

Meeting of the informal Development Partners Working Group on Local Governance and Decentralization

25 – 27 May 2009 Bratislava

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. 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 Working Group on Local Governance and Decentralisation (DPWG-LGD). 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 was funded by DANIDA and BMZ.

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 in Paris 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. The 4th annual meeting took place in Bratislava, following the central topics: Fiscal Decentralisation and harmonisation, capacity development and harmonisation, activity report and outlook of the secretariat and the group's work.

Key questions of the meeting:

- *How can we develop a common understanding of capacity development within the group? How do we create more synergy regarding capacity development?*
- *How can we support fiscal decentralization with higher political priorities within our partner countries?*
- *How can we support better service delivery, democracy and participation?*
- *Where do we see the group in the future?*
- *How do we create the dynamics so that our work is more concrete?*
- *How do we deal with political deadlocks or obstacles?*
- *How do we implement the declarations on harmonization and alignment?*

- *Should we mobilize a wider scope of donors to participate in the Working Group?*
- *Should we organize more thematic meetings during the year?*

Agenda of the workshop:

The 35 participants ([see list of participants](#)) were welcomed by Radomir Bohac from the Slovak Ministry of Foreign Affairs.

Radomir Bohac, Director General, Economic Cooperation and Development Assistance, Ministry of Foreign Affairs, Slovak Republic

Key issues:

- Slovak Aid / ODA: Mid term strategy 2009 – 2013 covers aid effectiveness, coherence, flexibility
- Programme and project countries from all around the world; also good partner for Western Balkans and Eastern Europe: able to offer added value, transformation know how – Bratislava/Belgrade Fund; Assistance with integration in international organizations with special focus on EU
- Key partners: CIDA, ADA, UNDP BRC, EC, OECD/DAC, EU Member States, SIDA

Jens Wandel, UNDP RBEC Director and Director of BRC

Key issues:

- Aim for a more rigorous approach to capacity development for effective local governance and effective decentralization within donor strategies
- More harmonized approach will decrease costs of development
- Human development report on decentralization can create enabling environment – further local governance development plans, empower communities, help improve quality of basic services, ease inequalities
- Effective good local governance – set of institutions, mechanisms, processes where there is effective citizen participation. Decentralization sets the stage for interaction between different groups, helps to exercise rights and duties.
- Capacity development approach is the framework of integrated local development, framed by national policies.
- Capacities to assess, budget, manage, implement, monitor and evaluate.
- The factors favoring or blocking these capacities are often systemic in nature, and have to do with the relationship between the three levels. Development is not sustainable if it's only at one of the three levels. Sometimes this means moving to the institutional and international level, to advocate for fostering capacities at the local level.

- Invest in capacities to assist with the **economic crisis** – capacities to create a vision; absorb domestic and external funds; to support a low carbon economy
- Area based development (ABD) to help mitigate the social impact of the financial crisis, includes multi disciplinary teams, aims to enhance social economic and environmental development within communities, brings local interests and challenges to the table including delivery of social services.

“Specific Guiding Principles for Enhancing Alignment and Harmonization on Local Governance and Decentralization that will apply to specific country contexts”

The study's author, Claus Thure Hastrup, could unfortunately not be present at the meeting. The Group decided to nonetheless have a quick collection of comments on the study without discussing them in depth. This and the operationalization of the study's findings will be an issue for the next meeting of the DPWG.

Key issues of discussion:

- Good piece of work, takes us further, identifies steps that need to be taken, but has hidden assumptions about many things, especially the roles of various actors in local governments. Assumes these roles are known and accepted - often not the case. Civil society and local authorities need to be identified as part of the process. The principles have to be debated, contested, and negotiated.
- Role of national local government associations needs to be recognized and enhanced they know better than any other body.
- Prepare extended summary (four to five pages) for better communication.
- Combine decentralization with sector approaches - needs to be mainstreamed
- How to implement the guidelines on alignment? What are the mechanisms for validation of local partners?
- Monitoring and evaluation for Working Group. How to report compliance?
- Decentralization and conflict should be considered in the document.

Pierre Laye, French Foreign Affairs Ministry – follow up mechanism on the European Charter

Key issues of discussion:

- Differences between European Charter of Self Governance and Guidelines: similar topics, different scope. The Charter is a legal, binding document, whereas the Guidelines are informal recommendations. Charter is for local governments in Europe. The Guidelines are for South and North partnerships.

German initiative to strengthen international cooperation with developing countries to fight tax evasion and avoidance by Hans Wollny, German Federal Ministry for Economic Cooperation and Development (BMZ)

Key issues:

- Local governments are facing issues related to tax evasion – many municipalities claim they do not receive sufficient money from central government, but municipalities also do not always collect taxes themselves – for political reasons they are reluctant to collect taxes in their own regions, in order to win elections.
- TORs on donor mapping and taxes under discussion with OECD, likely provisional mapping in next three four months?
- Private sector companies taking advantage of countries that will not require them to pay taxes – possible entry point at country level
- Concrete assistance: participate in development of tax regulations and improving tax collection; advocate for pro-poor taxation; Internships, secondments to tax agencies;
- Kampala study to share on building up autonomous agencies at the local level

Presentation “Determinants of Integrated Fiscal Decentralization” by Dr. Jörg Faust (DIE) initiated by KfW

Key issues of discussion:

- Coordination is a challenge even within donor organizations.
- There is also a challenge to harmonize interests of sector specialists and those involved in decentralization efforts. Natural ally is finance ministry – which is responsible for integrated planning and budgetary processes.
- Positive examples of an integrated approach for supporting decentralization: getting support of PMO, cabinet ministry, good for cross cutting issues.
- Political: Fundamentally about restructuring distribution mechanisms of the state which affect the control of resources. Reforms can threaten power structures. Also reform fatigue.
- Complex reforms take a long time, sometimes decades. Sequencing it's worthwhile to think about how to monitor and measure impact – to be able to compare one country with another country. Effective monitoring mechanisms currently do not exist.
- Financial crisis: implication is that central governments may be more reluctant to give away spending responsibilities. Has a tendency to make fiscal decentralization more difficult.
- Donor attitudes concerning fiscal decentralization – can lobby for more donors to provide financial support to local governments, or with specific programmes to increase capacities of local governments.

Panel discussion on fiscal decentralization:

Consultant Nina Boschmann presents draft **study on fiscal decentralization**, Edgardo Bilsky (UNCLG), Nicoletta Feruglio (UNCDF), Biram Owens Ndiaye (PDM), Francois Yatta (LEDNA), Pierre Laye (French MAEE) provide comments.

Key issues of discussion:

- The study should remain global in nature, rather than focus on a particular region, even if much of the working group's contributions come from the Africa region. It is desirable that the consultant be provided with more non-African examples.
- It was agreed upon that the study will be completed in the framework of the existing TORs and based on the working group members' contributions, focusing on those aspects which are not being dealt with in other consultants' ongoing studies. Within these limits, the following proposals were made:
- The study should be more operational in nature, offering a certain guidance to the DP on how to cooperate on fiscal decentralization policy and programming responses. Some re-adjustments and additions to the current structure may need to be made to account for this. However, the study alone can probably not produce concrete recommendations on how DP can work together more closely in the area of fiscal decentralization. Next steps in the DPWG process will need to include country level learning activities and piloting exercises.
- Discussions took place on whether the study should focus on local own revenues or those transferred by the central government. It was acknowledged that the study will be based on the evidence and information provided by the DP, which included both aspects. A deeper focus on local revenue creation is not required as much of this is covered by another study, which was commanded by the French cooperation.
- It needs to be further explored how institutional reform for fiscal decentralization can be supported. A key issue to be highlighted is that of accountability and how effective monitoring and evaluation of impact can occur.
- The study should refer to the latest terminology on capacity development in general terms, as reflected in the Paris Declaration, the Accra Agenda for Action, and in UNDP's approach to capacity development. However, another study will deal with capacity development in particular.
- The politics of fiscal decentralization as well as decentralization more broadly, need to be reflected more strongly in the study. An explicit recognition of the political nature of decentralization processes, supported by evidence would benefit the study.

Panel discussion on capacity development:

Consultant Arne Svensson presents draft **study on capacity development**,
Panel members: Dafina Gercheva (UNDP), Rolf Swart (VNG), Eugen Kaiser (InWent)

Key issues of discussion:

- The financial crisis and the economic downturn which has followed on a global scale makes harmonized donor support to reinforcing state capacities at both national and sub-national levels even more important. There is increasing pressure to strengthen absorption and implementation capacities of LGs in a coordinated manner so as to mitigate negative social, economic and political consequences.
- LGAs play a key role in CD for decentralization and local governance, however donors must work together to ensure that CD support does not overload the LGA and therefore distract from its primary functions (which include the representation of LG interests to central governments, knowledge gathering and dissemination, and CD support to LG).
- Effective decentralization and local governance requires CD support at both national and sub-national levels, as decentralization processes change the roles and functions of central government bodies. While these are equally important, the study will focus on CD at the sub-national level.
- CD is not a linear process, and the five steps of UNDP's capacity development process which guide the organisation and analysis of the study are to be seen as steps in a process which is highly contextual, iterative and flexible in nature.
- Capacity development is inherently political as it entails the re-distribution of power and resources. As with any change process, this will generate winners and losers. Engaging in policy dialogue with key stakeholders is crucial and the study should include examples which illustrate how DP engagement in policy dialogue has successfully led to CD.
- Building effective partnerships within a country, between country actors and donors, and among donors is a precondition for CD. Understanding 'who does what' is crucial to understand how capacities can be developed. The study needs to spell out (either indirectly in the study itself or through the DPWG workspace) who the actual actors are that are involved in the initiatives referred to.
- Helping to establish national systems for monitoring and evaluating capacity development of LG is a key priority, and examples of where and how this can be done are welcome to be included in the study.
- The study needs to be operational in nature, offering guidance to the DP on how to cooperate on CD for decentralization and local governments. It should include a section on lessons learned, and operational recommendations to DP.

- The key focus is on how to harmonize DP interventions, to make sure they add up to something coherent. Often DP think they are 'playing in different' fields but in essence decentralization and CD support to decentralization and local governance must match up horizontally and vertically, including in the sectors.
- The study should be related explicitly and systematically to the internationally agreed vision and reform agenda for capacity development. Important reference documents are the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and, in particular, the 2006 DAC Guidance "The Challenge of Capacity Development: Working Towards Good Practice". As a potential "reference document", the study should apply this generic vision for effective CD to the specific conditions and context of decentralisation and local governance.
- The final study should include an executive summary.

Presentation "GTZ's approach to capacity development: support to 2nd generation decentralisation reforms" by Annette Bähring (GTZ)

Key issues:

- GTZ supports decentralisation reforms within the framework of programme-based approaches (PBA) through support to the preparation, design, implementation and adjustment of general and sectoral budget support, basket financing and integrated projects
- GTZ delivers its services as direct contributions. 'Direct contribution' means that services are pledged to the partner country – as opposed to funds being transferred. The content and form of the specific inputs or services are worked out, agreed on and adapted in joint discussions with the partner country. Implementation, together with the partner country, then follows in the form of TC projects.
- 1st generation of reforms: key lessons:
 - Reforms take longer than expected: short-term political cycles, need for long-term donor support. Need to work with short-term politics
 - Reforms are highly political: redistribution of power and resources, zero-sum game, resistance to reform. Need to provide political advisory services
 - Reforms require double changes: vertical arrangements between different state levels and horizontal arrangements between state and non-state actors. Need to combine multi-level and multi-actor approach
 - Reforms are becoming more complex: more domestic actors with pluralistic interests. Need to facilitate collective negotiation processes
 - Reforms are becoming more complex: more external actors with pluralistic approaches. Need for effective donor coordination and harmonisation
- 2nd generation of reforms: key challenges:
 - Making decentralisation and local governance work

- Consolidating or reforming 1st generation reforms, taking 1st generation reforms forward (new topics, new actors)
- Strengthening coordination and collaboration between multiple state levels (e.g. coherence, balance between national regulation and sub-national autonomy)
- Strengthening coordination and collaboration between multiple state and non-state actors
- Strengthening the 'middle level' (e.g. provincial governments)
- Supporting interest groups
- Brokering the (re-)negotiation of reforms
- Ensuring donor harmonisation and division of labour

The group's work / secretariat:

Key issues of discussion:

- **Joint training module** about "decentralization" under train4 dev: EuropeAid and InWent marked clear interest, some others are still hesitating but interested. InWent will continue to discuss that matter with those who are interested (MFA Netherlands, DANIDA, IrishAid, GTZ, UNCDF, UNDP, CIDA, Swiss cooperation, EuropeAid)
- **Future of subgroups** : scope of work agreed on in Paris had shown to be too ambitious > we have to change the nature of the subgroups > Building subgroups on topics we are already working in:
 1. Integrated Framework (UNCDF leading, GTZ, KFW interested will still continue working)
 2. Fiscal Decentralization and Capacity Development are and will not be functional for the nearer future.
 3. Two suggestions for building a subgroup from MFA Netherlands (if you are interested to join, please send a message to: Jan Willem Nibbering: jw.nibbering@minbuza.nl)
 1. Sector wide approach and decentralisation:
 Much of our bilateral development cooperation is organised through sector wide approaches (SWAPs). Typical sectors are health, education, water & sanitation etc. In these SWAPs there is often a tendency to bypass local governments and ignore decentralisation processes as these are often considered obstacles to getting quick results in the sector. As a result decentralisation processes may be undermined and potential for synergy left unused. The question here is how can SWAPs be designed and operationalised in such a way that they take into account decentralisation processes and local governments, build on them and use them in a way which is mutually beneficial for both.
 2. Complementarity
 How can development partners who are working at different levels of government (central, meso, local levels) complement one another's work in a

better way, thereby enhancing its results? For instance, one could think of complementarity between bilateral donors supporting country-wide institutional change or supporting the development of certain sectors, on the one hand, and local authorities from the north building the capacities of partner district governments in the same country, on the other hand.

- More exchange requested for the **2 Lead Donor Workshops** held in Uganda and another country in SSA; the headquarters should communicate with the interested country staff about the meetings aim and agenda. The secretariat will come back on this matter to you.
- **Donor mapping** exercise: the secretariat asks the DPs to send back the questionnaire
- Approaching **OECD/DAC** on hold; decision on specific topic to present at a later stage
- **Topics for next year's meeting:**
 1. Find synergies with sector wide approaches, how to be integrated in Decentralization framework;
 2. Discuss concrete country cases (Diagnostics), reality check with partners from the field for example on conflict and decentralization;
 3. Follow-up on implementation of the guiding principles within our organizations;
- Agenda / **host for next year's meeting** – possibly a side to the Global Forum in Africa, possibly in Washington. The secretariat will follow-up on this.
- Follow-up on **specific guiding principles** will be clarified by the secretariat and the consultant
- Focus of group: Group decides against having more studies and instead focus more strongly on concrete activities
- Recommendations by the secretariat:
 - Please use more the shared workspace,
 - send us more relevant information for studies,
 - help with donor mapping exercise (questionnaire)
 - ask non member donors to become interested about our group / members
 - Inform us about the topics you are actually working in, the secretariat will collect those information and send proposals about building subgroups on these topics or suggesting joint activities etc