



Busan and Beyond: Localising Paris Principles
for More Effective Support to Decentralisation
and Local Governance Reforms



Development Partners Working Group on
Decentralisation & Local Governance – DeLoG

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Jochen Mattern
DeLoG Secretariat

Acronyms

AAA	Accra Agenda for Action	GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ADA	Austrian Development Agency	GoG	Government of Ghana
ADB	Asian Development Bank	HLF-4	4 th High Level Forum on Aid Effectiveness, Busan, South Korea
AECID	Spanish Agency for International Development Cooperation	IADB	Inter American Development Bank
AFD	French Development Agency	Irish Aid	Irish Agency for International Development
AusAID	Australian Agency for International Development	KfW	German Development Bank
BMZ	German Federal Ministry for Economic Cooperation and Development	M&E	Monitoring and Evaluation
BTC	Belgian Development Cooperation	MDG	Millennium Development Goals
CDD	Community-Driven Development	NCDD	National Committee for the Democratic Development, Cambodia
CIDA	Canadian International Development Agency	OECD/DAC	Organisation for Economic Co-operation and Development: Development Assistance Committee
CSR	Civil Service Reform	PBA	Programme-Based Approach
DANIDA	Danish International Development Agency	PD	Paris Declaration on Aid Effectiveness
DDF	District Development Fund, Ghana	PFM	Public Financial Management
DeLoG	Development Partners Working Group on Decentralisation & Local Governance	PNPFD	National Programme Decentralised Planning and Finances, Mozambique
DFID	United Kingdom Department for International Development	SDC	Swiss Agency for Development and Cooperation
DLG	Decentralisation and Local Governance	SIDA	Swedish International Development and Cooperation Agency
DP	Development Partner	SWAp	Sector-Wide Approach
DRC	Democratic Republic of Congo	UCLG	United Cities and Local Governments
DSF	Decentralisation Support Facility, Indonesia	UNCDF	United Nations Capital Development Fund
EC	European Commission	UNDESA	United Nations Department of Economic and Social Affairs
FADeC	Fonds d'Appui au Développement des Communes, Fund to Support Community Development, Benin	UNDP	United Nations Development Programme
		USAID	United States Agency for International Development

Executive Summary

The Development Partners Working Group on Decentralisation & Local Governance (DeLoG) – founded in 2006 – consists of 27 development partners (DPs) dedicated to improving development assistance for decentralisation and local governance (DLG). DeLoG is guided by principles of aid effectiveness (ownership, alignment, harmonisation, managing for results, and mutual accountability) outlined in the Paris Declaration (PD) and the Accra Agenda for Action (AAA). To prepare for the High Level Forum on Aid Effectiveness (HLF-4) in Busan, South Korea, DeLoG has sponsored several meetings and initiatives, including eight country case studies designed to assess progress achieved and challenges encountered in meeting the PD/AAA targets.

Why Decentralisation and Local Governance?

DLG has been an increasingly global phenomenon for over two decades. This trend shows few signs of abating despite the limited and mixed evidence of its impact. There are at least four reasons why DLG should remain central to the development agenda. First, a compelling logic suggests that **considerable development benefits can result from including DLG as an integral aspect of public sector and governance reform**. Beyond traditional economic arguments for decentralised service provision, local governments are closer to citizens and likely to have a deeper and more holistic understanding of local needs than central authorities.

Thus, they can play a key role in coordinating actors at all levels to build more transparent, participatory, and accountable DLG systems that deliver results on the ground.

Second, the **limited and mixed empirical evidence on DLG benefits results in great part from reform design flaws and non-strategic implementation**. It cannot be seen as a valid indication that DLG reform is undesirable or ineffective. DLG reform is very demanding and complex given its multi-dimensional nature, the number of actors involved at different levels and the challenges and time needed to build the systems and capacities required for success.

Third, **DLG is highly relevant for emerging global challenges**. Increasing urbanisation creates heavy demands for local public services. Other challenges, such as financial crises, climate change, environmental degradation, natural disasters, and food insecurity, are also increasingly consequential and intensify pressures on local governments. At the same time, some analysts argue convincingly that local governments can be effective partners in finding solutions.

Fourth, as DPs' understanding of ownership of national development strategies evolves, it is increasingly evident that **local governments can play a critical overall role in delivering aid more effectively**. The push for broadening accountability systems to include the beneficiaries of aid points to local elected bodies as the

most appropriate forum for connecting to citizens and enhancing downward accountability.

Development Partner Support for DLG: Performance to Date and Challenges

The potentially critical role of DLG for development effectiveness and the persistent prominence of DLG on the developing country reform agenda have convinced many DPs to continue supporting related reforms. But how effectively has DLG support been provided relative to the PD/AAA principles and commitments? DeLoG investigations summarised in this paper show that progress is uneven and mixed. In recent years, more funds have been channelled through programme-based approaches and multi-donor trust funds, which are to various degrees better aligned to (local) country systems than more conventional approaches. DP coordination mechanisms have also improved and joint missions and peer reviews have increased. Yet stand-alone projects, project implementation units, and parallel systems remain significant, and many countries still face fragmentation of DLG support. DeLoG has identified four key challenges that hinder adherence to aid-effectiveness principles for DLG support.

First, **DPs often develop DLG support and choose country partners before adequately understanding key political economy dynamics**. Even where there is apparent consensus on DLG reform, op-

position from powerful stakeholders can limit the efficacy of DP support. This situation is both evident from and reinforced by the commonly weak linkage of DLG to other public sector reforms. These are managed by different agencies with diverse goals, and they may oppose or be indifferent to decentralisation. Public financial management (PFM), civil service reform (CSR), or service delivery reforms enacted through sector-wide approaches (SWAs) often involve policies that limit local government flexibility to provide services demanded by their constituents, weakening a key dimension of accountability.

Second, **problematic inter- and intra-DP dynamics – long recognised as challenges to effective aid – persist**. Individual DPs face incentives to distinguish their programmes and claim credit for policy influence, as well as to move money quickly and account for it using their own systems. Support to other types of reforms from different DPs can reinforce fragmentation among country agencies and negatively impact DLG. SWAs, for example, coordinate DPs in one sector, but rarely with DLG efforts. The tendency of SWAs to centralise service delivery initiatives under a sectoral ministry may reinforce centralising aspects of PFM or CSR reforms. The promotion of inconsistent institutions and procedures by different actors can generate negative effects on overall DLG system coherence, sustainability, and ultimately outcomes.

Third, *the principle of managing for results has stimulated excessive focus on understanding outcomes*. This is essential, but some DPs seem to forget that outcomes take time to materialise and require process reforms that are hard to assess. Even with clarity about what is to be measured and how, DPs face constraints of data availability and institutional incentives/capacity for data collection and analysis. It is also difficult to attribute outcomes affected by multiple influences to specific DLG reforms, much less the activities of a particular DP. The latter should not even be considered as a relevant goal if alignment and harmonisation are true priorities.

Finally, the *implementation of DLG support is demanding*. Context and local government capacity vary greatly, implying a need for flexible approaches and incentives to develop DLG. **Capacity development** for both central and local actors is critical for DLG support, and there have been many critiques of past approaches. Appreciation of the value of demand-driven and on-the-job training is growing, but central governments and DPs often still pursue traditional standardised, technical capacity development. There has been a more limited focus on building the governance capacity of civil society to engage local governments and developing the critical horizontal accountability relationships between elected councillors and local government staff.

The Way Forward

DLG has become a more prominent aspect of public sector reform in developing countries over the past two decades. Its importance is likely to continue, but tighter budgets and the rise of new DPs will fuel a drive for results, innovation, and efficiency around DLG engagement. In working across levels of government and wide variations in capacities and needs, DPs would be well served by tailoring DLG reforms to particular countries and promoting the coherence of their engagements at country level over adequate time horizons. Four issues require action.

First, DPs supporting DLG reform *would benefit from a fuller understanding of the political economy incentives and dynamics underlying DLG* in a particular country. Although DPs will rarely be in a position to influence these dynamics, greater attention to understanding them is likely to enable the design of more coherent support with more effective and sustainable impact.

Recommendations for Development Partners:

- Use/deepen existing analytical tools to conduct broad-based political economy analysis
- Incorporate this perspective into periodic joint analysis and apply results to joint programming

Second, DPs involved in DLG can gain insight, credibility, and traction from *engaging more deeply, broadly, and effectively with government partners (at all levels) and DPs* working on other public sector and governance reforms. DLG should ideally evolve and function more synergistically with these other reforms if overall public sector performance – and the broader effectiveness of development assistance – are to be meaningfully and sustainably enhanced.

Recommendations for Development Partners:

- Strengthen and broaden policy dialogue with government and other DPs to promote more harmonised and aligned public sector reform programmes in particular countries
- Fully engage subnational actors as critical players in country ownership of DLG

Third, DPs would benefit from *improved monitoring and evaluation (M&E) of the progress and effects of DLG reforms and DP support*. M&E is underused and fragmented across country actors and DPs and not well institutionalised. Growing interest in results is beneficial, but outcome M&E faces challenges and does not reduce the need for more robust M&E of processes required for DLG reforms to improve outcomes. With M&E results available on a regular basis, DPs will be better able to structure DLG support and adjust it as needed.

Recommendations for Development Partners:

- Build on recent experiences to assist with developing more unified (across country actors and DPs) and country-owned M&E systems and the capacity required to use them
- Improve outcome M&E, but also process-oriented M&E that links process to outcomes
- Use M&E results to modify DLG support as necessary

Fourth, DPs *can improve effectiveness with a stronger focus on how they implement DLG support*. DPs have often underplayed implementation, used unrealistically short time frames, and are only beginning to recognise local government diversity and the need for reform and performance incentives. In addition, capacity development support has moved beyond the traditional focus on local government employees, but more effort is needed on this front.

Recommendation for Development Partners:

- Develop common country DLG engagement platforms with an adequate time horizon
- Pursue strategic implementation, including flexibly adapting to specific (and evolving) country context; using innovative funding (e.g. performance-based grants); pursuing collective learning to scale up common

1. Introduction/Background

approaches; and co-funding “public goods” (e.g. M&E frameworks)

- Consistently target capacity enhancement support to a broader range of actors, including elected and appointed officials at all levels of government and members of civil society
- Improve capacity development support through more on-the-job and demand-driven training and unified strategies based on independent evaluation of varied DP approaches.

The Development Partners Working Group on Decentralisation & Local Governance (DeLoG) – founded in 2006 – consists of 27 development partners (DPs) interested in exchanging ideas, knowledge, and field experiences in decentralisation and local governance (DLG) support. DeLoG has developed guiding principles, elaborated country-level frameworks, and designed capacity development tools¹ to improve aid effectiveness in accordance with the international agenda on development assistance outlined in the Paris Declaration on Aid Effectiveness (PD) and the Accra Agenda for Action (AAA).

The potential importance and effectiveness of donor support for decentralisation was an issue even before the PD/AAA principles emerged and evolved, and efforts to improve aid effectiveness have only intensified since these high-profile agreements were negotiated.² In light of the upcoming High Level Forum on Aid Effectiveness (HLF-4) in Busan, South Korea, DeLoG has sponsored several meetings and initiatives, including eight country case studies designed to assess the progress achieved and challenges encountered in meeting PD and AAA targets. These efforts are intended

to contribute to the post-Busan development effectiveness agenda.³

Two powerful factors underlie the rising interest in DLG aid effectiveness. First, although the evidence on the impacts of DLG and related development partner (DP) support remains limited and results are mixed (see below), a compelling logic suggests that considerable benefits can result from effective DLG. Equally important, DLG continues to be a major type of public sector reform that cannot be ignored in many developing countries. At the same time, DLG reforms are increasingly recognised as particularly demanding and complex given their multi-dimensional nature, the number of actors involved at different levels, and the challenges associated with building systems and capacities required for good performance. Under these circumstances, there has been emerging pressure to understand how to make country DLG reforms and related development partner support more effective for development. These pressures have also led to a growing consensus that DP harmonisation and alignment in DLG support should not be considered optional; instead they are essential for successful interventions.

¹ See DeLoG (2008), DeLoG (2009), and Smoke and Winters (2011).

² See, for example, OECD (2004), UNDP (2004), UN-DESA (2005), UNCDF (2006), World Bank (2008a), and USAID (2009).

³ Recently, there has been a growing consensus that the effective delivery of aid is not the ultimate goal but rather a contribution to effective development outcomes. The debate is therefore now evolving from “aid effectiveness” to “development effectiveness”. See, for example, Kindornay (2011).

Second, developing countries find themselves facing unprecedented global and local realities that will both challenge DLG and likely benefit from stronger DLG. The attainment of the high-profile and high-stakes Millennium Development Goals (MDGs) is lagging expectations, fragile gains in economic and social well-being are threatened by the deep and still unfolding global financial and economic crisis that began in 2008, and the looming threats of heightened environmental changes and vulnerabilities are becoming more evident with the release of each new finding about global warming and climate change developments and impacts. All of this is unfolding in the context of an increasingly demanding citizenry newly empowered by technology, social media, and dramatic governance changes in unexpected places. Although these developments create challenges for subnational governments, they have important local dimensions that can best be understood and addressed by stronger DLG.⁴

The purpose of this paper is fourfold:

- To highlight the case for intensifying efforts to make development partner support for DLG more effective;
- To examine the role of DLG in promoting aid effectiveness, with an emphasis on adherence to the principles agreed on in the PD and AAA;

- To review the considerable challenges – some well-known, some more recently recognised – that development partners face in terms of meeting these demanding principles; and
- To consider possible ways forward in advancing these aid-effectiveness principles more robustly in a post-Busan setting.

The paper is based on three sources of information. First, we conducted and synthesised a review of relevant literature – mostly on aid effectiveness in general since there is not much DLG aid-specific work. Second, we engaged in consultations – both formal and informal – with representatives of DPs and countries regarding development assistance for DLG. Third, we reviewed the case studies and synthesis report commissioned by DeLoG to assess DP support to DLG in eight countries (Benin, Cambodia, Democratic Republic of Congo, Ghana, Indonesia, Mozambique, Peru, and Uganda).⁵

The paper proceeds in six additional sections. First, we outline why the larger development community should care about DLG and the way that development assistance is provided to support it. Second, we summarise some key conceptual and methodological considerations generally relevant for assessing

development assistance in the context of the PD/AAA aid-effectiveness principles. Third, we consider how the evolution of the PD/AAA development assistance principles affects how development partners should think about applying them to DLG. Fourth, we briefly review progress to date with attainment of the aid-effectiveness principles in the set of countries recently studied for DeLoG. Fifth, we review the considerable remaining challenges associated with PD/AAA implementation in DLG. Finally, we make some concluding remarks and recommendations.

⁴ These issues are discussed more fully in UCLG (2010).

⁵ A Cambodia case was not formally commissioned, but it was included because the lead consultant for the case synthesis was very familiar with it. Some information on Cambodia is based on Smoke and Morrison (2011).

2. Why Decentralisation and Local Governance Matter for Development

Over the past two decades, DLG have claimed a substantial and growing place in public sector reform agendas of many developing countries. Empirical evidence about DLG performance, however, is limited and mixed.⁶ Some observers believe the role of DLG is overstated, but many continue to see great promise. There is a growing sense of broadly shared urgency for concrete actions that help subnational governments to perform better.

Why Is DLG Considered Important?

DLG efforts are often justified by the expected ability of subnational governments to deliver basic public services more efficiently, equitably, and accountably than central agencies, and in the process to support national development and poverty reduction agendas.⁷ These results, however, require an enabling framework and policies that empower subnational governments and support capacity development. In addition, subnational governments need to learn to be responsive to their constituents, who must in turn learn how to be good citizens and to hold their locally elected representatives accountable. These various

systems, processes, and capacities have in fact been the targets of DLG reform and DP support.

In many developing countries, the process of developing these foundational elements of a DLG system has been frustratingly slow, uneven, or outright elusive, and these efforts may suffer from efforts to obstruct reform by central agencies that do not support such reform. In some cases, disappointing results have motivated a degree of recentralisation, further limiting the potential of local governments to meet their promises. Greater analysis of factors hindering progress (see below) is clearly needed to move forward more rapidly and effectively.

In addition to recognising the need for better diagnostics of basic DLG systems, there has been a growing unease that DLG efforts have too often been driven by central governments (and sometimes DPs), and that they have been conceptualised primarily in terms of the formal transfer of central government powers and resources to local governments. In other words, there is concern that decentralisation has been too simplistically framed as a process whereby the central government offloads responsibilities onto passive local governments.

Recently, there has been some visible sentiment in development circles towards placing subnational governments into a broader, more critical, more proactive developmental role than the term “decentralisation” implies. Indeed, DeLoG

partners believe that local governments often are – or could grow to be – in a better overall position than the central government to harness and use material, social, and institutional resources to improve local conditions, livelihoods, and well being. Local governments cannot achieve such outcomes alone – higher-level governments, private sector and nongovernmental actors, and local communities necessarily have critical roles in development. As the legally and democratically empowered representatives of local populations, however, local governments could hold the key to integrating the various actors and functions required to fight poverty and promote local development more effectively on the ground. This includes the mandate and capacity to coordinate and channel development assistance provided to their constituencies according to local plans and priorities.

Should Countries Strengthen DLG Efforts without More Compelling Evidence of Results?

Although broad-based evidence on the benefits of local service delivery and developmental outcomes is scarce, local governments in many countries have made progress in delivering services, managing natural resources, pursuing broader development goals, and representing local needs and aspirations in local and higher-level decision-making.⁸

It is also well documented that there is often greater decentralisation in more developed countries, suggesting that local governments can be important in supporting development.

Some analysts argue that the evidence in developing countries is limited and disappointing, partly because official DLG reforms have often not empowered local institutions and citizens sufficiently to attain the potential benefits. Design and implementation (even of well-designed reforms) are often so compromised by political and bureaucratic dynamics, capacity problems, and other factors that local governments cannot undertake their assigned functions effectively.

It is also important to recognise that the pursuit of efficient service delivery – despite what official policy documents may say – is rarely the most critical factor motivating DLG reform decisions, which are typically taken for political reasons and in response to frustration with centralised approaches.⁹ In some cases, DLG is undertaken explicitly as part of a process of state-building, often in fragile or post-crisis states. More generally, DLG may be intended to result in critically important desired outcomes beyond service delivery, such as greater representation and justice in local decision-making, and this may occur, at least initially, at the expense of more significant tangible gains in service-delivery efficiency.

⁶ There is considerable literature on the topic, including Smoke (2001), Ahmad and Tanzi (2002), Bardhan and Mookerjee (2006), Smoke, Gomez, and Peterson (2006), Cheema and Rondinelli (2007), Ingram and Hong (2008), Connerley, Eaton and Smoke (2010), Yilmaz, Beris and Serrano-Berthet (2010), and Martinez-Vazquez and Vaillancourt (2011).

⁷ The cases for and against decentralisation are discussed in most of the references in the previous footnote.

⁸ Most of the references in footnote 6 provide some evidence/examples of positive experiences.

⁹ There are literature reviews and discussions of these issues in Connerley, Eaton, and Smoke (2010) and Eaton, Kaiser, and Smoke (2011).

In some cases, it is plainly not realistic to expect rapid improvements in service delivery from DLG efforts, which typically require multiple challenging reforms that cannot all be implemented simultaneously. Simply put, decentralisation is not a single action that occurs with constitutional and legal reforms; instead, it is almost invariably a lengthy process that involves tradeoffs, and it must be managed and sequenced strategically so that it will evolve in a pragmatic way that makes sense within a particular case.¹⁰

Although there is clearly a need to document and understand DLG performance (both its ability to deliver services and to foster democratic and fair norms and practices) more systematically, there is also a more immediate dilemma for development partners: **If DLG is going to be undertaken by partner countries due to inexorable political pressures regardless of the limited evidence of its benefits or how best to achieve them, how can donors productively engage in and support the design and implementation of DLG in a way that maximises its potential benefits and minimises its potential risks?**

Raising the Stakes in a World of Acute Crises and Evolving Structural Challenges

Beyond the general desirability of appropriately designed and implemented DLG

10 The realities and challenges of implementation are discussed in more detail in Faletti (2005), Pritchett, Woolcock, and Andrews (2010) and Smoke (2010).

reforms, a number of interrelated global trends that present great challenges to individual countries and the broader international community also reinforce the potentially important role of DLG. First, despite documentable progress, many developing countries are not on target to meet some or many of their Millennium Development Goals.¹¹ This situation is of major concern to these countries, their citizens, and the development partners that support them.

Second, the world is facing a number of urgent resource crises, such as global warming, energy shortages, and food security concerns. These crises individually and collectively create considerable pressures for local governments, as many of their effects are experienced locally and local adaptation mechanisms need to be implemented, even if some crucial national actions are also required. This makes local governments important partners in developing and implementing the required responses to these crises.¹²

Third, rising urbanisation, which exacerbates the crises mentioned above and generates greater demands for new and better public services, is an important demographic trend, especially in parts of the developing world. A majority of the world's residents already live in urban areas. During the next two decades, the overall urbanisation level is expected to

11 See UNDESA 2011, the latest in a series of reports on the development and attainment of the MDGs.

12 This is discussed in more detail in UCLG (2009a) and UCLG (2010).

exceed 60 percent, and 95 percent of the increase in this period is expected to occur in Asia, Africa, and to a lesser extent in Latin America.¹³ Rapid urban growth will also result in an increasing urbanisation of poverty that will further challenge the attainment of the MDGs.

Fourth – and partly derivative of the urbanisation trend – there is an enormous backlog of infrastructure in many developing countries, often in service sectors that support economic development and for which local governments increasingly have responsibilities.¹⁴ Given the climate and energy challenges noted above, these demands may well increase in terms of both the quantity and quality of infrastructure required.

Finally, the global financial and economic crisis that began in 2008 has generated substantial employment, income, and financial wealth losses.¹⁵ The crisis has deeply affected countries globally, and it has stressed many subnational governments as well. At the same time, subnational governments in some countries may be called upon to play a significant role in mitigating the effects of the crisis, both in terms of their comparative advantage to harness certain types

of resources locally and their ability to provide important local services.

As central governments in developing countries increasingly face deeper problems and greater demands than they can effectively manage alone, subnational governments are likely to become essential partners in pursuing elusive development needs and aspirations. This is not realistic, however, unless they have the powers and capacity needed to rise to the challenge.

13 There is a great deal of literature on urbanisation. Some useful recent references include Peterson and Annez (2007), World Bank (2009a), and Birch and Wachter (2011).

14 See, for example, World Bank (2005), UCLG (2007), and World Bank (2009a).

15 Useful references include UCLG (2009a) and UCLG (2010).

3. Conceptual and Methodological Considerations in Aid Effectiveness

This section provides a brief overview of the theoretical/analytical framework that underlies the prevailing aid-effectiveness paradigm and principles.¹⁶ This review is not intended to provide an exhaustive discussion of this complex matter, but only to set the stage for discussing the state of DLG aid effectiveness and the challenges that have hindered stronger progress to date.

In major international development assistance meetings of the past decade – the 2002 Monterrey International Conference on Financing for Development; the 2003 Rome High Level Forum on Harmonisation; the 2004 Marrakech Roundtable on Managing for Development Results; the 2005 Paris High Level Forum on Aid Effectiveness; and the 2008 Accra High Level Form on Aid Effectiveness – there has been consistent and progressively better elaborated emphasis on the need to meet five generally accepted principles for delivering more effective aid.

- **Ownership:** Country aid-recipients should develop their own national development strategies with their parliaments and electorates;
- **Alignment:** Development partners should support these nationally defined and embraced development strategies and try to work with country institutions and systems in doing so;

- **Harmonisation:** Development partners should work to streamline and coordinate their own support efforts in recipient countries;
- **Managing for Results:** Development policies should be directed to achieving clearly defined goals, and the progress towards meeting these goals should be monitored; and
- **Mutual Accountability:** Development partners and recipient countries should be jointly responsible for realising these goals.

Aid effectiveness is expected to increase by following these interrelated and mutually reinforcing principles for several reasons. First, country ownership implies genuine internal commitment to development policies, not just meeting the imperatives of donors in order to secure development resources. It should also result in approaches to reform that are better tailored to the country's context, needs, and preferences. An inclusive national debate and involvement of key national actors increases the probability of broadening ownership, effective policy implementation and sustainable results.

Second, harmonisation and alignment should reduce transaction costs both for donors and partner countries. As donors adopt common approaches and make use of common managerial modalities, they reduce their own duplication of efforts and streamline often-intensive logistical demands on partner countries. They can also help to consolidate the develop-

ment of more robust policies with consistent and ongoing support.

Third, the use of country systems through pursuit of the alignment principle should improve capacity in those systems. Working through parallel donor-funded systems can reduce the quality of a national bureaucracy by siphoning off qualified staff.¹⁷ In addition, parallel mechanisms rarely result in the creation of sustainable institutions and capacity. When the project they are associated with is finished, capacity is likely to have been developed in individuals, but they may not remain in the government institutions that take over responsibility for the functions that the parallel mechanisms were performing.

Fourth harmonisation among development partners in the form of information-sharing, joint planning, joint policy dialogues with the government, and joint reviews of operations should lead to efficiency gains in terms of both aid delivery and service delivery. Such an approach can help to ensure that donors do not plan projects that unnecessarily overlap geographically or substantively, or projects that exclude deserving areas or important substantive reforms.¹⁸ In addition, harmonisation should reduce variability and uncertainty in overall aid flows, as the development partners can ensure collectively that the funds transferred neither exceed the absorp-

tive capacity of recipient countries nor suddenly suffer a dramatic reduction. Greater certainty should facilitate more effective national planning and budgeting processes.

Finally, the existence of a well-defined strategy/agenda and a commitment from donors and recipient countries to jointly support it requires the identification of specific results that can be monitored. This in turn implies the need for developing a process for holding all involved parties accountable for the actions and results they have agreed to. If these five principles can be realised, development assistance is likely to be more effective in terms of delivering goods and services to citizens and facilitating national policy changes that sustainably support poverty alleviation, economic growth, and other development priorities.

Clearly, the five principles of aid effectiveness do not work individually in isolation – they are highly interrelated and mutually reinforcing. The starting point in the process of attaining them, however, can vary. Ideally, countries would take the lead on crafting their development strategies and policies. The more those countries develop and own clear development agendas, the easier it is for development partners to harmonise their support in alignment with the goals and systems established by the recipient countries. Countries can, in effect, use their vision to influence development partner behaviour, especially if they are not excessively aid-dependent.

¹⁶ There is more detailed elaboration and discussion of these principles in, for example, OECD (2003), Rogerson (2005), Evans and Booth (2006), Booth (2011a and 2011b), and Woods et al. (2011).

¹⁷ See, for example, Knack and Rahman (2007).

¹⁸ There have long been calls for such cooperative efforts. One early example is Ross (1990).

4. Evolution of Aid-Effectiveness Principles and Their Implications for DLG

Under different conditions in which strong national strategies have not been articulated with adequate national consensus and disagreement among key national actors is great, DPs can try to support relevant activities in a way that involves harmonisation of their own individual assistance efforts and tries to work with and further develop existing country systems. In such a situation, a country may come to develop greater ownership over the development strategies underlying DLG aid and put their own mark on them as they evolve over time, especially if appropriate engagement and mutual accountability systems are put into place.

Since the principles of aid effectiveness were elaborated in detail in the Paris Declaration, global and individual country circumstances have evolved, and experiences with trying to meet the principles in practice have raised new insights. In the period leading up to the AAA and thereafter, there have been some changes in the way that the principles are understood, and a number of important implications for support to DLG have emerged.

First, the original notion of ownership has broadened beyond traditional national actors to include other stakeholders in recipient countries, including subnational governments and citizens. More specifically for DLG purposes, the importance of subnational governments as actors in the development process and as active partners in development assistance has increased, given their role both as elected representatives of local people and increasingly as entities formally empowered with responsibility for important public functions, as discussed above. Thus, in democratising and decentralising countries, it is not only national politicians and civil servants whose ownership has to be secured in order to improve the formation of successful development policies and the realisation of aid effectiveness.¹⁹

Second, the broadening of relevant stakeholders in the development assis-

tance process has considerable significance for harmonisation and alignment. Although most decentralised countries have standardised systems and procedures for subnational levels of government, there is often some flexibility in how individual local governments take responsibility for subnational functions. This needs to be taken into account in terms of defining the dimensions of alignment and considering what this means for how development partner harmonisation needs to be structured in practice.

Third, the inclusion of subnational actors in the ownership-alignment-harmonisation space may be directly relevant for the definition of results. Of course, there will always be important national goals that should be used to measure priority aggregate outcomes. There is, however, great diversity among subnational governments in developing countries, and the measurement of results in specific initiatives may have to be tailored to take account of different conditions, starting points, needs, and preferences across these jurisdictions. This approach coincides with the evolution of the aid-effectiveness literature – from a primarily macro/aggregate focus to a narrower and more localised perspective (e.g. the use of randomised experiments to make decisions about the most effective means to achieve specific objectives on the ground).²⁰

¹⁹ This emphasis on broader based mutual accountability became more prominent in the Accra Agenda for Action. See UCLG (2008b) for a position paper on the role of local governments in aid effectiveness.

²⁰ See, for example, the discussion in Roodman (2007), Bannerjee and Duflo (2008), Ravallion (2009), and Garcia (2011).

Finally, the movement from mutual (development partner–central government) accountability to multi-actor and multi-level accountability has important implications for how development assistance is being and should be defined and delivered. Mutual accountability under this approach is richer and more representative of the spectrum of actors affected by external resources, but it can also be considerably more complex when the roles and responsibilities of various sub-national actors within recipient countries need to be brought into the equation.

In summary, as subnational governments play a greater role in defining national development policies, strategies, and plans and take more responsibility for executing public functions, they should become more engaged in development assistance. Excessive reliance on traditional national-centric approaches to achieving the PD principles will surely miss important opportunities to improve aid- and development effectiveness. At the same time, as discussed below, the need to involve new and diverse actors can create some daunting challenges.

5. Assessing Progress with PD/AAA Implementation in DLG

This section briefly and tentatively characterises progress made with achieving aid-effectiveness principles as reported in the set of cases recently studied by DeLoG and in the associated synthesis report; Benin, Cambodia, Democratic Republic of Congo (DRC), Ghana, Indonesia, Mozambique, Peru and Uganda. The country cases are concentrated in Africa, but they include two complementary cases in Asia and one in Latin America. The countries have approached decentralisation and local governance reform in different ways, are at very different stages of the decentralisation process, and are subject to rather diverse contexts, as summarised in Table 1.

The results from the cases are tentative in two respects. First, there were considerable challenges in data availability, quality, validity, and comparability, and much of the evidence derived from the cases is partial and anecdotal. Second, the cases were not conducted and managed as formal research, so some of the findings should be seen as impressionistic or exploratory rather than conclusive or definitive.

Table 1: Overview of Decentralisation in Selected Case Countries

Decentralisation Framework and Year Initiated	Levels of Subnational Government	Subnational Elections	Subnational Expenditures as a Percentage of Total Public Spending	Own Source Revenues as a Percentage of Total Subnational Revenues	Level of Subnational Autonomy	Extent of Implementation
Benin Started 1999; comprehensive National Policy for Decentralisation and De-concentration (PONA-DEC, 2009)	Communes	Elections at the commune level by general suffrage	Under 10% in 2009	About 50% but very low in absolute terms	Limited autonomy – only few functions are devolved or delegated; most basic services are provided by line ministries (decentralised structures)	System still developing – shift from deconcentrated to devolved function is slow and lack of financial resources and inadequate human resource capacity at the commune level prevail
Cambodia Commune reform law (2001); extension to provinces and districts through organic law (2008)	Provinces, districts, and communes	Direct elections at commune level; indirect at other levels	Over 20% but communal autonomy has only spending discretion over around 3%. The rest is spent through the provincial level according to central government priorities.	Negligible at all sub-national levels; heavy reliance on transfers	Communes have considerable autonomy but in the context of limited functions and resources; other levels have little autonomy	Basic commune system well established but at low level; rest of system is still under development through 10-year national programme. Intensive support on the district level took off in 2011 with the onset of a new programmatic approach.
DRC Formalised in the 2006 Constitution and subsequent laws and regulations (some of them still pending)	Provincial and sub-provincial/local level	In principle, elections at provincial and local levels (however, so far elections have only occurred at provincial level)	Lack of clarity on expenditure responsibilities (respective legislation pending)	Subnational revenue collection responsibilities not assigned yet (respective legislation pending)	Low autonomy – functional assignment between different levels still unclear and potentially overlapping	Overall system barely developed
Ghana Formalised in 1992 constitution; further reform outlined in 2010 Policy Framework for Decentralisation and a National Decentralisation Action Plan	Metropolitan, municipal, or district assemblies; sub-metropolitan, urban, zonal, town, or area councils	70% of assembly members elected, 30% appointed by the president but representing local institutions	Constitutionally, a minimum of 5% of CoG revenues are allocated to districts through District Assemblies. (Common fund sector transfers not included)	Very low mainly due to enforcement problems and low level of revenue devolved from the centre	Moderate autonomy (despite central appointment of the Chief District Executive); adoption of legal instrument in 2009 on devolution of all major services (limited health and education); composite budgeting and transfer of sector funds to districts introduced for 2012 budget. Implementation will face coordination challenges with line ministries	The present reform process aims at further decentralisation of public services and increasing level of district autonomy over resources and functions. In parallel an ongoing institutional review process has taken up the assessment of further political decentralisation. Changes would only be adopted in 2013, but reform is clearly ongoing and will lead to further devolution

Decentralisation Framework and Year Initiated	Levels of Subnational Government	Subnational Elections	Subnational Expenditures as a Percentage of Total Public Spending	Own Source Revenues as a Percentage of Total Subnational Revenues	Level of Subnational Autonomy	Extent of Implementation
Indonesia General and fiscal laws (1999), both amended	Provinces and local governments, including kabupaten (districts) and kotamadya (cities)	Elections at all levels	About 35%, most of which occurs at the second sub-national tier (28%)	On average 10%, although it can be much higher in major urban areas	Considerable on expenditure side, although conditional transfers are growing and revenue powers are more limited	Overall system well established, but relatively weak revenue powers and delays in implementation of functional assignments
Mozambique First initiated in 1991; formalised in the constitution since 1996 First decentralised units were established in 1998	Municipalities (only in urban areas); rural areas are governed by deconcentrated structures	Elected councils only in urban areas (municipalities)	About 2.5% in municipalities	High dependency on transfers, especially for rural areas. Urban areas have autonomy to raise taxes. Recurrent revenues account for 33.6% of their total revenues (2009)	Municipalities have moderate autonomy and are responsible for an increasing number of functions (e.g. local economic development; basic sanitation, health). But funds are mainly conditional and central government continues to have an important role in these areas	Municipalities are steadily expanding their scope of responsibilities and deconcentration to (rural) district administrations is advancing swiftly
Peru Current decentralisation process initiated in 2002 through constitutional reform and Framework Law on Decentralisation	Regions and local governments (provinces and districts)	Elections at the regional and municipal levels	In 2010, the distribution of expenditure was: central 60%, regional 21%, local 19%	Own source revenue is low in the case of municipalities, although it can be much higher in major urban areas	Autonomy is relatively low – considerable overlap of functions with the centre, but limited direct central control over subnational expenditures.	Fiscal decentralisation not yet implemented and progress is slow. Important services are provided by municipalities (garbage, water, security), regions (education, health)
Uganda Started 1993; formalised in Constitution (1995) and Local Government Act (1997)	Districts and four levels below; also separate urban structure	Elections at districts and municipalities and at some lower levels	About 23%, primarily in districts and municipalities	On average less than 10%, but higher in some urban areas and lower in poorer rural areas	Legal autonomy is considerable, but increasingly subject to conditional transfers and national regulation	Overall system is in place, but recentralisation tendencies in recent years

Ownership

At some level, all of the countries under consideration have taken ownership of the DLG agenda. In a few countries, decentralisation has been a cornerstone of national development policy, for example Ghana, Mozambique, and Uganda. In other cases DLG is an important part of the national reform agenda, but its centrality in the overall development strategy has not always been clearly prominent (e.g. Indonesia), or the underlying (not necessarily officially stated) vision to which the government is committed may not coincide with internationally accepted standards of genuine democratic decentralisation.

In still other cases, apparent steps towards ownership have been taken, for example the development of a legal framework in Peru or the creation of a new Ministry of Decentralisation, Deconcentration and Territorial Administration in Benin. In the former case, however, the government was not the main driver behind part of the legal framework, and there is not a clear consensus on advancing it. In the latter case, the new institution remains relatively weak. The Democratic Republic of Congo case indicates that there is considerable fragmentation among key government actors, suggesting that ownership is not broad and deep.

In terms of attempts to broaden ownership, many countries have adopted some

type of consultative forum, transparency enhancement, civic information/education initiative, etc., at national and/or subnational levels. In a number of cases, municipal associations have pushed for a greater voice, and the role that NGOs play in service delivery can give them a seat in the discussions in some countries. Thus far, however, there is only limited evidence available from any of the cases to suggest that these efforts have strongly influenced the development of overarching DLG policies and programmes.

The key issue here is that ownership is a complicated phenomenon. It is difficult to measure commitment. In addition, the development of DLG policies and systems may be as much a product of an internal political strategy or an effort to secure external resources as it is a commitment to DLG reform that coincides with the stated values and priorities of development partners. It is also important to recognise, as discussed more fully below, that central governments are not monolithic entities and there may not be a uniform country view of what DLG policies should look like and which agency should be in charge of them. The situation, of course, becomes that much more complicated in the context of the emerging push for multi-stakeholder, multi-level ownership discussed above. Finally, it is important to realise that political conditions may change, as in Uganda, and different governments may come to power, as in Peru. Such important modifications to prevailing conditions can lead

to changes in the nature and degree of commitment to DLG reforms.

Alignment

In most of the case countries, there has been an attempt by development partners to align with official government policies in supporting DLG. Table 2 reports initial and tentative results of an effort to more clearly document the use of various aid modalities to provide DLG support.²¹ On the basis of the OECD/DAC PBA (programme-based approach) keys, it can be seen that almost two-thirds of the aid flows to DLG are channelled through programme-based approaches or multi-donor trust funds. Benin's FADeC (Fonds d'Appui au Développement des Communes) and Ghana's DDF (District Development Fund) are examples of these new innovative funding arrangements for local development.²² Even taking into account that these figures are not fully standardised and the available information is not complete, it indicates a clear trend that DPs have been making considerable efforts to deliver DLG aid in a more harmonised and aligned manner than they have previously done.

There are, however, some important qualifications. More limited progress has been made in the use of country systems or budget support mechanisms that allow resources to be programmed through country budgeting processes.²³ So far only 1 percent of the reported aid specifically targeted to DLG support is delivered through budget support. It is also interesting to note that the aid modalities vary considerably in and amongst the considered countries, as indicated in Figure 1.

21 The figures show the current support to DLG, the focus was on the period 2009-2011. Where not possible the amount of the full actual programme was taken. So the table makes no claim to be complete and is based on the information that was provided by DPs and available public resources.

22 The FADeC is a government led funding mechanism; DDF is a multi-donor trust fund.

23 It is important to clarify that table 2 does not include sector budget support (health, education, water, agriculture, environment etc.) channelled through central line ministries only partially providing resources to decentralised government levels. It is in fact very complex to define the exact amount that is spent at the subnational level. However, in many of the examined countries, considerable amounts of aid are delivered through SWAps (PBA 3).

Table 2: Aid Amounts by Type of Aid Modality for Selected Case Countries

Country	Aid Modality According to PBA Marker								TOTAL
	PBA 0:		PBA 1:		PBA 2:		PBA 3:		
	No relevance to PBA (stand-alone DP project)	Integrated projects (integrated into locally owned national, thematic, or regional programmes, and coordinated within that framework)	Basket funding (multi-donor trust fund; technical assistance pooling)	General and Sector Budget Support					
	%	USD (mio) ⁹	%	USD (mio) ⁹	%	USD (mio) ⁹	%	USD (mio) ⁹	USD (mio) ⁹
Benin ¹	14%	15.22	66%	68.99	7%	7.03	13%	13.76	104.99
Cambodia ²	26%	42.71	60%	99.97	15%	24.47	0%	0.00	167.43
DRC ³	100%	76.03	0%	0.00	0%	0.00	0%	0.00	76.03
Ghana ⁴	47%	130.83	9%	26.15	44%	123.99	0%	0.00	280.97
Indonesia ⁵	26%	18.10	0%	0.30	74%	51.63	0%	0.00	70.03
Mozambique ⁶	38%	68.01	30%	54.87	31%	56.32	1%	1.88	181.08
Peru ⁷	58%	61.04	0%	0.00	42%	45.00	0%	0.00	106.04
Uganda ⁸	15%	30.00	78%	154.54	7%	13.55	0%	0.00	198.10
TOTAL	37%	441.93	35%	422.39	27%	322.26	1%	15.64	1,202.22

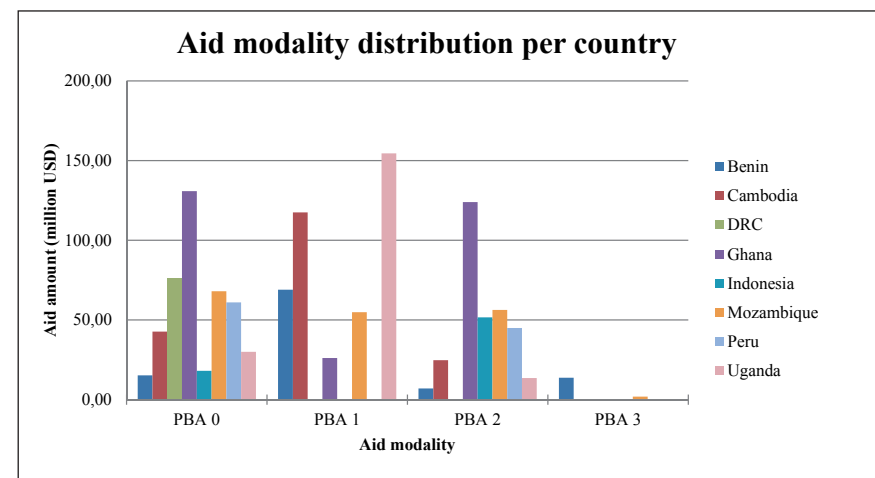
1 AFD, Belgian Ministry of Foreign Affairs Europe Aid, GIZ, Netherlands, UNCDF, UNDP (2008-2013); BTC, DANIDA (2010-2011), KfW (2009-2011); SDC (2010-2012)
 2 ADB (2010-2012); DFID (2007-2010); Europe Aid (2006-2010); GIZ (2008-2010), SIDA (2009-2012); UNCDF (2009-2011), UNDP (2006-2011); UNICEF (2007-2010); World Bank (2007-2010)
 3 BTC (2009-2011); Europe Aid (2010-2014), DIFID, UNCDF, UNDP (2008-2012)
 4 ADF, MAEE (2006-2012); CIDA (2009-2011); DANIDA (2009-2013), Europe Aid (2011-2014); GIZ (2008-2011); KfW (2009-2011); USAID (2010-2013);
 5 AusAID, CIDA, DFID, GIZ, (2011); Europe Aid (2009-2013), Netherlands (2009-2010)
 6 ADA (2007-2013); AECID, KfW, Irish Aid SDC, World Bank, UNDP (2009-2011); GIZ (2011-2013); Italian Cooperation (2011-2012); Netherlands (2007-2012)
 7 AECID (2007-2012); CIDA (2009-2018); Europe Aid, KfW, (2009-2011); GIZ (2009-2011); IADB (2004-2012); SDC (2008-2011); UNDP (2002-2010); USAID (2008-2012)
 8 ADA (2006-2013); BTC (2008-2013); DANIDA, Europe Aid, Irish Aid, UNCDF, UNDP, World Bank (2008/09-2011/12); DFID (2009/10); Europe Aid (2006-2009); Irish Aid (2010); USAID (2008/09-2010/11)
 9 Currency exchange used: 1 euro=1.376 USD // 1 GBP = 1.575 USD // 1 FCFA=0.002 USD // 1 SEK=0.142 USD // 1 DKK = 0.185 USD (Average: 01.01.2009 – 30.09.2011)

The failure to align more closely is often justified by DPs in terms of the lack of capacity and limited will of beneficiary governments to provide the necessary conditions for better-aligned support strategies. In fact, if well harmonised, a mix of different aid modalities might be better suited to effectively target country-specific DLG challenges than providing large sums of funds to the partner governments that do not have the necessary absorption capacity. In most of the examined countries – including Democratic Republic of Congo, Ghana, and Peru – some forms of parallel or semi-parallel systems, including project implementation units and dedicated record keeping and accounting strategies, remain in force to various degrees. In some

cases, there is continued heavy reliance on donor-financed consultants, who may be more driven by the needs and preferences of DPs than those of the client countries.

It is important to recognise that alignment is often a delicate balancing act. Even where there appears to be a strong government commitment to and ownership of DLG, some key elements of the legal and institutional framework for DLG reform may not be in place, and certain aspects of the framework issued by different actors with a role to play in DLG reform may be inconsistent. Thus, there may not be a coherent existing policy for DPs to align to. In fact, some development partners may be

Figure 1: Aid Modality Distribution for Selected Case Countries



aligned to the approaches taken by particular government agencies, but these approaches conflict with those of other agencies or the larger reform agenda, as discussed more fully below. Equally critical in situations where systems are underdeveloped or capacity is weak is that it may initially be infeasible to work with government systems, raising the well-known challenges of how to help develop these systems and associated capacities in a way that will become institutionalised.

Harmonisation

It is fair to say that all of the countries under consideration here have witnessed an improvement in the harmonisation of DP support for DLG, as evidenced by the information presented above in the discussion of alignment. This is consistent with the general efforts of partner countries and donors to set up broader coordination mechanisms for all development assistance, which exist in some form in each country. In a few countries donors follow the government lead, others have joint government–donor DLG mechanisms, and in some cases, the development partners primarily rely on self-organisation and coordination relatively independently of their relationships with governments.

In Cambodia, development partners supporting DLG fall under the umbrella of the government’s National Committee for the Democratic Development

(NCDD), which focusses on the development of the subnational intergovernmental system mandated under enabling legislation passed in 2008. There is a Decentralisation Technical Working Group and an active Development Partner Group for donor coordination and interaction with the NCDD. In Indonesia the donors and key government agencies formed the Decentralisation Support Facility (DSF), which was intended to help promote the use of aid-effectiveness principles and better harmonise the fragmented activities of government agencies working in DLG. The DSF, however, has not really solved the problems it was created to deal with, and it is being disbanded. The informal Donor Working Group on Decentralisation and Local Governance that has existed prior to and in parallel with the DSF, however, is being continued. In Mozambique the National Programme Decentralised Planning and Finances (PNPFD) represents a considerable harmonisation and alignment effort. This multi-donor trust fund accounts for more than 20% of the support provided to DLG.

In Uganda, the Decentralisation Development Partner Group does not include government representatives but does work closely with key government counterparts. In other countries, such as Ghana and Mozambique, there are multiple efforts among groups of donors to work together systematically in various relevant ways rather than a single unifying mechanism (even if there is a body that could serve this purpose, such as the

Joint Sector Working Group on Decentralisation in Ghana).

In other countries, such as the Democratic Republic of Congo, Benin, and Peru, coordination seems to be somewhat more informal and ad hoc even if there are official donor forums for this purpose. Generally speaking, there is more attention to joint missions and analytical work, joint programming, more carefully planned division of labour, etc., in many of the countries in the sample, although the extent and depth of such efforts varies considerably and systematic analysis has been limited. Four development partners in Indonesia (AusAID, CIDA, GIZ, and USAID) are working on developing a harmonised approach to the monitoring and evaluation of DLG initiatives to build on current cooperation efforts.

Despite these efforts and progress on the harmonisation front, most of the country cases report instances of development partners acting independently (as in Cambodia and Indonesia), continuing to favour certain types of support and geographic regions (as in DRC), and working with favoured partners while not effectively engaging with others (as in Uganda), etc. Fragmentation seems to be particularly challenging in efforts to help to develop capacity for DLG. Given the starting point for coordination in many countries and the challenges associated with harmonisation under the conditions discussed above – lack of country consensus, incomplete and contradictory policies, etc. – the difficulties

experienced with harmonisation efforts are not unexpected. They are, of course, further complicated by the diverse priorities and incentives of the development partners themselves. These do not simply disappear because a formal agreement to harmonise has been signed.

Managing for Results

Efforts have been undertaken in all of the countries under consideration to manage for results. Each of the countries has adopted some type of comprehensive monitoring framework for development assistance, and these systems usually include a few indicators related to the performance of DLG activities and actors. The approach to DLG-specific results monitoring is much more varied and uneven. Most countries have some aspect of a DLG-relevant monitoring system, but no country has a truly comprehensive and integrated DLG results-monitoring framework, either for government policy or donor-support activities. In addition, some systems attached to donor projects have not been institutionalised in government systems or meaningfully used for performance management by either DPs or country governments.

Mozambique, for example, is developing a system to monitor district governments but has not yet developed one for municipalities. Indonesia has a number of systems (with some overlap) for monitoring local government performance, but they are not well coordinated, and

a unified system that was recently developed with DSF support has not been adopted.²⁴ Cambodia's performance-monitoring efforts are extensive but centre around the programmatic activities of the NCDD, and in some cases these are adjusted to meet specific donor fiduciary requirements. Several countries – Benin, Democratic Republic of Congo, Ghana, and Peru – do not have broad-based, regularised efforts to monitor decentralisation policy and local government performance. But there are a range of efforts to monitor important aspects of the system and some dedicated development partner efforts on this front that are used primarily for their own purposes. Uganda does a great deal of monitoring of reasonably high quality, but primarily in fragmented ways that specifically focus only on subnational financial management performance, sectoral (service delivery) performance, the needs of particular programmes, etc.

Although the limited progress with management for results is striking, it is important to note the considerable constraints involved in doing this effectively. First, as noted above, effective monitoring requires some clarity regarding policy goals, and this is far from universal in the countries considered. Second, governments and donors are to some extent interested in different things or prioritise information needs differently. Third, as already noted, DLG is a complex process

– it unfolds over time and simultaneously with other development and public sector reform policies. Achieving the expected ultimate service delivery and developmental results of DLG requires process reforms that are harder to measure and, despite their critical importance, have less appeal to governments and donors alike. Moreover, even if sufficient time has passed to measure outcomes with confidence, some of them will be attributable to a range of policies and influences, not just to DLG reforms, much less specific development partner interventions. Thus, while performance monitoring is important, it needs to be carefully negotiated and progressively developed.

Mutual Accountability

Given the realities and challenges outlined above with respect to ownership, alignment, harmonisation, and managing for results, it should come as no surprise that it has been difficult to craft and implement mutual accountability frameworks to help ensure that DLG goals are attained. All countries considered here report measured progress on this front, but the mutual accountability frameworks that have been put into place tend to be either more macro (i.e. overall aid coordination that incorporate only a few DLG indicators) or more micro (i.e. mechanisms that improve mutual accountability for limited aspects of DLG).

The current situation across the countries examined is diverse, in large part attrib-

utable to the differences across countries in the nature and extent of ownership and adherence to other principles, as outlined above. The Benin case illustrates that a mutual accountability framework does not yet exist, and the Peru case indicates that there are good financial reporting systems, but there is not a well-articulated mutual accountability framework. The Mozambique case characterises the mechanism that currently exists as only a starting point for dialogue on mutual accountability for DLG, such as the joint setting of indicators and joint peer reviews.

In Ghana, there is reported to be improved donor–government consultation mechanism and improved transparency and social accountability mechanisms

for internal purposes, but there is not an overarching mutual accountability system for DLG. The mutual accountability framework in Indonesia is rather fragmented, with limited linkages between community-driven development and local government support activities. The framework in Cambodia is limited to DLG projects linked to the NCDD, which are relatively minor in the larger landscape of service delivery and other functions delivered at the subnational level. Uganda probably has the most developed framework, but in the context of broader development policy/assistance efforts (e.g. public financial management and sectoral programmes associated with the Poverty Reduction Strategy) that some critics charge have undermined DLG.

²⁴ The proposed system is outlined in World Bank (2008b).

6. Challenges with PD/AAA Implementation in DLG

As already noted, limited and uneven information has precluded a full comparative analysis of the extent to which aid-effectiveness principles have been followed in the countries under review, much less more generally. There is sufficient information, however, to document that progress has been uneven and limited relative to the considerable resources invested. At one level this is disappointing, but at another level it is not surprising. Adhering to PD/AAA principles is difficult in general,²⁵ but there are special challenges for DLG. Some have been hinted at in the above review of the case findings, but they will be modestly elaborated here.

Four key factors require consideration. First, the development partners have inadequately understood the political economy of DLG ownership and its implications for aid effectiveness in often highly complex public sector and governance reform environments. Second, the development partners have not adequately confronted the reality of their own individual priorities and incentives. Third, there has been a lack of recognition of the considerable challenges involved with managing for results, perhaps resulting in unrealistic expectations about what can be achieved in particular time frames. Fourth, there has commonly been too much focus on supporting the

design of DLG reforms and too little attention paid to their strategic implementation, including the great challenges associated with appropriately framing and executing capacity development efforts. Each of these is discussed briefly in turn.

Lack of DP Understanding of the Political Economy of DLG Ownership in Complex Public Sector Reform Environments

Development partners have not paid enough attention to understanding the political economy of DLG reforms in the countries where they work.²⁶ There are several aspects to this problem. First, as noted above, the internationally recognised normative goals of DLG are not necessarily the main factors underlying the adoption of DLG reforms in a particular country. Decentralisation involves a loss of power for central actors, and the central paradox of DLG reform is why these actors would agree to give up powers. Political or economic imperatives, sometimes under crisis, not uncommonly fuel political decisions that go against the core instincts of central actors to retain control over long-held and significant powers and resources.

²⁶ There is significant literature on the relevance of political economy for development assistance from various perspectives, including: Groves and Hinton (2004), Gibson, Andersson, Ostrom, and Shivakumar (2005), Hyden (2008), Natsios (2010), and Booth (2011a and 2011b). Eaton, Kaiser, and Smoke (2011) specifically look at the political economy of decentralisation and its relevance for aid effectiveness.

²⁵ A number of analysts have specifically examined the challenges of coordination, including: Balogun (2005), de Renzio, Booth, Rogerson, and Curran (2005), Rogerson (2005) and Chandy and Kharas (2011).

Subnational governments, of course, will often have the opposite interests.

Second, the development partners tend to talk about “political will” to decentralise, as though the central governments of developing countries have a broad-based consensus on DLG reforms. This is rarely the case, even if there is a formally articulated DLG policy. More so than in many other types of public reform, a range of central actors will often have diametrically opposite views of and tolerance levels for DLG, and some of them may be responsible for aspects of reform critical to its success. For example, Ministries of Finance are often primarily concerned with fiscal responsibility, Civil Service Commissions are usually focussed on public employment standards and incentives, and sectoral ministries are usually preoccupied with service delivery targets. Subnational government reforms and citizen empowerment are often secondary priorities for – and are sometimes threatening to – these various actors.

Under such circumstances, key agencies may develop policies and programmes that do not take proper account of – or even inherently undermine – DLG reforms. Public financial management (PFM) reforms devised by those accustomed to managing a highly centralised system, for example, may create unduly onerous procedures for subnational financial control operated through a Ministry of Finance. Civil service reform (CSR) programmes may put into place

public employment management policies that excessively constrain control of subnational governments over human resource decisions. Service delivery reforms enacted through sector-wide approaches (SWAPs) may involve policies and funding mechanisms that limit subnational governments’ flexibility to provide the services demanded by their constituents, disrupting a key aspect of local accountability. Even community-driven development (CDD) programmes may undermine nascent public sector decentralisation by focussing exclusively on community capacity and isolating community services and financing mechanisms from formally empowered subnational governments with legal responsibility for public services that link communities and create sustained access to regularised sources of revenue.

It is important in this regard to be clear that developing countries need well-articulated PFM and CSR regulations for subnational governments; sectoral service delivery standards and incentives for subnational governments to meet them are legitimate ways of ensuring that basic national priorities are met. Subnational governments will not work effectively unless the capacity of citizens to take responsibility for their own needs and to hold local governments accountable is enhanced, such that community empowerment initiatives can improve local service delivery. Thus, the problem is not that programmes are dedicated to multiple aspects of public sector and governance reform. Instead, **the issue is**

that these various systems that need to work together for effective governance are too often designed in a fragmented and inconsistent way, which creates unnecessary frictions and may even complicate the development and institutionalisation over time of a well-integrated system, including robust DLG.

Third, DLG is a dynamic process that involves gradual adjustments and readjustments of behaviour in changing environments. As public functions are constitutionally or legally decentralised, all of the central agencies involved experience a number of changes. Even in a modest decentralisation, there is by definition some *de jure* loss of control over their respective functions – for example, local governments typically assume revenue-raising powers formerly controlled by the Ministry of Finance, public employment management functions formerly under the Civil Service Commission, and service delivery functions traditionally managed by the Ministry of Education, Health, Water, etc. There may also be some transfer of responsibilities across national ministries; for instance, a Ministry of Local Government may take over responsibility for monitoring local government fiscal activities formerly handled by the Ministry of Finance. In most cases, decentralisation fundamentally alters the roles that many central agencies play, with a movement away from direct decision-making and control of subnational actors to facilitation, support, and monitoring of them.

Even if there is a strong and visible political consensus to adopt decentralisation, national agencies that lose power may be reluctant to support and develop DLG reforms, and they may have no incentives to cooperate with other agencies with a role in decentralisation. Not uncommonly, mandated reductions of central agency powers and interagency competition for a prominent role in decentralisation create strong incentives for bureaucrats to engage in behaviours that overtly or covertly obstruct the implementation of official DLG reforms. In addition, less obvious dynamics can also be at work. Especially in least developed countries with weak institutions, informal mechanisms for raising and managing resources may be more important than formal systems, making it difficult even for well-intentioned reformers to change established rules of behaviour in practice, much less to institutionalise them.²⁷

As noted above, political and economic conditions can change quite dramatically and suddenly over time. When this happens, incentives can change and new opportunities open up for individual actors to pursue their specific interests. DPs may not be paying attention to such developments, and this can have considerable consequences for development assistance if appropriate responses and programmatic modifications are not developed.

²⁷ See, for example, the discussions in Rakner et al. (2004), Fjeldstad (2005), and de Renzio (2011).

This is obviously highly complicated territory – DPs are not likely to be able to substantially influence these complex political economy dynamics, and many analysts would argue that it is not their role to do so. But without understanding the incentives faced by key country actors and their implications for DLG, DPs preparing DLG support may make significant mistakes and design programmes that have limited and/or unsustainable impacts or that may even cause more harm than good. For example, if DPs focus DLG support exclusively on a relatively weak Ministry of Local Government that can be easily undermined by a more powerful Ministry of Finance with centralising tendencies, even otherwise well-considered DLG reforms can be weakened, leading to highly visible “failures” of policies and development assistance intended to support them.

Inter- and Intra-Development Partner Incentives and Dynamics

There has been a sizeable academic and practitioner literature critiquing the development assistance industry and pointing out some of the problematic incentives and dynamics within and across DPs, although there is also considerable debate about which of these factors are most important.²⁸ In addition, there has been no shortage of forceful recommen-

²⁸ A small sample of this extensive literature would include Easterly (2002), Sachs (2005), Easterly (2006), Birdsall (2008), Moyo (2009), and Easterly and Williamson (forthcoming).

dations for how to improve aid effectiveness, some of which come from the development partners themselves and some of which are produced by their harshest critics.²⁹

The litany of problematic DP behaviours is well-known: incentives for individual donors to distinguish their programmes from those of others and to be able to claim credit for influencing successful government policy; the need to move money quickly and to account for it in a way that meets the requirements of specific agencies, leading to the creation of parallel systems and the use of many donor-specific procedures (programming, procurement, oversight systems, monitoring and evaluation approaches, etc.); the ease of working with familiar/traditional “client” agencies, even if their role might have changed under planned or in-process reforms; etc. Field-based staff of DPs may feel caught between using their best judgement on the ground and meeting the political and institutionally driven mandates emanating from headquarters.

The recent attempts discussed above to change the way DPs do business have in fact been intended to correct many of these problems. At the same time, it is clear from the discussion of the cases that many of these incentives and prac-

²⁹ In addition to the references in the previous note, a few other examples include: Burrell and Maxwell (2006), Easterly (2008), Barder (2009), Dervis, Kharas, and Unger (2010), Fengler and Kharas (2010), Gavas, et al. (2011), and Kharas, Makino, and Jung (2011).

tices persist to some extent in DLG development assistance, even if some attempts have been made to reduce them and to offset their problematic impacts.

Perhaps the most damaging aspect of DP behaviour for DLG is the tendency for individual agencies (or their departments) with particular priorities to reinforce, or even generate, two reform challenges outlined above – competition among government agencies with different priorities and compartmentalised public sector reform programmes. Different DPs may work primarily with government counterparts that share their views on DLG, for example a fiscal affairs department with a Ministry of Finance, a local-governance-oriented donor with a Ministry of Local Government, or a health department with a Ministry of Health. But as noted above, these individual agencies are normally only one of many country actors involved in or relevant for decentralisation, and their views and approaches may be substantially at odds with those of other national agencies, including those primarily responsible for the formal decentralisation agenda, not to mention the perspectives of subnational actors that need to be taken into account in emerging conceptions of mutual accountability frameworks.

For example, one DP may provide support to PFM or CSR with a Ministry of Finance or Civil Service Commission but develops systems that conflict with DLG reforms supported by a different DP working with the Ministry of Local

Government. The situation may become even more complicated if a sectoral department of one or more DPs promotes concurrent service delivery reforms in a particular ministry using systems and procedures at odds with those evolving under PFM, CSR, or DLG reforms. Sector-wide approaches (SWAps) often effectively coordinate DPs working on the same sector, but they rarely coordinate with related system reforms. The tendency of (often DP-promoted) SWAps to centralise service delivery under a sectoral ministry may reinforce centralising tendencies of PFM or CSR reforms.³⁰

If these actors – DPs and government agencies – push the development of government institutions and procedures relevant for DLG in inconsistent directions, there can be negative effects on overall system development and ultimately on development outcomes. Even if there is a government ministry formally charged with leading DLG reforms, they not uncommonly lack the necessary formal power or political capital to address challenges to DLG raised by reforms and programmes based in more powerful ministries.

Although supporting bureaucratic fragmentation in recipient governments may result in short-run gains for DPs in terms of exposure, access, and immediate visible outputs, it potentially leads to negative long-run development outcomes by

³⁰ Handley (2008), World Bank (2009b), and Williamson and Dom (2010) discuss sectoral approaches to development assistance.

wasting government resources and reinforcing the ability of different government agencies to work at cross-purposes. This violates a “do no harm” principle that should be the bare minimum expectation of development assistance. This suggests that an additional advantage of harmonisation is that it may provide an opportunity for DPs to catalyse the government to speak with a more unified voice. But this necessarily requires DPs to give up traditional alliances and support the empowerment of well-conceived and government-driven coordinating institutions.

Challenges of Management for Development Results

Some of the challenges of management for development results were already mentioned above in the discussion of the case findings, and there has been a great deal written about this topic.³¹ In the first instance, there are considerable debates about what to measure. Many DPs are under pressure to demonstrate results in terms of concrete outcomes, such as those embodied in many of the Millennium Development Goals. We have seen, however, that there is a long path from getting the elements of DLG into place and getting the various actors – central government, subnational gov-

³¹ Dumas and Kaiser (2010) provide a useful review of literature and global experience with performance monitoring for DLG. Some countries have also developed systems. See for example World Bank (2008b) for a detailed treatment of a system that has been under development in Indonesia.

ernment, and citizens – to change their behaviours and play the roles they must play if, for example, service delivery outcomes are to be improved.³²

While it is critical for governments and DPs to strive for improving these outcomes, it is also important to understand how process reforms are proceeding and how they do or do not contribute to better outcomes. This is particularly critical in the poorest countries, where capacity is weak and new systems are being developed and implemented. DPs who expect to be able to credibly measure the impacts of their DLG support in terms of rapidly improved service delivery are in many cases going to be deeply disappointed.

Once there is clarity about what needs to be measured, there is then the challenge of exactly how to measure it. Some variables (inputs and outputs) are relatively easy to measure objectively while others are not, and some indicators can be positive or negative and require more information to interpret. For example, does a local government budget surplus indicate good performance (financial responsibility) or poor performance (inability to spend resources on much needed service delivery)? These issues require careful attention in determining the set of indicators to be monitored and how they will be interpreted in a particular case.

³² Smoke and Winters (2011) discuss these issues in more detail.

There has also in recent years been a push for using “more rigorous” evaluation methods, such as randomised experiments, but there is considerable debate about the appropriate use of these methods in general.³³ More thought needs to be given to how they might be applicable for evaluating DLG reforms. Although they can certainly be useful in certain well-framed situations, an important concern about such methods is that they focus on outcomes and not on critical intermediate processes that are central to development partner DLG support. In addition, it can be difficult to appropriately frame such studies in complex contexts.

Even if it is clear what is to be measured and there is a well-defined and credible way of measuring it, DPs face challenges. In the first place, there is the issue of data availability and government institutional responsibility and capacity for collecting and analysing it. DPs can engage in their own analyses, but it is also critical to ensure that data collection and results measurement will be institutionalised for domestic governance purposes.

Equally important, in an environment where demographic and economic conditions are evolving and, as discussed above, many other government reform policies are also being developed and implemented, it can be extremely challenging to attribute specific outcomes to DLG reforms. It can be even more diffi-

cult to link observed outcomes to the individual activities of a particular DP (which is what many partners wish to do); this is not even appropriate at a time when alignment and harmonisation are being pursued and partners are supposed to be reducing their individual identities in providing development assistance.

The Challenges of Implementation and Appropriate Capacity Development Mechanisms

Some of the challenges discussed above are related to the uneven and ad hoc attention given by partner governments and DPs alike to the challenging process of bringing DLG reforms to life. The implementation of decentralisation – how and over what time period DLG structures and processes are executed on the ground – is increasingly understood to be an important but neglected determinant of impact and sustainability. Most DLG literature and programmatic efforts focus heavily on design and undertake little robust analysis of implementation. In recent years there has been growing – although still relatively limited – attention given to the implementation and sequencing of decentralisation and local governance reforms.³⁴

The variety of experience with DLG implementation has been considerable. In some countries, significant functions

and/or resources have been rapidly devolved to local governments. At the other end of the spectrum are countries in which decentralisation is an official policy but where the role that local governments play is modest and the process of decentralisation has been gradual. In between these extremes is a great variety of experience in terms of DLG importance and the form and pace at which it is occurring. These differences are often grounded in contextual factors and political drivers of DLG reform discussed above, and there is not necessarily a clear correspondence between the capacity and incentives of local governments (collectively or individually) and the functions they are asked to assume.

Although the variety of situations is great, DPs tend to focus an important share of their support on countries with weak systems and capacities that cannot be built all at once. If reforms are implemented too rapidly, problems may arise and could result in efforts to recentralise.³⁵ Some analysts have argued that a more gradual, staged, and asymmetric (where appropriate) process could allow local governments the opportunity to acquire the experience and capacity they need to meet their obligations more effectively. Nevertheless, it is of course important to guard against the danger that a gradual process can problematically stall at an early stage. In some cases, very modest decentralisations, if successful, can lay

the groundwork and provide momentum for more substantial efforts in the future.

At one level, DPs do take such considerations into account in developing their assistance programmes for DLG – they rarely try in practice to do everything at once, even if they are supporting comprehensive reforms. At the same time, given the inadequate attention to country political economy dynamics and the pressures placed on them to attain their own institutional objectives, it seems likely that at least some DPs are often more strategic in terms of their own needs than they are with respect to making well-contextualised progress with DLG in the situational contexts of the countries they are working in.

Highly related to the demands of implementation is the challenge of building and nurturing capacity. Capacity development and technical assistance for both central and subnational actors are well recognised as being an important part of effectively implementing DLG reforms. Central governments and DPs, however, have too often treated these activities in a standardised and mechanical way, and they are often inconsistent and fragmented across DPs and government institutions.³⁶ Often there are general training courses directed at a wide range of actors, and then specific types of skill-building are reserved for relevant staff, for example finance employees receive

³³ These issues are discussed, for example, in Roodman (2007), Bannerjee and Duflo (2008), Deaton (2009), Ravallion (2009), and Garcia (2011).

³⁴ Recent discussions of this topic from various angles are provided in Faletti (2005), Bahl and Martinez-Vazquez (2006), and Smoke (2010a).

³⁵ See, for example, the discussion in Smoke, Gomez, and Peterson (2006) and Smoke (2010b).

³⁶ Green (2005) discusses the management of subnational human resources, including capacity building.

special training and technical assistance for financial functions, etc. Capacity development initiatives for other actors, such as local government councillors and citizens, have tended to be brief and generic. In some cases a local training institution coordinates these efforts, while in other cases they are fragmented and/or externally staffed.

A number of distinctions should be made about capacity building. It can be “supply-driven” (largely managed and provided by the central government or its agents) or “demand-driven” (tailored to the specific needs and requests of DLG actors). Training for capacity enhancement can also be “classroom-based” or “on the job.” Finally, capacity development can be directed solely to government entities (elected and appointed officials) or also to civil society actors (to empower citizens to hold their local governments accountable) and national actors (to help them to assume new roles under DLG reforms).

Although there have not been formal systematic studies across countries and development partners, it seems fair to say that many developing countries have continued to focus on traditional supply-driven classroom-style training. Some DPs support demand-driven capacity-building, but it does not seem to dominate DLG in most countries. There also seems to be a fairly heavy emphasis on technical training, with a more limited focus on building the governance capacity of civil society to engage their local governments and on developing critical

horizontal accountability relationship between elected councillors and local government staff.

Citizen training (such as that provided for participatory budgeting), for example, has often been a one time or infrequent activity, as if people will sustainably behave differently if they attend a single seminar. And if government authorities provide such activities, they may not create the kind of atmosphere needed for citizens to confidently embrace their new empowerment under DLG reform. Efforts to build the capacity of central government staff in decentralising environments to help them to modify the role they have played – often from oversight and control to facilitation and support – have also been neglected but have been receiving more attention in recent years.

There is some limited emerging anecdotal evidence and a growing recognition that “on the job” training specifically demanded by subnational governments for particular functions and tasks that they are in the process of implementing as part of the larger DLG reform process is a better way of developing and retaining skills. Thus, attending a general course at a national training institute or offered by a development partner programme, for example, may be less useful than – or should at least be supplemented by – “on the job” training provided on site while local government employees are in the process of undertaking new functions associated with the DLG implementation process. However, capacity build-

ing cannot rely only on DP support, but needs to be embedded in the national public sector human resource management policy.

All types of DLG actors need access to support facilities where they can receive guidance and resources to put their new roles into practice. More generally, capacity development needs to be ongoing and linked to the specific roles that different actors play, and it needs to be adequately coordinated between DPs and local and central government institutions. How capacity development and related DP support efforts are handled is very likely to affect the ability of DLG reforms to perform effectively.

7. Conclusions and Recommendations

Decentralisation and local governance (DLG) have become more prominent aspects of public sector reform in developing countries over the past two decades. Support for DLG is almost certain to remain an important focus of many DPs who wish to support institutional strengthening and/or sectoral public service delivery objectives. The sustained advancement of DLG reforms is likely both because decentralisation is widely valued for many reasons beyond conventionally emphasised service delivery outcomes and because subnational governments are in many cases going to be called on by their national governments and their constituents to serve as important partners in responding to major global crises and challenges (outlined earlier) confronting developing countries.

Reflecting the shared interests and challenges posed by DLG, DeLoG has made a concerted effort over the past seven years to exchange experiences and enhance collaboration in support of partner governments and their citizens. The expected evolution to translate aid effectiveness into tangible development outcomes to be agreed upon at the HLF-4 in Busan and anticipated actions beyond this milestone event, echo and reinforce specific points raised by DPs seeking to work more successfully in DLG.

Additionally, tighter budgets for development assistance over the coming decade as well as the growing prominence of new public and private DPs will likely fuel an enhanced drive for results, in-

novation, and efficiency around DLG engagement. In working across multiple levels of government and wide variations in capacities and needs, DPs engaging in DLG would be well served by appropriately tailoring reforms to particular countries and promoting the coherence of their engagements at the country level over adequate time horizons. In order to do this, four potentially productive areas merit consideration.

First, DPs supporting DLG reform **would benefit from a more deliberate and fuller appreciation of the political economy dynamics underlying decentralisation in a particular country.**

Although DPs will rarely be in a position to influence these dynamics, greater attention to understanding this critically important aspect of context is likely to help with the design of more effective support and should be expected to have a more sustainable impact. At the same time, it may in some cases lead to decisions not to support DLG, although it will likely more often imply the need to engage in different ways and with different counterparts than has been the case to date. In particular, the recognition of subnational actors as critically important players in country ownership of DLG reforms is essential.

Recommendation for Development Partners:

- Use and deepen existing analytical tools for conducting political economy

analysis and incorporate these results into periodic joint analysis and programming exercises.

- Political economy analysis should include all relevant actors, including those at the local level that are the target of DLG reforms and whose views have not sufficiently been brought into consultations to date.

Second, DPs involved in DLG **need to engage more deeply, broadly, and effectively with both government partners (at all levels) and other DPs (including uncoordinated departments of individual organisations) working on other aspects of public sector and governance reform.**

DLG reforms are not self-contained phenomena and cannot operate in a vacuum. They in fact need to evolve and function much more synergistically with other types of core public sector managerial and governance enhancements, including PFM, CSR, sectoral service delivery, and CDD reforms, if overall performance – and the broader effectiveness of development assistance – is to be meaningfully and sustainably enhanced.

Recommendation for Development Partners:

- Strengthen and broaden policy dialogue with government with the goal of promoting more harmonised and aligned public sector reform programmes in particular countries. This in turn would enable DPs to provide

more coherent support for empowering a more sustainable overall government system.

- Coordination frameworks at local level combined with multilevel governance structures – promoting horizontal and vertical articulation between different governmental levels, territorial actors and DPs – enhance the Harmonisation and alignment of DPs' support to national decentralisation and deconcentration policies and finally development effectiveness.
- A more harmonised approach does not mean that all aspects of all reforms need to be onerously coordinated, but having an overall framework and process for reform would help to reduce the inconsistencies and redundancies that have been experienced with the typical fragmented approach.

Third, **greater attention needs to be given to monitoring and evaluating the progress and effects of DLG reforms and development partner support for them.**

Monitoring and evaluation (M&E) is an important managerial and accountability tool that has been inadequately used in most countries, and efforts that have been undertaken tend to be fragmented across country actors and DPs and not properly institutionalised for sustainability. Although it is important to respond to recent strong pressures to rigorously measure outcomes, the challenges (outlined above) involved in doing so must be recognised. Moreover, an outcomes

emphasis does not reduce the need for a more robust and systematic understanding of process-oriented aspects of reform that must be put into place if DLG reforms are to improve development outcomes. With these types of information available on a regular basis, DPs will have a better sense of how to structure their support for reform and how to adjust it along the way as needed.

Recommendations for Development Partners:

- Build on recent experiences to develop more unified (across country actors and DPs) and country-owned M&E systems.
- Enhancing and institutionalising M&E requires strong and increasing (as capacity develops over time) country participation in setting indicators, conducting periodic monitoring and evaluation reviews, and using the results to help improve system and overall development performance.
- Getting the mix of evaluation methods right is critical, as is working to make sure that M&E activities are housed in an appropriate institution and sustainably financed.

Fourth, the **development partners need to focus more on how they structure and implement their development assistance for DLG reforms, including linkages to other public sector reforms), adopting sufficiently long time frames, and build-**

ing the capacity required by all actors for successful DLG to occur.

Although it can be difficult where systems are weak and capacity is low, DPs must strive to use country systems and flexible aid modalities to the extent feasible. Such efforts can deepen as systems and capacity are built and enhanced, which will often require more time than typical DP project timelines. Flexibility may include using asymmetric approaches and providing incentives for adopting reforms and enhancing performance. Capacity needs to be understood beyond the traditional focus on skills of public employees and include key actors at all levels. For all of this to happen, DPs need to better document the status of DLG and related reforms, understand what is working and what is not, and diagnose the factors underlying performance. Operating in this way is consistent with the more holistic approach to DLG reforms and with the focus on monitoring processes and outcomes recommended above. All of these activities need to be undertaken with a deeper understanding of the trajectory of political economy incentives and their implications for how to approach DLG reforms and outcomes.

Recommendation for Development Partners:

- Develop common country DLG engagement platforms with an adequate time horizon in order to promote co-

herence, innovation, and sustainability in country-support activities.

- Strategic implementation of platforms will require concerted action, including collectively engaging sectors and other public sector reform actors around DLG; maintaining flexibility to adapt to specific (and evolving) country circumstances; using innovative funding approaches to create incentives (performance-based grants, local development funds channelled through country systems); adopting appropriate mixes of aid modalities; using collective DP learning to scale up common approaches; and co-funding “public goods” (M&E frameworks and modalities).
- In moving forward with common strategies, DPs need to think about how to better leverage their respective comparative advantages without further fragmenting the delivery of DLG development assistance. Not every DP has to work on all aspects of reform, but they do need to work together in pursuing overall development objectives.
- In terms of capacity enhancement, DPs need to target a broader range of actors – elected and appointed officials at all levels of government and members of civil society operating in various individual and collective ways. There is also considerable scope to improve the way support for capacity development is delivered, for example,

by promoting more on-the-job and demand-driven training, conducting joint capacity development strategies that build on independent evaluations of different approaches and are harmonised with the larger common strategy.

- Particular attention should be placed on clarifying the status for subnational civil servants as this constitutes a key factor to attract and retain staff as well as to ensure coherence across the public sector. DPs can support the development and implementation of a national capacity development plan for the public sector, linked to performance management and incentives including local civil servants.

The challenges to supporting aid and development effectiveness in DLG are formidable. The complexity of DLG and the multitude of actors involved make it particularly difficult for DPs to deal with, and there is no clear guidance about how best to proceed in any particular case. Some of the problems associated with DLG support, however, are well documented. At a minimum, DPs have an obligation to learn from experience and to improve on their performance to date, despite the considerable effort and changes in behaviour required to do so. There is much work to be done, but there are many ways to move forward productively if there is a genuine desire to do so.

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