

Minutes of meeting

Donor Working Group on Local Governance and Decentralisation

Brussels, November 28-29, 2006

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1. SHORT BACKGROUND AND PURPOSE OF THE WORKSHOP

On the initiative of KfW and EC, a Donor Working Group on Local Governance and Decentralisation was launched earlier this year in order to understand how different donors operate in this field, to try to identify key principles for intervention and opportunities for common approaches and common aid modalities.

The first meeting was organised by KfW in Frankfurt on April 26, 2006. Four main topics were identified: 1) stock-taking of operations, strategies and approaches; 2) decentralisation as part of state reform processes and the political dimension of the process; 3) monitoring of decentralisation and appropriate indicators; and 4) aid delivery methods.

As the discussion in Frankfurt showed that many donors are in the process of refining their strategies in decentralisation, it was decided that the workshop in Brussels would focus on the first topic: stock taking of operations, strategies and approaches, including a brief overview of the portfolios of some donors on decentralisation and local governance. In order to get an overview of donors support to decentralisation and local governance, a survey was prepared by P. Tidemand and H. Olsen (NCG), funded by DANIDA.

2. AGENDA OF THE WORKSHOP

The workshop consisted of three main parts. After an introduction by K. Hildebrand (KfW, Head of division), A. Kaminara and D. Dellicour (Europeaid, Operations Quality Support, respectively Director and Head of Unit), the results of the survey were presented to all 31 participants, representing fifteen donors (cf. annexes-final list of participants). A second part was dedicated to the presentations of some recent work and events in the field of decentralisation and local governance, as well as recent or draft donor strategies towards the issue. In a third part, two working groups were set up to identify some tentative common principles for future actions. Finally, conclusions of the workshop and follow up activities were presented by D. Dellicour.

3. SUMMARY OF RESULTS OF SURVEY & COMMENTS

The survey gives a picture of current donor practices and strategies in decentralisation and local governance by analysing the portfolio and selected core documents from seven donors (Belgium/BTC; Denmark/Danida; EC/EuropeAid; France/DGCID & AFD; Germany/BMZ,GTZ, KfW & InWent; Netherlands/DGIS; Switzerland/SDC).

On the basis of an analysis of 500 projects, two main conclusions were formulated:

- 1) the dominating approach for delivering decentralisation and local governance interventions is still the project approach: a large number of interventions constitutes of local governance projects or area based programmes, whereas larger decentralisation reform programmes, linked to public administration reform are not very common (10%);
- 2) The average size of project budget is relatively small, indicating relative high transaction costs involved in administration. Some donors, however, are moving towards increased use of sector programme support with more sector budget support and basket funding modalities.

Five key issues emerged from the analysis:

- 1) Joint support national programmes constitute only a small part of the projects but emerge as a best practice;
- 2) Area based programmes present risks such as resource distortions but are still justified in specific cases;
- 3) Tensions are observed between decentralisation and sector support, by far the most important part of development aid;
- 4) Decentralisation and local governance are not always complementary and conflicts between both can arise;
- 5) As many donor organisations are working on the topic, it would be worthwhile to consider some division of labour to avoid duplication of efforts.

Overall, the way forward lies in harmonization and alignment at country level, enhancing country owned decentralisation strategies, and alignment of donor support around these strategies.

The survey, whose main purpose was a stock-taking exercise while showing similarities and differences between donors, was unanimously positively welcomed by the participants and led to a valuable reflection on the current practices in decentralisation and local governance. Oral remarks and written comments prior to and following on the meeting were to be taken on board by the consultants to finalize the report.

As was pointed out in the comments following on to the presentation, the study demonstrates that the political dimension of decentralisation does not appear to be integrated a major issue in current donor practices, although the importance of considering decentralisation as a political process was very much highlighted.

The survey also indicates that donors still have a long way to go when it comes to harmonization. It was emphasized that harmonization does not mean "standardized" or blueprint approach for all donors and that the use of different entry points by different donors is perfectly acceptable as long as the overall coherence is ensured. Some donors highlighted the interest of taking a look at concrete harmonization practices on the field and to undertake selected country assessments on how we perform as donors.

Some participants stated the need to be more precise when it comes to definitions (eg. for some donors, deconcentration is not part of decentralisation). Before touching issues of harmonization, we should evolve towards a common understanding of what exactly we are talking about.

There is a need of a more detailed analysis on some important issues. First of all, specific analysis should be undertaken on the use of sector support and budget support in the area of decentralisation and local governance, as they are key instruments for an effective decentralisation, taking into account local capacities and their development. There is also a need for a better understanding, and approach, of the mainstreaming of decentralisation in other sectors. Thirdly, we need a better understanding of the impact of decentralisation on poverty alleviation.

4. SUMMARY OF RECENT EVENTS AND TRENDS

During the workshop, recent events in the field of local governance and decentralisation were presented. KfW presented the conclusions of the recent workshop on local governance in Kigali, Rwanda, aimed at establishing the bases for a performance-oriented support to local governance in Africa. Furthermore, EuropeAid presented the main elements of their final draft Concept paper on decentralisation and local governance.

Five donors also presented their strategy or approach towards local governance and decentralisation¹:

- the **French** approach to local governance as democratic governance at local level, and decentralisation, which is considered as a process and a major political reform, as a means to achieve local governance;
- the new governance strategy of **DANIDA** (08/06), with a first focus on public sector management, and that approaches decentralisation both as a means and an end²;
- the **UNCDF** strategy, with a focus on local government capacity building and local service and infrastructures delivery;
- **Dutch** development cooperation, stressing sector reform programmes and the involvement of different parties and levels;
- the **World Bank** decentralisation/local governance approach (as laid down in different documents such as the Governance and Anti-corruption Strategy, 2006), that deals with local governance and decentralisation not as an end in itself but as a means to improving overall governance and service delivery.

5. SUMMARY OF DISCUSSIONS OF THE WORKING GROUPS

Working group 1: Relations between decentralisation reform, public sector reform and reforms in different sectors.

An initial "tour de table" allowed identifying various key issues in the relationship between decentralisation reform, public sector reform and reforms in different sectors. Some of these were:

¹ For an overview of the different presentations, see ppt presentations

² The representative of Danida informed later the donor working group that "the point of decentralisation being a means and an end at the same time has been reconsidered, and the conclusion is that no matter how decentralisation is viewed vis-a-vis poverty reduction, economic growth, democratisation and popular participation, it remains a means to achieve these objectives."

- Definitions: the need to have a common understanding of what is meant by Decentralisation, Devolution and Local Governance
- Decentralisation as part of a public administration reform process and a political reform
- Leadership and facilitation of Decentralisation including the participation of the municipalities through their Local Government Associations
- Inter-ministerial coordination: necessity to ensure appropriate coordination and communication between Ministries to enable them to work in a synchronized manner
- Local service delivery: the challenge of reinforcing the capability of delivering effective services by different sectors working at local level
- Data collection and indicators: challenge of measuring contribution of Decentralisation to improving service delivery at local level
- Accountability: how to structure our programmes to reinforce accountability
- Legal framework coherence: coherence of sectoral and decentralisation legal frameworks
- Legitimacy vs efficiency of service delivery
- Use of incentives such as "performance grants"

Efforts were made to share views and understanding on the meaning of "Decentralisation". Some development partners (DPs) see Decentralisation as a process of political nature that legitimises and institutionalises power at regional and municipal level within a state reform process. Decentralisation is also seen as a means to achieve improved services at local level in which the politics of Decentralisation are key for their achievement, that is, taking due account of the actors and factors that affect it (ex. elites capturing, sector contexts, etc.). The exchange of views was useful to set the basis and recognising inclinations among DPs for further discussions on the subject matter.

It was felt that the dual dimension of Decentralisation (Devolution and Deconcentration) whether addressed with a top-down or bottom-up approach calls for a systemic and multi-actor consideration to ensure the effectiveness of the analysis regarding institutional relationships, leading and facilitating actors, pockets of resistance, and other factors that impact the decentralisation process and its articulation with other sectors. Participants pointed out that dialogue is often limited to the Ministry of Local Government or sectoral ministries, forgetting the key role of the Ministry of Finance and the intergovernmental fiscal system in the process of decentralisation and the important role of Local Government Associations.

It was also pointed out that too often bottlenecks to Decentralisation dynamics are caused by inconsistencies in the national legal frameworks, stressing the need to encompass the review of sectoral laws and regulations with respect to the decentralisation legal framework. The tension between two or more bodies of laws and their related sectors calls for a clear leadership to provide guidance and oversight over a reform of the state and its subnational system. Participants believed that the leadership should rest on a central office (Prime Minister or Presidential) as only level of authority that could ensure a proper structuring of the relations and coordination between sectors and the decentralisation process.

Due to lack of time, many issues were not discussed and it was agreed that the country assessments to be carried out should take into account the issues identified to clarify and illustrate DPs support to Decentralisation and provide them with a better understanding in order to sharpen their future actions.

Working group 2: Interactions between Community-Driven Development (CDD) approaches & concepts and the institutional support to decentralisation.

The challenge that was discussed in this working group was how to bridge links between the two types of actors (municipalities and community based organisations) and their respective legitimacy (through local elections for municipalities and based on socio-cultural and anthropological factors for community based organisations).

The question of departure was how to create better articulation and synergies between the two main approaches that currently co-exist: decentralisation and local governance support, emphasising the institutional level, and community based programmes. There was a consensus that the approaches are not mutually exclusive and that both have pros and cons. CDD and institutional support to decentralisation are no abstract strategies, they depend on a context and so the point of departure should be the specific country situation.

It was felt that a too strong emphasis on CDD might lead to the creation of parallel structures that can even bypass local governments. It was stressed that bypassing local governments powers and authority is to be avoided. In this context, the question of alignment around government policy is of capital importance. As far as possible, government strategies should be the starting point of each intervention. Where conditions are not in place or there is a resistance from the part of the government, other entry points such as CDD could be envisaged.

If micro-projects programmes or CDD programmes are envisaged, however, various important issues have to be taken into account: 1) continuous dialogue with the local government should take place as far as possible; 2) these programmes should be incorporated into the local governance system as much as possible ; 3) they can also be considered as an entry point to enhance institutional capacities of local governments ; 4) the question of democratic legitimacy: it is important to conceive CDD so as to introduce democratic practices in communities and empower people to become change agents, and 5) harmonization with other donors on the field remains vital.

At the same time, it was emphasised that alignment and harmonization do not exclude the possibility of envisaging pilot projects that aim at innovation in local governance and local development

As an example of interaction between CDD and decentralisation processes, it was made reference to the agreement signed in Benin between the EC support programme to decentralisation (Programme d'appui au démarrage des communes - PRODECOM) and the World Bank CDD Programme (Projet National d'appui au Développement Conduit par les Communautés- PNDCC) whose objective is to facilitate in a coordinated manner the development of municipal capacities.

Other topics raised :

- the utility to look at decentralisation through the concepts of demand and supply;
- the importance of sustainability of our actions;
- the need to ensure pro-accountability mechanisms;
- the need to take into account the anthropological approach to decentralisation, that looks at the communitarian system of decision making (voting weights differ according to the position in the social hierarchy).

The announced objective to have some draft common principles as a result of those small working groups was somewhat over-ambitious. Nonetheless those exchanges of views were appreciated by participants as they contributed to underline common concerns and to identify further issues that may be addressed at a later stage.

6. FOLLOW-UP

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

1. Finalization of the survey : it was agreed that an extension of the survey to other donors and projects is not necessary. The workshop discussions showed that the overall conclusions of the survey are pertinent enough to be applicable to other donors. However, it would be interesting to include a short 'who is who or who does what' description of some other important donors missing: WB, UNCDF, UNDP, USAID, DFID and CIDA. The final version of the survey will be ready by mid-December. Donors not initially covered will be invited to provide a two-page description of their activities in decentralisation and local governance (a format will be provided by the consultant) that will be included in the survey document.

2. Country studies : there is a need to better document what we are doing and how we are performing as donors at country level. It was proposed to conduct country studies to have a closer look at the different kinds of interventions, the consistency between them, and the identification of problems and good practices. There was a consensus not to focus exclusively on Africa, but to also take into account the other continents. In total, four countries should be chosen: two in Africa - in order to properly address the differences between French speaking and English speaking countries -, and one in both Latin America and Asia. Different donors were interested in being part of the TOR's drafting group (Danida, Irish Aid, Europeaid, KfW, Dutch MFA, French MFA and BTC) under the lead of KfW. Donors interested in the funding of this initiative will liaise directly with KfW. The choice of the countries will depend on a list of criteria to be defined by the TORs drafting group.

3. Presentation of donor strategies : concerning further international activities, there was a call to continue sharing new donors papers and strategies on local governance and decentralisation in next workshops. The need to be more transparent and more communicative towards some other structures, such as DAC/OECD was raised: the creation of an internet platform and a support secretariat to the donor working group should help : a proposal from BMZ/KfW/InWEnt will be made for that purpose.

Moreover, the possibility to open some internal training sessions to other donors should be envisaged. EC offered to open in 2007 one of its in-country training workshops on local governance and decentralisation to other donors present in the country : information on these training will be shared by the end of the first quarter of 2007 at the latest..

4. Next meeting : the next meeting will take place in Berlin, on the 17th and 18th of September 2007. Regional development banks, international institutions (IFAD), and other bilateral donors (ex. DFID, USAID, CIDA) will either be invited or re-invited for next workshop.

Enclosures:

1. Final agenda ; **2.** Final list of participants; **3.** Powerpoint presentations of NCG (Results of the survey), KfW, French MFA, Europeaid, DANIDA³, UNCDF, Dutch MFA, World Bank.

³ Due to the size of the file and the incapacity to reduce it, this presentation is not attached. A paper copy was distributed during the meeting.