

Development Partners Working Group on Decentralisation & Local Governance
DeLoG

Position Paper
4th High Level Forum on Aid Effectiveness (HLF-4)
Busan, South Korea

I. Introduction

The Development Partners Working Group on Decentralisation & Local Governance (DeLoG), founded in 2006, is an informal network of bi- and multilateral development partners (DPs)¹. DeLoG has contributed to the growing awareness of the need for enhanced alignment and harmonisation for and better targeting of DLG support, through knowledge exchange, research, design of capacity development tools and the development and dissemination of guiding principles on how to implement PD principles for decentralisation and local governance (DLG)².

Two main issues are covered in this position paper - the importance of DLG for aid effectiveness and overcoming the challenges commonly experienced with DPs support for DLG reform, including how to improve harmonisation and alignment and to more effectively manage for development results.

II. Importance of DLG for aid effectiveness

Although decentralisation has been an important element of public sector reform in many developing countries, DLG issues have played a rather marginal role in the debate around aid and development effectiveness³. The Paris Declaration (PD) does not even mention the terms decentralisation or sub-national governments⁴. Yet local governments are increasingly important players in promoting democratic governance, service delivery and development. Accordingly, it is essential to meaningfully consult and involve the elected and empowered representatives of citizens in the communities where they live. This is critical in the process of making aid more effective especially at a time when DPs increasingly recognise that country ownership must move beyond the elaboration of a national development strategy by central government ministries.

The need for a broad vision of ownership was reflected in the introduction of the **inclusive ownership** principle outlined in the Accra Agenda for Action (AAA) in 2008⁵. The AAA explicitly mentions local authorities and local governments as important stakeholders with a critical role and responsibility in ensuring more inclusive country ownership. In this context, sub-national governments need to play a crucial role in articulating the territorial dimensions of a given national development strategy and in considering how to make these policies work on the ground. The Working Party on Aid Effectiveness, in its thematic Cluster “A” working group, has been focusing explicitly on broad-based inclusive ownership and accountability. The latest report issued by this thematic cluster underlines the important role of sub-national stakeholders in this process⁶.

If this goal is to be meaningfully realised, however, it is essential to promote support for DLG processes. Local governments will only be in a position to play an active role in the development process if a conducive and effective legal and operational framework for decentralisation is developed. Decentralisation reforms should be recognised as a key element for promoting good governance. They contribute to supporting a more inclusive and

democratic development process by moving the decision making process closer to the population.

Recent evidence from eight country case studies⁷ conducted for DeLoG confirms that **local ownership** has generally been insufficiently considered in the development of inclusive ownership in partner countries. Participation of sub-national, especially local governments, in the design of national development strategies continues to be superficial and rather mechanical, and the local government role has in many cases been advisory. While progress has been made in increasing the capacity of sub-national governments to design their own development strategies and plans in a way that is usually aligned to national priorities, these are rarely funded sufficiently to realise implementation or adequately linked to recurrent budgets so as to ensure sustainability. This situation in turn hinders the attainment of other development benefits attributed to DLG reforms, such as democratisation, more inclusive citizens' participation and transparency in decision-making, improved service delivery, (local) economic development and achievement of the MDGs.

The Cluster “A” report also argues the need to move beyond mutual accountability as framed in the PD towards a broader culture of accountabilities. Underlying this perceived need is growing evidence that DPs pressure to enhance mutual accountability has not measurably strengthened domestic accountability systems in partner countries, and in some cases has had negative impacts. Available evidence suggests that downward accountability mechanisms in partner countries remain particularly weak, and citizen participation in determining local development priorities remains limited. Sub-national governments in many countries are the logical brokers in building the right balance between upward and downward accountability. They can and should play a major role in establishing and nurturing accountability - of themselves, the national government and DPs – to beneficiary groups that are the ultimate targets of aid.

III. Key Messages Regarding Importance of DLG for Busan Outcome Document

The following key messages merit a prominent place in the messages for Busan:

- I) The concept of inclusive ownership developed in the AAA needs to be further deepened and sub-national governments need to be substantively and significantly involved in national development visioning and planning.
- II) Sub-national governments are in a particularly strong position to play a key role in improving accountability among actors at all levels including citizens and development partners.
- III) At the same time, sub-national governments in many countries need improved capacity and access to resources if they are to play these enhanced roles; they can take steps to strengthen their own capacity but they will often need support from the central government and DPs if they are to be more effective and contribute to the improved governance and development results expected from DLG reforms.

We recommend including in the outcome document under article 16 after parliaments and before CSOs: “Sub-national governments play an important role to ensure inclusive ownership of development policies and vertical accountability, especially with respect to citizens, the ultimate beneficiaries of aid.”

IV. Assessing and Improving DPs support to DLG

DPs support to DLG is an important pillar of development cooperation, especially with Sub-Saharan Africa. However, even though many DPs have more than two decades of experience in implementing DLG interventions, their support has often been less effective than expected. There are at least five major issues of concern: lack of understanding of the political economy of DLG ownership; insufficient DPs harmonisation and alignment of DLG support; weak linkages between DLG and other public sector reforms; the challenges of managing for development results; and the need for rethinking how DPs support capacity development

Lack of Understanding of the Political Economy of DLG Ownership

An overarching weakness of DPs interventions is that they too often fail to take into adequate consideration the underlying political and institutional incentives faced by the wide range of stakeholders involved in or affected by DLG reform in a given country. At the most general level, resolving the “paradox of power”, namely the question why central governments would want to give up power and resources to sub-national governments, remains one of the key challenges for decentralisation reforms and effective DPs support. Clearly, decentralisation occurs when the political climate allows or creates pressure for it.

A core consideration is that governments of partner countries are not monolithic entities speaking with one single voice; instead, the goals and behaviours of the various central actors - politicians, ministries, business organisations, and local government associations, among others - relevant for DLG reforms and their relative ability to shape policy design and implementation differ considerably. Similar sub-national actors may also be involved, and in some cases they have national influence. The relative strength of the various actors and the degree to which some of them have common interests ultimately determine reform outcomes⁸. DPs. Although DPs can rarely influence these partner country dynamics, they need to take account of them if they are to support country ownership of DLG and design effective interventions. DPs also need to be aware of shifts in these dynamics and even try to anticipate them, and they need to have the flexibility in their own programming approaches to respond to these shifts effectively

A related point is that DLG reforms are not a one-time act. They are part of a long-term process, which is often hard for DPs to accept given the strong pressures on them to show results more quickly than might be feasible. Moreover, the incentives and influence of the stakeholders mentioned above can change over time as political conditions and power relationships change, and this can alter support for/ownership and perhaps the trajectory of DLG. One other political economy factor relevant for **ownership** of DLG reforms is that broad-based **mutual accountability** has not been given enough attention in DPs interventions for DLG or by partner governments, as noted earlier and clearly indicated by the case studies. There are some examples where DPs are supporting sub-national governments to participate in existing mutual accountability frameworks (Mozambique), but there is no documented case of active involvement of sub-national governments in national mutual accountability frameworks. The necessity of linking mutual accountability to a wider set of domestic accountability and the important role that sub-national governments can play on this front was discussed above.

Continued Challenges with Harmonisation and Alignment of DLG Support

Harmonising and aligning DLG support among DPs is essential but challenging, largely because each DP has their own agendas, mandates and priorities. These can be hard to adjust, even if doing so would better serve the overall effectiveness of DLG support to a particular country. There are three key concerns—ensuring that consistent systems and processes are being built, aligning support to the extent possible with partner country policy, and agreeing on an appropriate division of labour among DPs.

Regarding **alignment**, the use of country systems by DPs in DLG interventions is on the rise but remains limited. Too much of the DPs support to sub-national governments is still implemented through project modalities with parallel or semi-parallel Project Implementation Units (PIUs). One of the main reasons is the continuing weakness of intergovernmental and local public finance systems in most of the case countries, which makes it difficult for DPs to fully align and still meet their own internal accountability requirements. However DPs continue to make progress on some fronts, for example, by jointly channelling their funding for DLG through national intergovernmental transfer systems (Benin, Cambodia, Ghana).

From a theoretical perspective, alignment is the best option for enhanced harmonisation: if all DPs align their support with the same clear national strategies and policies they become implicitly harmonised amongst each other. In many countries, however, and even more so in aid dependent, conflict or fragile states, government policies are underdeveloped or there is a lack of strong government leadership for DPs interventions in DLG. In the event that DPs are unable to align with governmental policies and priorities, **DPs-driven harmonisation** of DLG programming becomes the second best option.

The eight case studies and other evidence indicates that there are still challenges with harmonising development interventions for DLG, although there is increased awareness amongst DPs of the importance of doing so. All the examined countries have introduced some form of donor coordination mechanism with various levels of partner government involvement. Despite official statements affirming the importance for harmonised interventions, available evidence shows that high levels of fragmentation in DP support to DLG remain in some countries. This occurs not only because of the above-noted differences in DLG agendas across DPs, but also because the DPs have different priorities regarding the wider array of public sector reforms discussed below⁹.

With respect to the division of labour, there have been considerable efforts by DPs supporting DLG to better distribute their interventions (Benin, Ghana, Cambodia and Uganda). However there are still cases where some types of support are lacking (e.g. more support for building the technical systems and processes of decentralisation and not enough for linking civil society/voters to local governments). Similarly, DPs support to DLG often does not equitably cover the territory of a country, with some areas characterised by “overcrowding” of DPs support and others being “aid orphans” (Mozambique, DRC, Indonesia amongst others).

Insufficient Linking of DLG to Related Public Sector Reforms

DLG reforms are generally only one element of a broader public sector reform or state modernisation programme. This usually includes public financial management (PFM), civil service and service delivery reforms. DPs have paid insufficient attention to the linkages among these various reforms and implications for DLG. There has been a growing awareness of the role of PFM reforms for DLG (Ghana, Indonesia, Mozambique, Peru) since sound financial management and fiscal responsibility are needed for effective decentralisation.¹⁰ Often, however, considerable fragmentation among the various public sector reforms persists.

Generally speaking, the Ministry of Local Government or equivalent manages DLG reforms, but the Ministry of Finance manages PFM reforms, the Ministry of Public Service or equivalent manages civil service reform, and sectoral ministries (education, health, etc.) manage sectoral reforms.

Too often PFM and sectoral reforms are framed in a way that is inconsistent with or even undermines DLG. DPs (and sometimes constituent departments of the same DPs) may even reinforce the competitive dynamics among central agencies that share their interests by supporting them independently. Even when DPs are trying to harmonise their support for one aspect of reform, such as through Sector Wide Approaches (SWAs) or joint PFM programmes, the lack of coordination with DLG may hinder the development of sound and consistent institutions and procedures and ultimately weaken development outcomes. The tendency of SWAs to centralise service delivery initiatives under a sectoral ministry, for example, may reinforce centralising tendencies of PFM or other national reforms¹¹ (Benin, Mozambique, Peru, Uganda). DLG reform clearly does not happen in isolation and is affected by many other reforms that are also supported, some more significantly than DLG, by DPs.

The Challenges of Management for Development Results

DPs have made substantial efforts to introduce and strengthen results-based management systems at the sub-national level in order to improve **management for development results** (Ghana, Indonesia, Peru). In some countries DPs have initiated joint initiatives with a monitoring and evaluation system (Benin, Cambodia, Indonesia, Mozambique). They have been less active in promoting country owned monitoring and evaluation systems based on reliable data, although there is a growing awareness of that deficiency.

A key factor underlying limitations on managing for results and developing and institutionalising systems for doing so is that measuring the impact of DPs interventions for DLG on development results has proven to be extremely complex and difficult. This is true in part because DLG support legitimately targets both governance systems and process development and service delivery outcomes; in part because both types of reforms, but especially service delivery improvements, often need time to take root; and in part because it can be difficult to separate clearly the results of DLG reforms from the results of other public sector reforms discussed above. Governance process achievements are harder to measure objectively beyond simple documentation that reforms have been adopted, and ultimately these reforms matter most when they become institutionalised and consistently lead to better outcomes.

The challenge of impact evaluation is further complicated in DLG because, as noted above, multiple actors are often involved in DLG beyond sub-national governments and the central agency responsible for working with them. The finance and public service ministries, for example, take the lead on fiscal and civil service issues, and central sectoral ministries and their deconcentrated field offices are in many cases involved in service delivery¹².

If there is to be more effective management for development results in DLG initiatives, more effort is needed to create appropriate measures of the complex and varied results expected from DLG reforms and pragmatic, innovative benchmarks based on establishing plausibility rather than aggregated representative data to indicate progress. In addition, it will be necessary to engage the broad range of relevant actors and activities—both of partner countries and DPs.

Rethinking Capacity Development

Although capacity development cuts across all of the range of issues discussed above, specific attention is warranted because it is so central to making DLG reforms work. The case studies indicate that there has been some considerable progress in building the capacities of sub-national governments and some of this success can be attributed to DPs support. However, evidence also shows that capacity development efforts are oftentimes not fully yielding the desired results because they are too supply-driven and not sufficiently **owned** by the partner country institutions. Often they are **aligned** to one ministry or to the policies of sub-national governments but not embedded in the overall process of system development and human resource management policy of the public sector. Moreover, there has been insufficient attention to strengthening the capacity of central government actors to effectively change and to fulfil the new roles they are called on to play in a decentralised system.

DPs capacity development programmes are also insufficiently **harmonised**; inconsistent procedures and separate mechanisms used by multiple DPs can inhibit developing a unified system, place a significant burden on government counterparts at the national and sub-national level, and divert capacity development efforts away from the government institutions that will ultimately have to sustain the reforms being promoted. DPs have started to recognise these problems and have begun to support national institutions that are in charge of capacity development programmes for sub-national governments to ensure a unified and well-distributed disseminated capacity development support (Benin, Indonesia, Uganda).

Capacity development is undoubtedly essential to realising and sustaining DLG reforms. If it is to be effective, however, the DPs need to better conceive and support capacity development measures. This includes targeting the right actors (national and sub-national), promoting demand-driven capacity development as well as on-the-job training and joint learning. It is necessary to strengthen the partner country institutions and to rely on their expertise in supporting capacity development, in order to institutionalise the provided support and make it sustainable.

V. Key Messages on DLG Interventions for Busan Outcome Document

I) There is a need to recognise the multi-level governance nature of nation states. All levels of governments play a role for the delivery of effective aid and improved development outcomes. Sub-national country systems need to be further strengthened.

We recommend including under article 20 b at the end: “of all government levels.”

II) DPs support to DLG has to take into account the political and complex character of decentralisation reforms that includes a great variety of stakeholders and institutions with different expectations, incentives and objectives.

III) DPs support to DLG does not only need to be more harmonised and aligned but also needs to be coherent with aid that is provided to other development sectors in order to avoid counterproductive outcomes. This is true not only with respect to supporting the development of systems and processes of DLG and public sector reform, but also with respect to measuring the results of such reforms and developing the capacity needed for the reforms to be sustainably effective.

¹ Members are: African Development Bank; Austrian Development Agency; Belgian Technical Cooperation; Canadian International Development Agency; Dutch Ministry of Foreign Affairs; European Commission (DEVCO); French Ministry of Foreign Affairs; French Development Agency; German Development Bank; German Federal Ministry for Economic Cooperation and Development; Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); Inter American Development Bank; Irish Aid; Ministry for Foreign Affairs of Finland; Norwegian Agency for Development Cooperation; Royal Danish Ministry of Foreign Affairs; Spanish Ministry of Foreign Affairs and Cooperation; Swedish International Development and Cooperation Agency; Swiss Agency for Development and Cooperation; UN Capital Development Fund; United Nations Development Programme; UN-Habitat; United Kingdom Department for International Development; U.S. Agency for International Development; World Bank.

² Development Partner Working Group on Decentralisation & Local Governance: „To enhance aid effectiveness: General Guiding Principles for enhancing alignment and Harmonisation on Decentralisation & Local Governance”. 2008.

³ Recently there has been a growing consensus that the effective delivery of aid is not the ultimate goal but rather the contribution to effective development outcomes. The debate is therefore now evolving from “aid effectiveness” to “development effectiveness”. See e.g.: Kindornay, S., “From Aid to Development Effectiveness: A Working Paper”, the North- South Institute. January 2011.

⁴ The paper uses the terms sub-national governments as it sees DLG as a process of multi-level-governance that needs to include all levels/tiers of governments.

⁵ See “Accra Agenda for Action, Accra 2008”: under strengthening country ownership over development in Art.13.

⁶ “Strengthening Broad-Based Inclusive Ownership and Accountability: A Synthesis of Key Findings and Cluster A Messages for the Working Party on Aid Effectiveness and High Level Forum 4”. May 2011.

⁷ Benin, Cambodia, Democratic Republic of Congo, Ghana, Indonesia, Mozambique, Peru and Uganda.

⁸ See: Eaton k., Kaiser K. and Smoke P.: The political economy of decentralisation reforms: Implications for Aid Effectiveness, World Bank. 2010.

⁹ There is considerable evidence that the perspective of one DP on actions with respect to DLG may be incompatible with those of other agencies. For instance if a DP views decentralisation through a lens of PFM or civil service reform, there is likely to be a focus on central standards and control. If a DP has an interest in a specific sector, decentralisation often means deconcentration under a central ministry or facility-based autonomy rather than strengthening local government roles and the territorial perspective of development. DPs promoting a sub-national government perspective emphasise local accountability, governance and fiscal autonomy. When citizen empowerment through local democracy promotion or community-driven development is the priority, sometimes due to mistrust of formal government institutions, DPs interventions have been known to ignore or bypass elected and legally empowered sub-national governments. (). Smoke, P.; Winters, M.S.: “Donor Programme Harmonisation, Aid Effectiveness and Decentralised Governance, DeLoG Working Paper. 2011.

¹⁰ Jamie Boex: „Fiscal Decentralization and Intergovernmental Finance Reform as an International Development Strategy”. Urban Institute. 2009.

¹¹ Smoke and Winters 2011.

¹² Evans, A. and D. Booth: “Follow up to the Paris Declaration on Aid effectiveness – Review of Literature”. ODI, 2006. European Commission: “Methodology for Evaluations of Budget Support Operations at Country level: Methodological details. 2009.