

Minutes of the 4th workshop of the
Development Partners Working Group
on Local Governance and Decentralisation
Paris, June 25 - 27 2008

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.

The most important topics of the fourth workshop were: an in-depth discussion about general and the beginning of a discussion about specific guidelines, strengthening local financing, the mode of operation for the group and the presentation of national development strategies from partner organisations.

Agenda of the workshop

The workshop consisted of four main parts and one (separate) part about the European charta (Annex I). After the welcoming speeches, the first part of the workshop consisted of a presentation and discussion on the draft proposal on general "Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation". The second part was dedicated to the topic of strengthening local financing. The third consisted of the discussion about the mode of operation for the group. The fourth 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 undertaken from the World bank, SDC and DFID. The official part of the meeting was closed after these presentations.

Finally, the European charta and the "Commission communication on EU approach to democratic local governance, decentralisation and territorial development" had been discussed.

Introduction:

The 34 participants (see Annex II) were welcomed by Jean-Marc CHATAIGNER from the French Ministry of Foreign Affairs. He underscores that the governance and decentralisation issue is a focal point of the development agenda of the French ministry. Furthermore he gave the group the advice to “Stay informal” and to never forget the operational perspective of this group. He also pointed out some critical questions like cooperation with corrupt governments or the sense of ownership.

After his welcoming speech, Dominique DELLICOUR from EuropeAid reminded the history of the Group and that its primary objective is the mainstreaming of good practices and experience exchanges to find operational solutions to problems our co-operations face in decentralisation and local governance processes. She also reminded that central to this objective is the informal nature of the Group that allows for the necessary flexibility for fruitful technical and operational exchanges.

Thomas WOLLENZIEN from KfW underlined that two elements in the field of decentralisation and local governance remain underestimated: 1) the devolution of power opens up windows of opportunity for local elites and 2) the importance of strengthening public services delivery directly to customers. Moreover, he emphasised the question of appropriate sequencing of decentralisation processes and the adequate support of the DPs to these processes.

Part I: “Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation”

On the basis of the studies already realised by the Informal Group, the Guiding principles are an attempt to apply Paris Declaration Principles to the specific sector for decentralisation. Consultant Claus Thure HASTRUP emphasises the importance of exchange, dialogue and cooperation among the participating parties. The three main guiding principles are:

1) Ownership :

- It should support a multi-actor dialogue. These can be state or nonstate actors
- Undertake a joint situation analysis / diagnostic review
- The 5 core elements for effective decentralisation are: legal framework, financial resources, human resources, effective mechanisms for local level accountability supported by central institutional arrangements
- Fiscal decentralisation is recognised as a key element for successful decentralisation.

2) Alignment:

- It is important that decentralisation and local governance are both articulated to achieve national and local development objectives.

3) Harmonisation:

- It is important to consolidate the coordination among the partners themselves and the countries involved.
- There are internal levels on harmonisation. Most of them are applications of a large number of local guidelines, such as the reduction of transaction costs, implementation of common arrangements, simplification of procedures and the use of more effective division of labour. They represent a challenge for many development partners.

After working in 3 different working groups, all participants shared their findings in the plenary session.

Even though the principles are still general, a consensus has been attained on some key elements of harmonisation of decentralisation support. This is a progress as respects the previous meetings where consensus was not attained and marks the end of the first phase of the work expected from the consultant.

As regards the General guidelines, the main inputs of the participants were as follows:

- Preamble: (1)The preamble should explicitly refer to other relevant documents; (2) need to highlight the purposes of the different guidelines in the framework of the informal donor working group;(3) confirmation of the double objective pursued through decentralisation support, namely, local governance and accountability which is an end in itself and poverty reduction and local economic development and service delivery; (4) stress the importance of civil society in ownership and the priority of demand side; (5) eliminate references to "preconditions" to recognise the multiplicity of entry points and sequences according to specific contexts (i.e. the term "critical pillars" could be used)
- Alignment and Ownership: the discussions have focused on the issue of the sustainability of results through: (1) a systemic approach to capacity development (individuals/organisations/systems); (2) the links between decentralisation support and public administration reforms (i.e. legal frameworks, fiscal systems...); (3) common diagnosis, promotion of country led analysis and promotion of a systemic common framework with a clear definition of "building blocks", country typology and thematical approaches.
- Harmonisation and Coordination: given the specificities of the decentralisation sector (multisectoral and multiactor), these issues have been largely debated. A consensus exists as regards the harmonisation of approaches in support to decentralisation, notably during identification and formulation (i.e. common analysis and diagnosis). However, positions diverge as regards aid modalities and instruments harmonisation. Despite these divergences, it has been judged necessary that the specific guidelines address the issue of the "best fits" between approaches and instruments in a well paced fashion.
- Interlinked to the need of systemic approaches, the participants have highlighted the need of a sequenced approach, defined, among others, on the basis of a country typology to identify at what level to embed a project/programme and how to scale up from a stand along project to a national scale.
- Managing for Results: support to regional and national statistics systems and the role of local actors (i.e. data collection, contribution to these systems, role in monitoring the performance...)

On the basis of the orientations provided by the participants, the second phase of the work aims at declining convened general principles into more specific and operational principles according to the different possible contexts.

To do:

- Written comments for general and specific guidelines should be sent by email until end of July 2008 to the consultant and or the secretariat.
- The consultant will sent a revised draft for general guidelines in August.
- The consultant will sent a first draft for specific guidelines in August.

Part II: Strengthening local financing

The second part was dedicated to the topic of strengthening local financing and presentations from M. Benhamou, M. Laye and M. Fournier.

Jean-Francis BENHAMOU, AFD represents Mr. VAILLANT. The presentation is about rural and urban local governments' ways of financing investments. He presents the way AFD operates, such as by working on developing strategies before defining the actions to be undertaken.

Pierre LAYE from the French Foreign Affairs Ministry gives a presentation on the study of five African countries' financial situations. Taxes collected are only useful if the money is used appropriately. The fight against corruption is a priority. The central government must become involved in enhancing national coherence, as there are many different fiscal potentials available in various regions. He asks how to build a local fiscal system in a best way that does not compete with the central government's fiscal policies. The local fiscal situation is still fragile and is not a priority of the central state government.

Christian FOURNIER, UNCDF explained the LAFIAS system. Authorities' financial resources, human resources and local public services need to be improved. LAFIAS is the tool intended to analyse local governments' dynamics. Identification, investment and perpetuation tools are created to contribute to the improvement of the decentralisation policy. In the western part of Africa, it is often difficult to recognise governments' expenditures or how to report those expenditures. They are facing a vicious circle because, without tax income, there are no services and vice versa. He presents some elements which are helping to tackle the problems. He says that in order to make things change, the impetus must come from the citizens and their elected representatives. He declares that in rural areas there are very few firms, which has a negative impact at the market level. Another problem are high taxes. He thinks that it is important to think about ways of improving the tax systems because, at the moment, it is the poor who pay more in percentages. Moreover, Fournier stresses the importance to think about a property tax in rural areas. At the political level, they try to investigate how the local governments are functioning because it helps to determine what sort of competencies they have already achieved.

Part III: Mode of operation for the working group and the secretariat

Nina HELM, InWEnt pointed out that the aim of the paper is not setting more rules, but to define some basic agreements of the group. She will send a new version of the draft to the group in no time after the conference. She will include important changes such as 1) an introduction, 2) the informal character of the group will be underlined, 3) the aim of the facilitating committee is to organise the next meeting in cooperation with the secretariat and 4) the secretariat will continue and amplify working the same way as before and at any stage the group can take other decisions concerning the functioning of the secretariat.

Subgroups:

The secretariat will facilitate and provide feedback for the subgroups. The following subgroups are proposed:

1) "Systemic approach": UNCDF, contact person: Aladeen Shawa:

aladeen.shawa@undp.org

2) "Indicators": GTZ, contact person: Sabine Diallo: Sabine.Diallo@gtz.de

3) "Sequencing": KfW, contact persons: Uwe Strangmann: uwe.strangmann@kfw.de and Corinne Kaiser: corinne.kaiser@kfw.de

4) "Fiscal Decentralisation": French Foreign Affairs Ministry and French Development Agency:

Contact persons: Pierre Laye (MAEE): pierre.laye@diplomatie.gouv.fr and Jean-Francis Benhamou (AFD): benhamoujf@afd.fr

5) "Capacity Building": UNDP, Dafina Gercheva: dafina.gercheva@undp.org

By the end of July the organisations should send a short note to present their opinions for inclusion, as well as to answer open questions and present their points of view. The feedback has to be sent by mid-September.

Facilitating committee:

The facilitating committee will be composed of the present and future host + KfW + EuropeAid as founding members.

Hosting the next meeting:

The site for next year's meeting has not yet been decided between Bratislava and Washington/New York. The final decision will be confirmed in the upcoming weeks.

Newsletter and website:

Nina presents the newsletter and a first version of the website and asks the partners for sending information and recommendations at any stage.

Every presentation of the Paris meeting can be downloaded on the forthcoming website: www.dpwg-lgd.org

PART IV: WB evaluation, DFID's and SDC's strategies

Gita GOPAL, (IEG-Worldbank) presents by a telephone conference the evaluation background, methodology and key findings. In the twenty examined countries, bank support is relevant. In Tanzania, one unit of the bank assisted the government in the past. Today, the local government has responsibility. However, political decision-making cannot be controlled by the bank. The complexity of decentralisation explains why the results are sometimes bad. Ensuring more transparency and accountability at the local level is working well. However, accountability did not work as well as it should. She notes that it is hard to empower citizens.

Kai KAISER from the WB presents a document on how to monitor whether decentralisation is good or bad at the country level. Generally agreement exists that country ownership is critical for engaging and integrating local participants well. It is critical to improve understanding of the political economy of decentralisation. Decentralisation is a political process: service delivery and political negotiations benefit from better understanding. It is important to identify data points and monitor the impact of the decentralisation. The PEFA is an indicator measurement tool. Each group has its own way to deal with the diagnostic. It is very interesting to have a joint

diagnostic. He declares that it is impossible to have an agenda at the central governmental level. It is important to focus on how we can improve the coherence, quality of the bank support and the work with other donors. Country team discussions can help lead to greater coherence.

Asha NEWSUM summarized DFID's contribution to Decentralisation and Local Governance: The Governance and Social Development Group with the involvement of DFID country offices accomplished a stock-take in 27 partner countries in Africa, Asia and the Middle East. The objectives of the stock-take are to: a) provide an evidence base for informing operational policies within context of ministerial priorities; b) contribute to international debate on how development assistance can support the building of effective, accountable states c) inform debate and dialogue in the development partners' working group on aid harmonisation and alignment.

The process involved literature review, country level analysis, portfolio analysis and country office feedback using structured questionnaires. The stock-take led to the results that all partner countries had some form of decentralised government and even 90% of them have constitutional and/or legal provisions for decentralisation. However in some cases these arrangements are only partially implemented.

Against this background the understanding of country-specific, formal and informal institutional arrangements for decentralisation and the extent to which the arrangements are pro-poor is needed for determining country strategies.

Nevertheless the results of partner country experiences in decentralisation are different. Many local governments have unfunded or inadequately resourced mandates for delivery of essential services critical for poverty reduction, whereas the good performers are where the decentralisation framework adopted is appropriate and pro-poor.

On this account DFID recommends among others stronger analytical instruments for formal and informal decentralised arrangements in operation in partner countries as much as supporting forms of decentralisation that lead to pro-poor outcomes and institute measures to track performance in country strategies and PRBS agreements.

Mona MBIKAY BOIN from SDC presented the Swiss cooperation approach in the areas of decentralisation and local governance. SDC adopted an open-systems perspective taking into account global and regional context. It supports decentralisation processes at political, administrative and fiscal level and maintains a dialogue with the central government and local entities. It encourages the overall process of state modernisation (including public sector reform), democratisation, national development strategies, local elected governments and municipal development, local democracy and citizen participation, local development strategies and processes. Mona M'Bikay highlighted that the five principles of good governance, that is to say, accountability, non-discrimination, participation, efficiency and transparency guide SDC's action in the fields of decentralisation and local governance (A brochure containing guiding questions concerning governance principles which should be considered when planning the implementation of a project will be provided to the secretariat). She recalled that the five principles of governance include de facto equal opportunities for men and women. Mona M'Bikay presented a study on fiscal decentralisation and an evaluation related to decentralisation in SDC's bilateral cooperation. The study on fiscal policy pointed out that in most partners countries important effort were made to decentralize responsibilities related to the

provision of good and services. However the vast majority of governments does not support fiscal decentralisation and the delegation of tax collection to local and regional governments. Moving the tax policy debate from the technical to the political sphere remains a challenge. One need to create political will for fiscal decentralization and create incentives for central and local administration. Two supportive factors were identified for revenue raising: aid modalities should include conditionality for revenue mobilization and strengthen local ownership. As regard to the evaluation, recommendations were formulated in order to assist SDC improving the relevance, the effectiveness and the sustainability of its projects. Amongst them, SDC should adopt a more holistic approach, strengthen the link between rural and urban areas, put more emphasis on fiscal decentralisation and play a more active role as regard to political dialogue and the coordination between donors. Finally, she mentioned that SDC conducted a capitalisation on experiences in the field of decentralisation and local governance aiming at promoting exchange between SDC colleagues working in the field and at HQ and creating a network of practioners working in these two areas.

The closing:

Mr. Regis KOETSCHET from the French Foreign Affairs Ministry closed the meeting. Following a brief resume of the 3-day workshop, he underscored the French interest in this group. For this reason, France will support the activities of the group, also with financial means, by the end of 2008.

The additional part: European Charta

Violaine de VILLEMEUR from the French Ministry of Foreign Affairs presents the Charter and its aims. She says that the aim of the Charter is to increase the effectiveness of support to local governance at the local level. It is open to every European actor and the working group was composed of NGOs, local governments, member states, local authorities' representatives and other experts. The charter aims to support democratic actors' legitimacy. It also aims to support civil societies' participation in the framework of local governance. The Charter aims at helping a multilevel governance, supporting local governments' associations, fighting against poverty and inequalities and ensuring that the distribution of services is fair. The charter has to be an evolutionary document. Representatives of authorities from the South have participated to elaborate the Charter. The Charter coordinated the donors' actions to be sure that central governments are involved. The project is to coordinate all the donors and not merely the institutions.

David JOHNSON from the EUROPEAN COMMISSION says that local authorities have an impact on development and want to be heard. There are several messages: 1) there is a need for an evolution, 2) the increasing importance of finance is not recognised, 3) there is a need for a long-term relationship utilising the public financial system, 4) the recognition of these necessities by local authorities. He presents the challenges as moving from a number of various individual instruments to a holistic approach. It focuses on local governments within the programmes and it enhances EU local actors' engagement within a country by encouraging them to respect some principles. There is no need to do everything by themselves. A strong challenge will increase the effectiveness, as well as enhance and promote development, which will have an impact on member states and populations.