

Minutes of meeting
3rd workshop of the
Development Partners Working Group
on Local Governance and Decentralisation
Berlin, September 17-18, 2007

BACKGROUND AND OBJECTIVES OF THE WORKSHOP

With the endorsement of the Paris Declaration in March 2005 the international community has pledged to increase efforts in harmonisation and alignment to manage aid more effectively. Accordingly, coordination and the sharing of responsibilities have become key issues for Development Partners (DP). Especially in the field of decentralisation and local governance where strategies differ and instruments are fragmented, the need for a coordinated approach is felt. To serve this end, the European Commission (EC) and KfW Entwicklungsbank initiated the Development Partners (DP) Working Group on Local Governance and Decentralisation. A first planning Workshop took place in April 2006 at the KfW headquarters in Frankfurt.

During the 2nd meeting in Brussels, the DP group decided to undertake a field study in four selected countries (Benin, Nepal, Nicaragua and Tanzania) in order to analyse DP practices of aid harmonisation and effectiveness in the context of national decentralisation programmes more thoroughly. The review of alignment strategies, funded by DANIDA and BMZ, was conducted by F. Hansen, S. Hesselbarth and H. Olsen. The objective of the 3rd workshop which took place in the premises of KfW in Berlin was to discuss the outcomes of the study and to further develop a common understanding of general principles of improved coordination and harmonisation.

AGENDA OF THE WORKSHOP

The workshop consisted of four main parts (Annex I). The 43 participants (among them five from organisations participating for the first time, see Annex II) were welcomed by Parliamentary State Secretary K. Kortmann, BMZ and W. Kroh, KfW Member of the Board. To assure a continuous support structure for the working group, Mrs Kortmann announced that the German government is ready to finance the establishment of a secretariat under the umbrella of InWEnt/Capacity Building International. The second part of the workshop was dedicated to the presentations of strategies in the field of decentralisation and local governance as well as recent work in this field. In the third part, the main findings of the review were presented and commented on. In small working groups the participants then discussed their specific experiences in harmonisation and alignment issues in the field of decentralisation and local governance in eight countries. The conclusions derived from the debates resulted in first ideas of a set of possible principles for improving DP alignment and harmonisation. Finally, E. Kaiser, InWEnt summed up the tasks of the secretariat previously identified by the participants and D. Dellicour (EuropeAid) presented conclusions of the workshop and summed up the follow-up activities.

SUMMARY OF PRESENTATIONS

Four donors presented their strategies / approaches to local governance and decentralisation¹:

- **UN-HABITAT's** "Guidelines for decentralisation and strengthening of local authorities" address partner countries. They aim at serving as a catalyst for policy and institu-

¹ The PowerPoint-Presentations can be obtained from KfW and later, when established, from the Working Group's Secretariat.

tional reform at the national level to further enable and empower local authorities to improve urban governance in attaining the human settlements related Millennium Development Goals. Following UN-HABITAT's presentation, questions arose concerning its institutional set-up and responsibilities in comparison to UNDP and UNCDF as these are also active in the field of decentralisation.

- The **German** approach focuses on supporting four levels (political, administrative, financial and material) of the decentralisation process, stressing the need of citizens' participation in the decision making process. Of high importance are Policy Based Approaches and Local Government Development Funds fitting into a well-designed intergovernmental fiscal architecture, contributing to transparent, accountable and efficient budgetary systems. The latter should be the main tool in supporting Local Government. In the following discussion, participants inquired after the different German institutions involved in supporting decentralisation, leading to confusion about tasks and competences.
- **CIDA** approaches local governance and decentralisation as a means to achieve democratic governance, focussing on urban local governance and emphasizing the strengthening of civil society, particularly in its "watchdog role". Of importance is also the support of regional cooperation.
- After having introduced general deliberations on the support of decentralisation during the last meeting in Brussels, **UNCDF** now presented its experiences with building up a Sector Wide Approach to Local Development in Yemen. As opposed to the common strategy of building up a SWAp from the Macro-level, in Yemen a bottom-up approach was implemented under fairly difficult circumstances but leading to good results. The participants agreed on its being an interesting case of further developed instruments where a more elaborate documentation would be desirable.
- A critical view from the **German Development Institute** commented on the Paris Declaration and the DPs support to decentralization: DPs had not yet recognized decentralisation as a highly political process. Political commitment on the partner as well as the donor side was very volatile, long-lasting local ownership could not be expected. Donors therefore had to adjust their strategies on either how to exit or on how to strengthen ownership. On the DPs side, some tended to try exporting their special decentralization model ("flag-posting") thus leading to incoherence with other donor strategies. Regional earmarking, self-referential systems in donor coordination circles and too many donors involved in the latter made harmonisation ineffective. The participants agreed but dissented from the statement that the Paris Declaration was only for good performing countries with existing institutional arrangements as especially fragile states with weak institutions needed support. The participants recognized the tendency to "flag-posting" as rather dominating.
- The World Bank's **Independent Evaluation Group** presented its undergoing evaluation of the Bank's assistance in the field of decentralisation. So far, the World Bank does not follow a coherent strategy regarding decentralisation although by now it has become very important for many client countries. Accordingly, the Bank is a "late comer" in the group of donors pushing for decentralisation, the underlying reason being the Bank's focus on deconcentration instead of decentralisation. During the following discussion, participants agreed that the description of decentralisation as a "cross-cutting issue" is misleading since it affects the DPs' over-all portfolios in a different way than other typical cross-cutting issues such as gender or environment. The modes of delivery are changed fundamentally, i.e. decentralisation is not a "cross-cutting" but a "fundamental issue".

SUMMARY OF THE DISCUSSION OF THE STUDY'S HIGHLIGHTS, COUNTRY EXPERIENCES AND POSSIBLE PRINCIPLES OF IMPROVED DP ALIGNMENT

Highlights of the study:

S. Hesselbarth, Team Leader of the study team, presented six major findings of the review on alignment strategies in Tanzania, Benin, Nepal and Nicaragua which were then discussed by the participants:

- *The lack of communication within DP organisations regarding decentralisation as a “cross-cutting” issue leads to uncoordinated support programmes.* The participants partly assented to this statement, recalling that in many cases the critical point was not the formulation of but the transformation into decentralisation policy. Participants felt the need to agree on a common multi-sectoral approach.
- *The lack of clear orientation and motivation from HQ to DP country representatives and project managers is the key disincentive for engaging in difficult coordination and harmonisation processes.* The lack of understanding between HQ and the representative in the country could result from different levels of information. Another reason could be a competition about the best solution and also a difference in opinion on the right strategy between service delivery and local approach. The question arose what would be the optimal set-up.
- *HQ prerogatives for decision making hamper participation in joint support programmes for decentralisation reforms and risk to undermine local priorities.* Some participants stated that local representatives have to follow HQ's guidelines, but effective delegation depends also on who was at the local level. Some admitted it was difficult to implement a corporate strategy, especially if an increased delegation to the local level was intended. On the other hand, other participants stressed the need for a strong HQ to implement a comprehensive decentralisation programme, as strategic guidance from specialised units in HQ ensure that overall experiences and general principles are taken into account in the programme design. The learning processes in DOs need to be transferred from the local level to and supported by HQ.
- *Adherence to DP specific procedures and diverging commitment cycles impede the development of harmonised aid modalities and joint programmes.* The participants agreed upon the existing of high transaction costs because of the adaptation of DP specific procedures towards national procedures. But sometimes, when best practices were transformed into national procedures, the government became strong which posed a problem for diverging donor interests and also had an effect upon their reaction towards the partner country. Another observation was that a decentralisation programme can serve as a buffer between the donors.
- *Competition between DP specific approaches makes it difficult to consolidate best practices into uniform national procedures and systems.* The participants acknowledged the difficulty to identify best practices as they do not apply to every context. The question was raised why competition should be a problem at all, in other fields it was regarded as an innovative element. In general the participants agreed that a strong government is a decisive factor to overcome competition between DPs.
- *Vague set-ups for DP coordination mechanisms make them less effective as a forum for coordination and harmonisation.* Several questions have been brought up by the participants related to this issue: What are the rules for the definition of the lead? What is the role of the donor in lead? Who is the counterpart to the coordinating mechanism? What is the mandate for the steering mechanism? Due to time restrictions these questions could not be discussed thoroughly. Some participants suggested that a division of labour between different donors could make coordination mechanisms much

more effective. This, however, requires that the objective and mandate of the DP coordinating mechanism had to be defined clearly.

Country experiences:

The participants then discussed in working groups their experience with decentralisation in particular countries (Peru, Mali, Mozambique, Indonesia, Nepal, Rwanda, Uganda, DRC, Regional approaches), looking into the following issues donors can influence:

- *Central bottlenecks:* lack of coordination on donor side; lack of communication and consultation between donors, also between donors and national government and in the national government; lack of integration of decentralisation into the sector policies; lack of a coherent decentralisation strategy; limited political commitment on all sides as well as a lacking vision;
- *Reasons behind:* hidden agendas on donor side (depends on strategic interests, size of country, ODA and GDP); lack of common strategy on the side of the donors as well as in the national government; local capacity insufficient; disbursement pressure on the DP side; lack of experience with SWAps;
- *Good practices:* joint institutional framework to fund local investments applying PPP approach (FICT/Mali); common budget support (Uganda); clear framework for type of partnerships and coordination mechanism between DP (Tanzania); joint evaluations (Mozambique) ;

Possible Principles of DP alignment and harmonisation:

A need was felt to compile loose principles of coordination in the field of decentralisation and local governance. The following collection originates from the discussions and contains proposals to be debated in a future workshop:

- Decentralisation is a “cross-cutting” issue, coherence with core public sector reforms is essential.
- Coordination should be made more comprehensive, horizontally and vertically.
- The government’s commitment to its leadership role for DP coordination should be ensured.
- Civil society organisations and the private sector should be involved.
- Gradual alignment to key elements of national framework can facilitate the development of a comprehensive overall support programme with joint funding mechanisms.
- Delegate more authority to country offices for improving decision making based on local priorities; improve communication within DP organisations on decentralisation and LG.
- Moving from exchange of information and mapping exercises towards joint missions, common funding mechanism and partnership arrangements.
- More time should be given not for the formulation of a strategy but rather for the definition of action plans.
- The same steering committee should be used for different projects.
- DPs should provide more technical assistance for identifying regulatory inconsistencies and offering policy advice.

Already subject to dissent were the following points:

- Alignment to non-coherent national strategies can lead to conflicting and contradictory support strategies therefore integration of decentralisation into overall national strategies (PRSP) is essential. – The link between decentralisation and poverty reduction is not proven.

- High-level political leadership is required for successful decentralisation and local governance reforms. – But where does high-level political leadership come from and where can it be tied into a governing structure? Do donors really want a strong national government?
- Decentralisation and local governance are not identical and should be considered in the design of decentralisation / local governance programmes.

FOLLOW-UP

Concerning the next steps to be taken by the Working Group, the following issues were raised:

- 1.) Based on the feedback during the working group session and additional comments received until end of September, the *final version* of the review on alignment strategies will be ready by mid-October.
- 2.) The *next meeting* will take place in 2008 in Paris. The French Ministry of Foreign Affairs will make a suggestion concerning the dates until end of October and will send early alert message to all interested participants and institutions which have not participated so far.
- 3.) Concerning the *role of the secretariat* staffed by and located at the office of InWEnt/Capacity Building International, Bonn, the tasks included
 - Providing a website for the dissemination of information on the objectives and results of the Working Group,
 - Supporting communication among the group members by a news letter,
 - Providing a shared work space accessible only for the group members to discuss ongoing deliberations like for example on "Principles",
 - If necessary organising and managing sub-working groups on issues defined by the working group, like the topic of CRS-Coding,
 - Collecting already existing studies on decentralisation and information on decentralisation in donor countries as well as partner countries to identify lessons learnt (e.g. the documentation of the Jemen-SWAp by UNCDF),
 - Supporting further studies in the field of decentralisation and local governance,
 - Preparing a presentation on the objectives and the outcomes of the working group in order to communicate this information to other interested parties,
 - Supporting the preparation and organisation of the annual meetings in cooperation with the hosting agency.
- 4.) As *future objectives* of the working group, items of general interest and topics of the next meeting several points were raised:
 - Discuss and compare ongoing evaluation (World Bank, Switzerland, Germany and others),
 - Continue working on principles for coordination and harmonisation,
 - Monitoring local governance and decentralisation,
 - Continuation of presentation of donor strategies (→ invite regional development banks and other bilateral donors interested),
 - A link to OECD/DAC should be established (presentation of the working group in GovNet and in meetings for follow-up of Paris Declaration),
 - EuropeAid asked for proposals on how to deal with decentralisation in the CRS-Codes, to be addressed during the upcoming GovNet-Meeting.

The follow-up of these topics shall be organized jointly in a smaller group already involved in preparing the next workshop (i.e. the French Ministry of Foreign Affairs, EU, KfW, InWEnt).

Attachments: 1. Final agenda; 2. Final list of participants; 3. PowerPoint presentations.