity Development, UNDP, New York.

www.unpcdc.org/media/20999/081013_supporting_capacity_development_the_undp_approach_gfatm_workshop%5B1%5D.pdf

UCLG. 2007. UCLG Policy Paper on Local Finance. UCLG, Barcelona.

www.cities-localgovernments.org/uclg/upload/template/templatedocs/local_finance_policy_paper_en.pdf

UCLG. 2007. UCLG Support Paper on Local Finance. UCLG, Barcelona.

www.cities-localgovernments.org/uclg/upload/template/templatedocs/local_finance_sup.pdf

GUIDELINES AND HANDBOOKS

Schou, A. and J. Steffensen. 2003. Synthesis Study on Supporting Decentralisation and Local Governance: Lessons Learned, Good Practices and Emerging Issues. Report for the DAC Working Party on Aid Evaluation. OECD, Paris.

OTHER INTERESTING MATERIAL SUGGESTED DURING THE SEMINAR

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