

Reference Document on Capacity Development for Local Governance and Decentralization

First Draft
19 May 2009
Arne Svensson

Table of Contents

1. The Aim of the Reference Document.....	3
2. Methodology	3
3. Definitions	4
4. The Concept of Capacity Development	5
5. Decentralization and Governance	6
6. Capacity Development in the framework of Local Governance and Decentralization.....	9
7. Principles and Approaches supporting Sustainable Capacity Development for Local Governance and Decentralisation.....	13
7.1 General Observations	13
7.2 Step 1: Engage with Stakeholders	24
7.3 Step 2: Assess Capacity Assets and Needs	27
7.4 Step 3: Formulate Capacity Development Responses.....	29
7.5 Step 4: Implement Capacity Development Responses.....	32
7.6 Step 5: Evaluate change in Capacity and ensure Sustained National Capacity Development.	35

Boxes on Good Practices

1. CD of Female Commune Council Networks in Cambodia.....	15
2. Empowerment of Persons with Disabilities in Rwanda.....	16
3. Empowering Local Communities in Vietnam.....	17
4. Innovative Practices in the Municipality Apopa, San Salvador.....	18
5. Young Entrepreneurs in the Municipality of Punta Arenas, Chile	19
6. Introducing Community-based Social Services in Bulgaria	20
7. Capacity Building for Self-employment for Rural Women in Turkmenistan.....	21
8. Gender – Sensitive and Youth Employment Creation in Burundi	22
9. Knowledge Multipliers in Local Administrations in South Eastern Europe.....	23
10. CD to Support Decentralization Processes in the Andean Countries.....	24
11. Local Government Capacity Building in Tanzania.....	25
12. CD for Decentralization in Vietnam through an Institutional Visioning Process	27
13. The CD Approach: The Kvemo Kartli Experience, Georgia.....	28
14. Long-term CD for Decentralization in Albania	30
15. Inter-municipal Partnerships for Public Service Quality in Macedonia	32
16. CD through Local Partnerships in Kenya	33
17. Mali: Mainstreaming Decentralization.....	34
18. CD on Financial Management in Indonesia.....	35

Boxes on Lessons Learnt

Lessons learned on effective decentralisation processes.....	9
A Bakers Dozen Suggestion for Bringing About Meaningful Local Governance Reform	10
Ten Premises of Capacity Development.....	11

Figures

Figure 1: The UNDP Approach to Capacity Development.....	6
Figure 2: Decentralization as an Open System	12

1. The Aim of the Reference Document

The Reference Document should provide guidance and practical recommendations on the five steps of the capacity development (CD) cycle: (i) engage with stakeholders; (ii) assess capacity assets and needs; (iii) formulate capacity development responses; (iv) implement capacity development responses; and (v) evaluate change in capacity, and ensure sustained national capacity development.

The ToR states that the Reference Document should not exceed 35 pages in length (including any annexes)¹.

The broader system of multi and bi-lateral development partners with its access to extensive range of technical expertise and sound knowledge and experience, is a key partner for supporting capacity development efforts in programme countries. Through the TCPR², the Paris Declaration on Harmonization and Alignment, the Accra Plan of Action, the EuropeAid Backbone Strategy, and the 2005 World Summit, countries have called upon donors to enhance their efforts particularly at country level towards reinforcing national capacity for effectively accessing and managing the resources required to deliver on the MDGs, which involves the formulation, implementation and review of relevant policies, strategies and programs.

2. Methodology

Arne Svensson, Professional Management AB, Sweden, has been assigned for three weeks during the period of April- May 2009 to draft the Reference Document to be presented at the meeting of the informal Development Partners Working Group on Local Governance and Decentralisation, hosted by UNDP 25th – 27th of May 2009 in Bratislava³.

The Reference Document has been based on the following:

1. Analysis of different principles, approaches and strategies of development assistance and aid modalities that have been deployed by the members of the Development Partners Working Group on Local Governance and Decentralization (DPWG-LGD) and other donors in support to national capacity development for effective local governance and decentralization. The analysis has covered all regions and has included studies of practical examples to substantiate the findings of the research and show-case what worked and what did not and why, what were the factors that favored or impeded the growth and retention of capacity.
2. Collection of good practices and lessons learnt by development partners in enhancing capacities for effective local governance and decentralization through research and analysis of empirical evidence and knowledge base. Members of the DPWG-LGD have been invited to suggest partner countries where knowledge and successful experiences have been accumulated.

¹ Terms of Reference: Expert for the preparation of a Reference Document on Capacity Development for Local governance and Decentralisation (UNDP and the Development Partners Working Group on Local Governance and Decentralization (DPWG-LGD))

² United Nations, Triennial Comprehensive Policy Review of Operational Activities for Development of the United Nations System, 17 December 2007

³ Obviously, the analysis presented in this paper represents the views of the author alone and in no way should be assumed to reflect any official position of the United Nations or UNDP. However, to some degree the point of departure has been the lessons of experience documented in the final reports from UN Global Forums on Local Governance. However, the conclusions are reviewed in the light of more recent achievements. Hence, as this is work in progress, it is based largely on field experience and on secondary sources. The author would like to express his gratitude for information and assistance from the UN, members of the working group and many other respondents to requests for relevant documentation.

3. The research and analysis has been guided by the following questions:
- What are the success and limiting factors that have promoted or hindered capacity development in the area of local governance and decentralization?
 - What are the impediments to effective and equitable service delivery, local economic development and participatory democracy from the perspective of capacity development? What are the successful approaches and strategies to overcome the CD deficiencies in the area of local governance and decentralization? What are the key capacities (both technical and functional) that needs to be invested in?

3. Definitions

Many terms frequently used in international development cooperation are not defined in an internationally agreed way. For example there are no universally accepted definitions of the terms Capacity Development, Decentralisation or Local Governance. On the contrary, the same term is often used for several concepts that differ significantly from each other depending on the historical and cultural context. In the absence of an international standard the terms used in this Reference Document are based on definitions made up by major actors and frequently practiced. The selected definitions are based on a review of definitions used by major donors. Thus, the definitions reflect a normative approach that is based on Western liberal traditions and values as democracy, transparency and accountability.

- **Capacity development** (CD) is defined by the OECD DAC as a process whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time. The UNDP approach to CD is outlined in Chapter 4.
- According to UNDP **Decentralisation** refers to a restructuring of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity. Based on this principle, functions (or tasks) are transferred to the lowest institutional or social level that is capable (or potentially capable) of completing them. Decentralisation relates to the role of and the relationship between central and sub-national institutions, whether they are public, private or civic. UNDP distinguishes between four main types of decentralisation: political, fiscal, administrative and divestment⁴. The World Bank defines Decentralisation as the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organisations and/or the private sector. According to the World Bank the following types of decentralisation should be distinguished because they have different characteristics, policy implications and conditions for success: political, administrative, fiscal and market decentralisation⁵.
- **Local government** (LG) can mean county, municipality, city, town, township, local public authority, a school district, regional or interstate government entities, or any agency or instrumentality of a local government. The European Commission (EC) distinguishes between two broad types of local government: (1) Local state administrations, which manage and run local affairs on a day-to-day basis; and (2) Local representative bodies, such as municipal councils⁶.

⁴ UNDP (2004) Decentralised Governance for Development: A Combined Practice Note on Decentralisation, Local Governance and Urban/Rural Development

⁵ World Bank (website: [publicsector/decentralisation/ what.htm](http://publicsector/decentralisation/what.htm))

⁶ The European Commission (Jan 2007): Supporting Decentralisation and Local Governance in Third Countries

- **Local governance** comprises of a set of institutions, mechanisms and processes, through which citizens and their groups can articulate their interests and needs, mediate their differences and exercise their rights and obligations at the local level. It requires partnership between local governmental institutions, civil society organizations and private sector for participatory, transparent, accountable and equitable service delivery and local development. It necessitates empowering local governments with authority and resources and building their capacity to function as participatory institutions that are responsive and accountable to the concerns and needs of all citizens. At the same time, it is concerned with strengthening of grass roots democracy and empowering citizens, communities and their organizations such as CBOs and NGOs to participate as equal partners in local governance and local development process.⁷

4. The Concept of Capacity Development

Capacity development (CD) is believed to be one of the most effective ways of fostering sustainable human development and achieving the MDGs. It is seen as a pillar for economic and social development and a pre-requisite for aid effectiveness. The new approach to CD emphasizes national ownership and leadership and harmonized and concerted efforts of all parties towards sustainable growth, retention and utilization of national capacities.

CD has undergone significant conceptual, operational and institutional changes. CD is no longer conceptually limited to human resource development and technical issues. Evidence suggests that CD is an endogenous change process which is politically charged and has to be driven and led within the country. Today, the concept covers a broader scope that includes organizational and societal transformation and addresses issues such as empowerment, leadership, public participation and institutional arrangements in order to increase capacity for economic and social development, performance, ecological sustainability and political responsibility.

The conceptual shift is based on lessons learned that implies that conventional technical assistance often disregards the growth, retention and effective use of national capacity. It might also lead to further dependency on aid and the reliance on external expertise and decision-making processes to move forward national development agendas. It is recognized that CD should include the creation of space for dialogues, management of dialogues, building relationships, establishing partnerships and participating in knowledge networks. CD should also include efforts to implement incentives for performance and accountability.

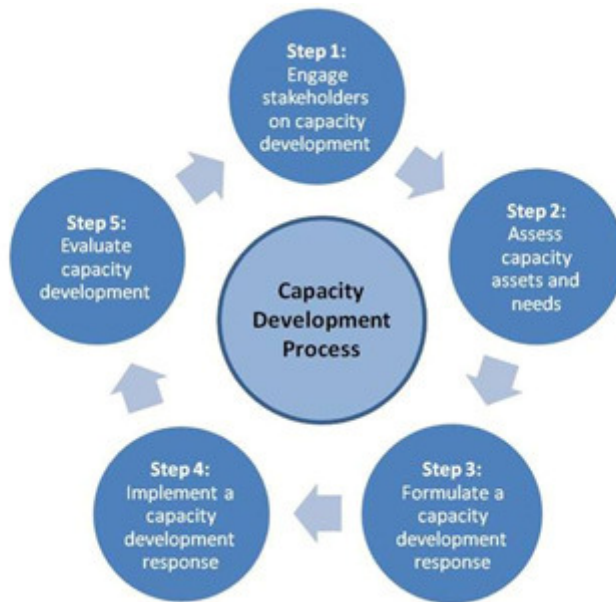
The ToR for this study refers to the UNDP approach to CD that takes the existing base of capacities in every situation as its starting point and supports national efforts to extend and retain them, building on nationally determined priorities, policies and desired results⁸. The approach is centred on the idea that CD is a process that comprises a set of ongoing interventions. UNDP and the UN Development Group recognise the five steps captured in Figure 1 as the core approach to capacity development. For every context, the process begins by jointly establishing the need for a rigorous approach to capacity development, conducting assessments to establish the capacity baseline, suggesting responses based on the assessment outcomes, providing implementation support to the responses and helping with measuring change in capacity are the fundamental steps to be followed. This approach is then adapted

⁷ <http://www.undp.org/governance/local.htm>

⁸ www.capacity.undp.org

and tailored to the specific situation. Chapter 7 contains a review of good practices and lessons learnt.

Figure 1: The UNDP Approach to Capacity Development



5. Decentralization and Governance

More often than not, the basic instinct of human society seems to be towards centralization. In part, that is explained by what seems to be a fundamental desire to gain control. This basic instinct has been further enhanced in the modern era as individuals (in their family, their governments and the private sector as well) seek to develop long-term plans that require some measure of control. New centralizing trends have emerged in among others Latin America that are curtailing local self-government, such as the accreditation of local capacities needed in Costa Rica to qualify for the transfer of responsibilities and resources, public purchase, information and monitoring systems, control, condition and restrict municipal autonomy⁹. In post-conflict areas sometimes the basic problem has been a centre without control (e.g. Afghanistan, Iraq and Kosovo). The natural impulse of control has been further enhanced as a result of the emergence both by the idea of and the development of complex techniques of strategic planning. Also some commonly used LFA techniques seem to underestimate the complexity of change processes. Obviously for strategic planning to be effective one must minimize the unpredictability and uncertainty of the environment - all of which is believed to be done most effectively through the exercise of highly centralized authority.

However, developed countries are more decentralised than poor ones. Law in many of the most decentralised welfare states guarantees Local Self-Government¹⁰. Unfortunately there are precious few empirical examples, or studies, available on how decentralisation has a

⁹ For example in Chile, Chile Compras, as the only public sector purchasing website, is presented as an example of procedural transparency and rationalization of public purchasing for central government and municipalities. Yet it is not very practical for local governments, as it displaces local providers, favors national companies and slows down the administrative process, to the detriment of municipal responsiveness to the demands of the community.

¹⁰ Arne Svensson: Scandinavian Experiences & Best Practice (Guarantor Government Workshop, Cities of Tomorrow, 2001)

favourable impact on poverty reduction. Sometimes decentralisation is taken too much for granted and self-evidently correct, to be adequately monitored and evaluated. However, the review indicates that there is consensus on at least three reasons for decentralisation; (1) strengthening of social capital by mobilisation of communities, (2) transaction costs are assumed to be lower in a decentralised system; and (3) the fact that providers of services pay more attention to local circumstances and needs when the local community become direct clients as well as controllers of the service.

The overall findings in the review of examples from all regions are that the decentralisation process is progressing unevenly and is in need of deepening in most countries. The fact is that even where decentralisation is enshrined in the constitution of the country, and devolution is prescribed, the outcome is not incontestable – it may or may not turn out positive for poverty reduction. Most of the examples in this Reference Document are not adequately evaluated and some are quite recent developments. However, even if they are chosen as good examples in some respects of the CD circle the final outcome of the intervention may be a disappointment because of for example unpredicted changes in the political environment.

There are three well-known reasons for slow progress. First, decentralisation is in itself an expensive process and this investment has to compete with the need for financing basic services. Second, weak implementation capacities means good intentions are not fulfilled. Third, a compromised or corrupt centre has not supported genuine devolution (e.g. Zimbabwe, Sudan). Thus, devolution is no panacea if it does not bring about empowerment, participation and inclusion by the governed¹¹. Getting out of poverty makes it easier to decentralise. Falling deeper into poverty makes it even more difficult to decentralise. However, even some countries supporting decentralisation (e.g. Ethiopia, Ghana) have so far made little progress in poverty reduction.

Good governance signifies the existence of a stable and relatively open and transparent political framework that is representative of, and responsive to, the will of the people. The prerequisites for good governance, which are key to poverty reduction, are well known and extensively discussed¹². There are also a few examples of countries reputed as having good governance that are not decentralised (e.g. Republic of Korea, Malaysia and Singapore)¹³. On the other hand, also in Asia, countries like Bangladesh have Local Self Government, but local governments are weak and offer poor quality services (education, health, nutrition, family planning, irrigation, agricultural services, and main secondary roads). They have few resources, little authority to raise revenue, and almost no influence on how central government uses its resources in their areas.

Thus, decentralisation can coexist with both poor and good governance systems. Hence, the management systems in practice, used by the government, are of significant importance. In too many cases the sub-national levels are still micromanaged by the centre. Grants are often combined with detailed regulations, which have given no freedom for the local government to develop the services or to make local priorities. The review for this Reference Document indicates that the situation has not changed much over the last decades in many countries.

¹¹ Arne Svensson: *Inequality and Social Exclusion in Transitional Economies* (International Association of Schools and Institutes of Administration, Miami, 2003)

¹² The Global Forum on Innovative Policies and Practices, Gothenbourg, 1996, The Global Forum on Local Governance and Social services for All, Stockholm, 2000, The Fourth Global Forum on Reinventing Government, Marrakech, 2002.

¹³ Latin America (United Cities and Local Governments, 2007) and Asfaw Kumssa, Walter Oyugi and Josefa Edralin "Decentralisation for Good Governance and development in Africa and Asia" (Nairobi Workshop on Capacity Development in Local Governance: Africa-Asia cooperation, 28-29 August, 2003)

Therefore, it is of significant importance not only to discuss decentralisation as such but also at the same time develop, at least basic, Performance Management Systems at all levels¹⁴.

The reason why the dispersing of governmental power is so important in the modernization process is a simple one. Government is the only institution of society that has the legitimate authority to take one's property, liberty and even one's life. That gives it an extraordinary degree of power and, thus, the need to both limit and disperse that power is at the heart of any effort to build democratic government. One result is that those concerned with the building of democracy have increasingly turned their attention to the establishing of strong and viable local governments as an important means of insuring the dispersion of political power and government authority that is essential to the maintenance of democratic governance. Democracy if rightly defined and practiced, including both empowerment and participation, is unlikely to accept inequality in the long run. No democratic country has experienced mass hunger even in deep crises.

Consequently, it is not surprising that there has been a dramatic growth in the establishment of democratically elected local governments throughout the world. In 1980, only 10 of the 48 largest countries in the world had elected local government officials. Today, 36 of those 48 countries possess elected local officials. The same trend can be seen also in smaller countries in East Africa, the countries of ECOWAS (Economic Community of West African States) and in other regions. Perhaps most significantly, 95% of the world's democracies today have elected sub-national governments, to which, in differing degrees, political, administrative and fiscal powers have been devolved.

The examples in this Reference Document come from countries in several regions with differences in the context and the point of departure for the ongoing decentralization process. It is not possible to describe the circumstances in each example. However, some of the major differences should be noted from the outset. More than every second country is spending at least one quarter of their total public expenditures at the local level. The more highly economically developed countries of Europe and North America, as well as Japan, spends between 40 and 60% of all government expenditures at the sub-national level and over 50% of their public sector employment is at the sub national level. In Asia (not including Japan), the figures for both sub-national expenditures and employment are at the level of approximately 40%. In Latin America, those figures drop to around 20% (although in a few instances they are a good bit higher); while in Africa, they often fall below 10%. Ethiopia, Uganda and Ghana, among others, have tried to develop systems that deliver a fiscal uplift to the sub-national levels, but even here the process is confined because the share of government revenue to GDP is too small. In some countries dependency of equalisation grants is regarded as less important than having the democratisation carried out and thus the reduction of influence of the central government. However, it is important that grants can be used according to local priorities.

Obviously decentralisation is not one thing (process/concept); not even a series of degrees along a spectrum or scale. In brief the different types of decentralisation are often described as deconcentration, delegation and devolution:

¹⁴ For more details on the links between decentralization and management systems please refer to Arne Svensson: Management Systems and Practices (United Nations International Conference on Public Administration and Social Development, 1995), Arne Svensson: Commitment Quality Management (UNCRD's Semiannual Journal Regional Development Dialogue, vol.18, No2, 1997)

- Deconcentration implies a shifting of functions and resources, including personnel, from the centre to other locations.
- Delegation is the transfer of functions and duties to semi-autonomous bodies or public enterprises.
- Devolution implies transfer of power, resources and administrative responsibility from central government to sub-national authorities.

The examples in this Reference Document show that deregulation is often part of true devolution. In some cases the result of deregulation is a transfer of power not to local governments but to civil society or the private sector.

At the end of the day it is a political decision to decentralise or centralise. Some Western countries quite rightly take pride in their highly developed system of local governance and the comprehensive system of social services that they provide. However, these systems did not grow instantly out of a single creative legislative act or one farsighted administrative initiative. Rather, they emerged over one or more centuries and required much capacity building. Moreover, they are constantly undergoing change and refinement in order to respond to new needs and challenges. Even in economically fortunate countries, the process of decentralisation and the building of good governance require time, patience and effort.

6. Capacity Development in the framework of Local Governance and Decentralization

The ToR states that it is widely recognized that local development is crucial for the advancing human development in general, and achieving the MDGs and other national development goals. However, it should be noted that not more than a decade ago the effects of decentralisation and local governance was questioned. Therefore the UN organised the Global Forums on Local Governance 1996 and 2000 in order to summarize lessons learned from experiments with building and strengthening democratic local governance. The results of these major events have been summarized at in the following two boxes:

Lessons learned on effective decentralisation processes¹⁵

- Recognize the complexity of the task
- Build sustainable partnerships
- Understand the fragility of the reform process
- Strengthen management capacity and management systems
- Recognize the importance of an adequate and dependable revenue base
- Build coalitions of support by drawing upon the strength of civil society
- Strengthen the partnership between local and central government
- Develop effective public-private partnership
- Citizen empowerment underlies effective local governance
- Need-based planning and budgeting are at the heart of responsive local government
- Accountability and transparency are critical to building citizen confidence
- Recognize the importance of a long-term commitment

¹⁵ Report on the United Nations Global Forum on Innovative Policies and Practices in Local Governance (Arne Svensson & Allan Rosenbaum, 1996)

A Bakers Dozen Suggestion for Bringing About Meaningful Local Governance

Reform¹⁶:

1. Significant institutional reform requires dynamic leadership.
2. The implementation of meaningful decentralization requires opportunities for local governments to have their own revenue-raising capacity, including taxation authority.
3. The implementation of real decentralization requires strong locally based constituencies to support these efforts.
4. Most local government institutions require strengthening before they are able to operate effectively in a decentralized environment.
5. Creating the trust and the capacity necessary to produce real institutional reform takes time but must be time-bound.
6. A multi-level approach is a great advantage in efforts to implement significant institutional changes.
7. It is necessary to mobilize political leaders and elected officials to achieve significant reform.
8. Foreign models do have some relevance.
9. The achievement of institutional and policy reform in local government requires flexibility in design and implementation.
10. The use of high-level western municipal practitioners has proven to be very successful in reform efforts.
11. It is important to recognize that for political and institutional leaders, relationships are exchange relationships.
12. A vibrant society with active community organizations will promote the development of local government.
13. The ability to influence policy and practice does not necessarily require large budgets.

The results presented above clearly indicates that the CD approach must move beyond training and low-level technical assistance in order to address broader questions of political changes, institutional change, leadership, empowerment and public participation, thus, ensuring sustainability.

The CD approach assesses capacity at three different levels: the system (the enabling environment), the organization and the individuals. The review clearly shows the importance of understanding the relationship between all three levels in assessing capacities and developing a response:

- **System level (Enabling environment)** – Organizations and people work within a broader system. The enabling environment includes policies, legislation, power relations, culture and social norms – also known as the “rules of the game.”
- **Organizational level** – This includes policies, procedures and frameworks that allow an organization to fulfil its mandate.
- **Individual level** – This refers to the skills, experience and knowledge of the people within an organization (or with the organisation), acquired through formal training and education, or through learning-by-doing.

It should be emphasised that the individual level should not be limited to people working within the organisation but also include partners and civil society.

¹⁶ Responding to Citizens' Needs: Local Governance and Social Services for All (UN, 2002) Report on the United Nations Global Forum on Local Governance and Social Services for All (Arne Svensson & Allan Rosenbaum)

UNDP has summarized ten premises of CD as follows¹⁷:

Ten Premises of Capacity Development

1. It links the systemic, with the organizational, with the individual – and provides a three-tier approach that is linked. It gets away from a singular focus on individual skills and goes beyond training to address questions of empowerment, leadership, public participation and institutional change.
2. It places a premium on functional capacities (the “how”) that cut across sectors and thematic areas (the “what”).
3. It is not power neutral and involves relationships, motivation, mind sets and behavior change.
4. It emphasizes the importance of motivation and supports the creation of incentives to promote sustained change
5. It involves trade-offs between shorter-term, externally-driven results and more sustainable, locally-driven ones. It requires staying engaged under difficult circumstances and cannot be rushed.
6. It emphasizes the use of national systems, national plans and expertise. It questions the use of stand-alone implementation units; if national systems are not strong enough, they should be reformed and strengthened, rather than bypassed.
7. It demands adaptation to the local reality.
8. It demands a link to a broader set of reforms, such as education reform, PAR and civil service reform, to be effective
9. It results in unplanned (capacity) consequences that must be kept in mind during the design phase and should be valued, tracked and evaluated.
10. It provides a systematic approach to measuring progress in change in capacity

These conclusions recognize that local development involves a collaborative effort from different actors from the public and private sector at the local and national level. However, it also states that it is local authorities who are best-placed to leverage the capacities of these different actors to fulfil their mandate and act in complementary ways to reduce poverty and promote local development.

It is also obvious that local authorities are playing multiple roles as convener, planner, direct service provider, overseer of other service providers etc. This calls for an emphasis on a key set of managerial or “functional” capacities¹⁸:

1. To engage with stakeholders, including relevant local, regional and national actors and enhance vertical and horizontal cooperation and coordination
2. To assess a situation and define a vision and mandate
3. To formulate policies and strategies and establish partnerships for their implementation
4. To budget, manage and implement
5. To monitor and evaluate

The knowledge and empirical base indicates that often there is a tendency to look only inside of an organization/municipality and downplay larger institutional context in which this organization resides. The factors favoring or blocking CD is often of a systemic kind – meaning that attention needs to be focused on the relationship between the system (the

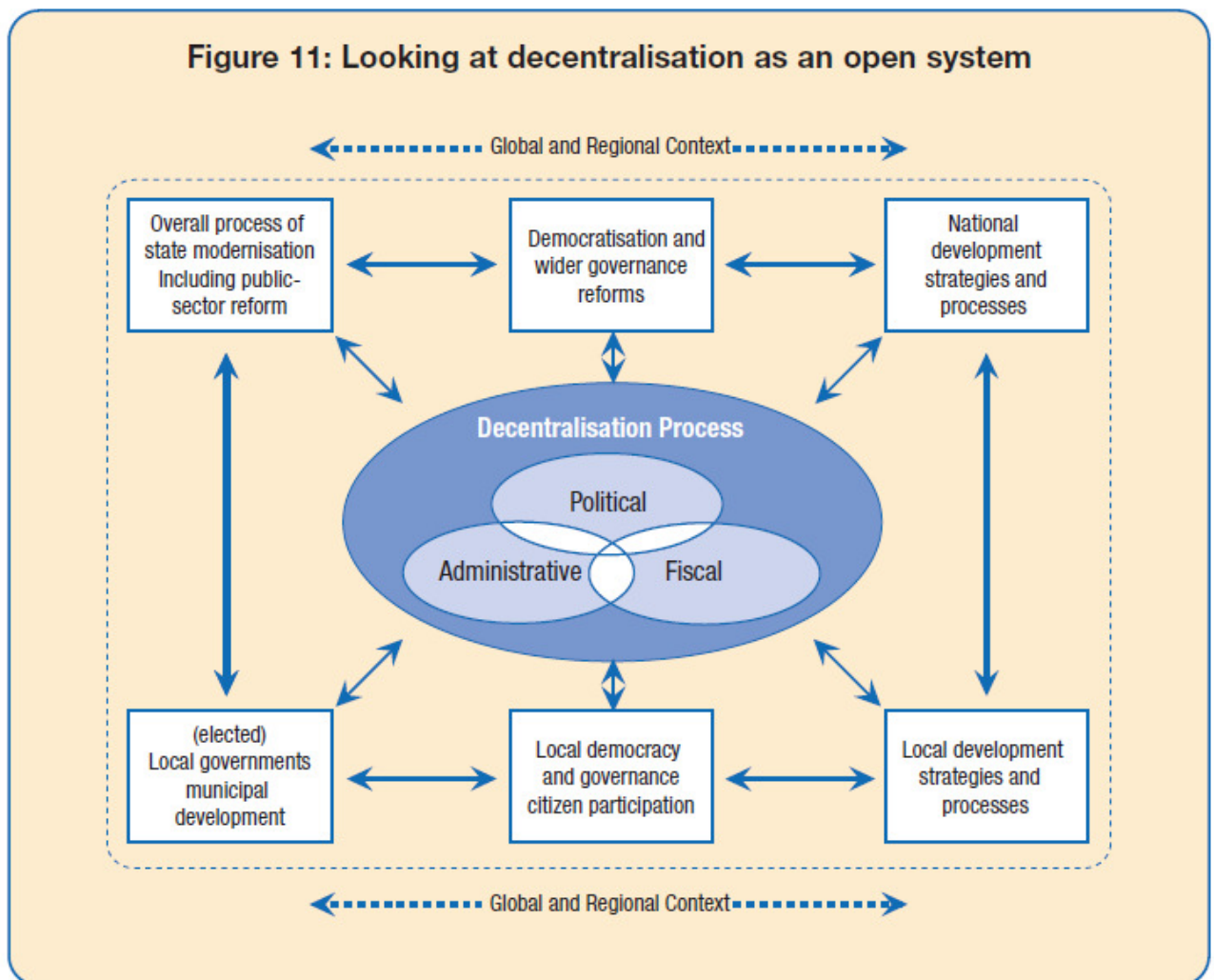
¹⁷ Capacity Development and Capacity Assessment Overview, July 10, 2008. Dafina Gercheva, CD Advisor, RBEC, Joe Hooper, CD Specialist, RBEC

¹⁸ Supporting Capacities for Integrated Local Development, Practice Note (UNDP, Nov 2007)

enabling environment), the organizational level and the individual level. Experience suggests that attempts to address capacity issues at any one of the three levels, without taking into account the others, are likely to result in developments that are skewed, inefficient, and in the end, unsustainable.

Against this background organizations are considered as being part of an “open systems”. This means that they are embedded in a context that requires to be systematically assessed in order to identify all the components at different levels that affect the outcome of the organization. Hence the context has to be explored, as well as stakeholders who can induce or impede the change; they get inputs or resources; they use their capacity to process these inputs into outputs- products and services; their performance and change prospects depend on the context, the inputs and the capacity.

Figure 2: Decentralization as an Open System¹⁹



The examples in this Reference Document shows that CD approaches need to be highly contextual, iterative and flexible. Local adaptation is required to build on capacity assets and

¹⁹ Supporting Decentralisation and Local Governance in Third Countries, European Commission, 2007

bridge the gaps. In general, evidence suggests that decentralised structures should be based on, or at least take into consideration, traditional structures on the grass root level (extended family, tribe or clan, parish, village, city)²⁰.

Obviously, there is not one best way to structure a decentralized governance system. Those countries which have adopted decentralized governance systems reflect significant variation in terms of both the formal structures of sub-national governance and with regard to what services are carried out at national, regional, local or community levels. In general, there is a tendency to devolve education and health services to the most local level, but even in these areas, there is much variation.

Even if this Reference Document contains not a few good examples of successful efforts to decentralize tasks and duties, there are also in these cases potential constraints in all decentralization dimensions (e.g. political, legal, financial and administrative). In summary the most significant constraints include: Lack of political will, capacity deficits, corruption, an inability to focus on empowerment and real participation in the planning and budgeting process, inadequate management systems, a mismatch between the vertical plane of decentralization and the horizontal plane, the absence or ill working of accountability and transparency from the centre to the periphery and vice versa and the conflict between unity and fragmentation.

The next chapter will provide some concrete examples and principles and approaches supporting sustainable CD for Local Governance and Decentralisation with a potential to overcome these constraints.

7. Principles and Approaches supporting Sustainable Capacity Development for Local Governance and Decentralisation

This chapter provides guidance and practical examples on the five steps of the capacity development cycle: (i) engage with stakeholders; (ii) assess capacity assets and needs; (iii) formulate capacity development responses; (iv) implement capacity development responses; and (v) evaluate change in capacity, and ensure sustained national capacity development.

Guidance and examples are presented in one section for each of the five steps using the three-level approach (system, organisation, individual). However, before going into these details next sub-section summarizes the observations of the “open system” more in general. In fact, examples of good practice in one of the five steps are often relevant as good examples in other steps as well. Therefore, most of the selected cases are presented in sub-section 7.1.

7.1 General Observations

Decentralization is a complex and multifaceted concept. As noted at the outset of this Reference Document, the current movement to decentralization has been fuelled by disillusionment with the administrative and policy-implementing capacity of highly centralized governance systems. This has especially been the case in terms of efforts to promote economic development activities through centralized planning. This disillusionment has developed both in Africa and in Latin America despite experiences and traditions that are in many respects quite different. However, on both continents, recent efforts at implementing economic reforms through highly centralized governance structures has resulted in varying

²⁰ This has been clearly demonstrated in for example creating the new structures of Southern Sudan

degrees of disillusionment with the capacity of centralized government to successfully carry out economic reform²¹. Similar experience in Asia has resulted in combining decentralisation with market reforms in for example P.R of China and Vietnam. More details on the Vietnamese experience will be presented in Box 12.

There are, however, far more fundamental reasons for and benefits deriving from organizing government structures in a decentralized fashion than simply to avoid past failures of too centralized systems. The most important such benefit is the fact that decentralized governance serves to fragment and disperse political power. Obviously, the Cambodian example in Box 1 confirms this. While it often tends to be overlooked in an era of declining confidence in government the reality is that government still remains potentially, if not in fact, the single most powerful institution in any society. An important way to disperse power within any system of governance is through the establishment of multiple levels, jurisdiction and units of government, each of which has some measure of independence and autonomy from the other. This helps to ensure both that power and authority are not concentrated and to promote the creation of competing elites which serve to check the independence and power of each other and the central government as well. One can clearly see evidence of this phenomenon in the experience of countries as India, Thailand and Bangladesh over the course of the past decade. Also the Federation of Russia might be seen as an example of balance between different centres of power. However, the impact of the federative structure is that some kind of balance is always to be achieved in the political process.

Decentralization serves to create additional civic space. By generating more centres of power, there are inevitably more venues in which civil society organizations - interest groups, business associations, labour unions, the media, etc. - can develop and find sustenance. This is extremely important in terms of the promotion of democracy in that it contributes significantly to the creation of non- governmental centres of authority and power within a society. Such centres of power, particularly when they operate independently of governmental control, can serve to hold government accountable. Indeed, because of the importance of civil society organizations in that regard, they are receiving increasing attention from international donors who are proponents of democratic development. Rwanda is an example on how to empower different groups, e. g. women and persons with disabilities through civil society organisations in a decentralised governmental structure (Box 2).

For example, in much of Africa and Latin America bi-lateral donors have focused on or encouraged the creation of local governments by supporting (and support from) many different kinds of civil society organizations. This has included unions, rural community development organizations, environmental and anti-poverty groups and the like. The innovative practices in San Salvador have been awarded as a good example (Box 4). UNDP has also been advocating the creation and support of civil society organizations as a means to encourage independent gross roots democratic development.

The Cambodian example shows the importance of working at all three levels (the system, the organisational level and the individual level). The focus has so far been on the individual level and to some degree on the system level (the new Organic Law on Administrative

²¹ Metropolitan Governance in Latin America (Cristina A. Rodrigues-Acosta & Allan Rosenbaum in Improving Local Government, Michiel S. de Vries, PS Reddy & M. Shamsul Haque (eds), 2008) and Democracy, governance and decentralization (Allan Rosenbaum, The United Nations Conference on New and Restored Democracies, September 2-4 1999)

Management of Capital, Provinces, Municipalities, and Districts/Khans). However, the institutional level seems to be the “missing middle”.

1. CD of Female Commune Council Networks in Cambodia

Following the adoption of the Law on the Administration and Management of Communes/sangkats in 2001, two elections for the 1,621 Commune Councils were held in 2002 and 2007. The Strategic Framework for Decentralization and Deconcentration Reform (SFDD) was adopted in 2005 to guide the policy for sub-national (province/municipality, and district/khan³) democratic development. The adoption of an Organic Law on Administrative Management of Capital, Provinces, Municipalities, and Districts/Khans in March 2008 is an important milestone. The Law envisages a restructuring and reformation of all current levels of sub-national administration with corresponding changes at the national level, including the transfer of functions and resources from the centre to the sub national levels.

The Commune Council Development Project aims to support the CD on decentralization, public service delivery, democratic rights and responsibilities. Capacity Development of Female Commune Council Networks” aims at promoting gender equity in local governance and support the strengthening of the capacity of elected women councillors and Women and Children Focal Points (WCFPs) in each commune in provinces around the Tonle Sap Lake by supporting networking forums of women councillors in districts and communes to promote confidence and empowerment in participation in local decision making processes. Another component supports continued capacity building for commune councillors, clerks and concerned Government officials at the province and district levels to discharge their duties effectively.

The lessons learned on capacity development is summarized in the following way: *“There is little doubt that Component 2 has delivered a substantial amount of training, and that essential skills necessary for the operation of local government affairs have been lodged in many individual commune officials. This is a great achievement given the historical background of Cambodia and the point of departure with regard to local government. Looking into the future, however, a different - or supplementary - approach may be required. It is time to begin looking at the Commune Council as an organisation, rather than a group of commune officials. Capacity building would thus take on additional meaning. How is the organisation working internally? How does the organisation manage its external relations?”*

The Cambodian example also shows that the consideration of gender issues is important to Good Governance especially in post-conflict situations. This is vital also to governance in among others Rwanda. Rwanda’s commitment to the inclusion of women is evident throughout the government (Cell, Sector, District, Provincial, and National levels). Women’s councils are important grassroots structures elected at cell level by women only. Rather than a policy implementation function, these councils have an advocacy role. They are involved in skills training and making local women aware of their rights. The head of the women’s council holds a reserved seat on the general local council. These parallel systems exist at the local, provincial, and national levels.

In many of the cases that has been studied in this review gender approaches in policy decision-making has been practiced on one or more levels. A gender-based approach and analyses is needed in order to take into the account the different experiences, social realities

and life expectations in the planning process. All these differences have to be integrated in the decision-making process and in the allocation and distribution of resources. To achieve this formal representation is not enough. On the contrary, formal representation can be counter-productive if not followed by a strategy of mainstreaming gender need to be adopted at all levels in the society with the aim of integrating gender equality concerns into the organisational structure, management systems, policy formulation, programming and project design.

As already mentioned Rwanda is acknowledged for its gender approach. Despite the tragically background Rwanda also seems to be an interesting example on how to empower other marginalized groups as shown in the box below.

2. Empowerment of Persons with Disabilities in Rwanda

The Secretariat of the African Decade of Persons with Disabilities (SADPD) is working to empower governments, Decade Steering Committees (DSCs), Disabled Persons' Organizations (DPOs) and development organizations to work in partnership to include disability and persons with disabilities into policies and programmes in all sectors of society in Africa. Capacity building of the DSCs is important to carry out clear and concrete activities with support from local partners. For instance, the DSC in Rwanda has decentralized its efforts to district levels.

The Rwandan government has adopted the National Disability Law of 2007 in line with the UN Convention on the Rights of Persons with Disabilities. After the 2006 government efforts to decentralize its structures, the disability movement in Rwanda has made sure that different types of disabilities are represented at community, sectoral, district and national levels (416 sectors in 30 districts). The DSC is providing capacity building to members and centres to defend and promote the rights of persons with disabilities. In addition, the DSC is promoting unity amongst persons with disabilities so that they work together to address discrimination, exclusion etc.

The DSC has also been working with the National Commission on Statistics to devise cost-effective means of undertaking a census that will enable the DSC to identify the number of persons with disabilities in each district, the type of disability and type of support they require; as well as establishing whether they are in school, working or need support in accessing such services and opportunities. This is deemed crucial especially in a country that had genocide and also faced civil war.

The Rwandan example could be replicated in other countries, using the innovative decentralized structure of the disability movement in Rwanda as a good practice. Community Based Organizations (CBOs) should always be encouraged to take part in the local planning and budget processes. Nationwide Civil Society Organisations are often effective in empowering citizens in less fortunate areas.

Decentralized governance also helps to create opportunities for the emergence of opposition political groups and, in particular, create resources for opposition political parties. However, the party in power on the national level may not always regard this as a benefit. It is not by chance that the mayoralty of the capitol city in many countries is in the hands of an opposition party. This has often been the case in Latin America (Argentina, El Salvador, Mexico, Paraguay and Peru, among other countries). The successful obtaining of such offices in turn obviously represents a major political resource for the opposition in its efforts to gain power.

The existence of decentralized governance generally, and local government in particular, serves in fact to provide an opportunity for political oppositions to mobilize and seek to concentrate their efforts in order to gain the political power that comes from holding an important office. Hence, there is always a struggle between unity and fragmentation in multi party democracies.

Decentralized governance systems more readily provide for diversity in response to popular demands. Obviously, in the case of many countries, different regions have different kinds of resources, different kinds of needs and are the home to different ethnic, regional or tribal groupings. A decentralized governance system provides at the same time opportunities for a certain measure of uniformity across a country but also opportunities for making required local adjustments in order to be more responsive to the needs and interests of the local population. This is especially the case in federal systems like Russia, Brazil and India, but it also serves a similar purpose in more centralized countries like the P. R. of China and Ukraine. In many cases minority people are prioritised in countries efforts to build sustainable capacity in remote areas. This has been the case in e. g. China and Vietnam (Box 3).

3. Empowering Local Communities in Vietnam

The 'Chia Se' programme 2003-2009 supports decentralisation, ensuring that vulnerable and disadvantaged groups can participate fully in Vietnam's rapidly reforming and developing society. Two districts in each of three provinces have participated. A key feature of the programme is the Local Development Fund that allows village communities to handle funds at their own discretion, based on their own participatory planning and prioritising of activities. Up to twelve communes per district are covered by the programme. Most of the people living in the project area belong to ethnic minorities, who live from wet rice farming and upland cultivation. The total programme budget is around USD 43 million. The programme has included comprehensive capacity building inputs to local administrators and programme staff and establishment of an M&E system. Full coverage - some 500 villages - was reached by the end of 2005.

Lessons learned are being collected and integration into Vietnam's Socio Economic Development Planning and the national development programmes. Five major and cross-cutting lessons learned:

1. Chia Se has proved that poor people can join together in village meetings to assess their development needs and agree on a common plan for improving their living conditions.
2. The development plans adopted by village meetings have proven effective in promoting economic growth and sustainable poverty reduction.
3. Empowerment of local communities requires *both* enhanced influence of the poor on decision making *and* their control over public resources.
4. Effective use of the Chia Se approach to empowering the poor requires significant support to building capacity of villagers and local officials.
5. The experience opens a potential for wider application in nation-wide programs.

Decentralized governance systems provide the citizenry with a greater sense of political efficacy. In general, people tend to respond more positively to government that is nearer to them and more tangible. This will often be the case even though the policies pursued by the government may not necessarily be the most favourable to the individuals involved. This is seen frequently for example in developed countries where the local tax system may be a more regressive one but the citizenry tend in public opinion polls to characterize their local, rather

than the national, government as more responsive to their needs. In Bolivia and El Salvador for example one finds interesting cases of integrating the formerly marginalized into the political system through the structures of local governance.

Despite advances in decentralization, Latin America is still a continent with a high degree of political, territorial and economic centralization, exacerbated by concentration in the metropolises and immense social and territorial disparities²². However, there are numerous examples of experiments on how municipalities are trying to build local capacity to handle the socio-cultural and socio-economic problems that the central government has failed to solve (Box 4).

4. Innovative Practices in the Municipality Apopa, San Salvador

The municipality Apopa with a population of 400,000 inhabitants is situated in the northern department of San Salvador. Apopa is one of the municipalities comprising the metropolitan area of San Salvador, for its proximity to the capital city and the growing and experiencing rapid urban development.

Overcrowding has deepened problems as poverty, marginalization and poor access to basic services. Socio-cultural problems have resulted in young women being involved in prostitution and criminal gangs. Lack of access to education is one of the main problems faced by young women which are denying them equal opportunities with men.

The municipal government has provided support and assistance to these groups in accordance with the Strategic Development Plan and the Municipal Government Platform that has resulted in the following achievements:

- Creation of gender equity policies allowing them to exercise greater voice in decision-making in the family, the community, and the labor market
- Development of educational programs for female leadership.
- Development of public spaces to address issues specific to women.
- Management of funds for scholarships for vocational training.
- Organization of a network of solidarity work that enables the integration of women into paid work.
- Implementation of preventive health education sessions aimed at men and women of reproductive age on family planning, STDs and HIV/AIDS.
- Access to legal and psychological assistance to women requiring it.
- Coordination of actions against violence.
- Promotion of values in the municipality such as solidarity, respect, equality, fairness, tolerance to foster a culture of peace.
- Creation of the Development Fund for Women and implementation of programs that contribute to the economic development of women.
- Creation of the Secretariat for Women and Women's committees to follow up various activities and manuals.

The example from the municipality of Apopa indicates the magnitude of problems people at the local level has to develop capacity to handle. However, the efforts are always restricted by the financial limitations. Thus, the leadership has to focus on supporting the necessary economic development that can generate the income that is needed for sustaining the

²² Latin America (United Cities and Local Governments, 2007)

municipalities' activities and avoid donor dependency. Decentralized government provides the opportunity for local economic initiatives. Hence, it is an effective means to poverty reduction. Highly centralized governance systems tend to concentrate both political and economic power in the capitol city of the nation. This concentration often serves to work against the interests of other cities and communities within a country. When power is highly centralized, communities some distance from the capitol city often have great difficulty in creating the environment that can facilitate community and economic development. They typically will lack revenue to invest in the kind of infrastructure necessary to make it feasible for private economic development to take place. Decentralized resources and authority serves to provide much greater opportunities for meaningful and responsive economic development. In many cases local government has been successful in at the same time avoiding reducing costs for youth problems and unemployment and increasing the municipality's income from local entrepreneurs (Box 5).

5. Young Entrepreneurs in the Municipality of Punta Arenas, Chile

The Municipality of Punta Arenas, through its Directorate of Local Economic Development and specifically the Unidad de Fomento Productivo created in 2002 the "Young Entrepreneurs"(up to 29 years old) in order to build capacity by providing professional technical training. Through this programme 82 productive enterprises were established 2002-2008, with a municipal budget of M \$ 35,400. The capacity building programme includes Entrepreneurship training workshops, cooperation networks and individual support over a period of 2-3 months to strengthen the business idea and the business plan. With a limited municipal budget capacity has been built among young people that have given multiple returns on investment in terms of economic growth.

There has been an increasing realization that economic development does not emerge automatically or magically from the environment. Rather, economic growth requires creative entrepreneurs, a skilled labor pool, an adequate infrastructure (in terms of roads, water, sanitary facilities and the like) and, of especial importance, an appropriate facilitating environment in terms of laws, regulations, the availability of credit and other forms of technical assistance. All of these prerequisites are greatly facilitated by strong local governmental capacity. However, there are a number of preconditions that must be satisfied to ensure that decentralization initiatives have a fair chance of succeeding. These include empowerment, participation and capacity building.

Consequently, it is not surprising that among established democracies, and countries making the transition to democracy, those, which have invested most heavily in the building of strong local governance, have been the most productive economically²³. Among transitional countries, one need only note Poland and, to a somewhat lesser extent, Hungary, which for many years were the economic success stories of Eastern Europe and are also the two countries in the region that have had the strongest commitment to the developing and strengthening of their local governments. In Africa, one can point to the example of South Africa, and, in Latin America, Argentina and Brazil – countries that are both the most

²³ Metropolitan Governance in Latin America (Cristina A. Rodrigues-Acosta & Allan Rosenbaum in Improving Local Government, Michiel S. de Vries, PS Reddy & M. Shamsul Haque (eds), 2008) and Allan Rosenbaum: Decentralisation in comparative perspective (Conference on Public Administration Education and Training in a Framework of Modernization and Decentralisation, Dec 6-7,2001)

prosperous in their regions and the most traditionally committed to at least some measure of locally based governance.

Interventions in support of service delivery benefitting the wider public can produce visible results that assist in creating a favourable environment for more controversial changes. One example is the introduction of community-based social services in Bulgaria (Box 6).

6. Introducing Community-based Social Services in Bulgaria

At the beginning of the decade, Bulgaria's unemployment rate was 18 percent. More than 50 percent of the unemployed were aged 50 and above. The Government's initial efforts with social service reform focused on the child welfare system by introducing community-based social services such as day care centres. Social services for adults, however, were provided solely by centralized state institutions, and no community-based, decentralized services existed.

The *Social Services for New Employment* (SANE) project that began in 2002 included developing secondary legislation and capacities of community-based service providers that would meet national minimum quality standards. SANE also piloted a cost-sharing model for financing community-based social services between the central government (70 percent), municipalities (20 percent) and beneficiaries (10 percent) and helped to develop the capacities of municipalities to co-finance, outsource and supervise community-based social services. Specialized training was provided to selected NGOs. The unemployed were trained to provide social services and, after completion of training, were then hired by community-based organizations to work as Social Assistants at the community level.

SANE has also triggered systemic changes. It was initially launched in four municipalities and extended to 12 municipalities in 2006. The Government recognized its benefits and scaled up direct government funding for this approach to 150 municipalities in 2007 outside of the project. The Social Assistant has become a registered vocation in Bulgaria. Standards for community-based social services are clearly defined. Today, 650 private providers, registered with the Social Assistance Agency, are trained to provide social assistance. An offspring of the project has been the Association of Providers of Community-Based Social Services that has an important role in CD.

Three factors were critical for the success of the initiative in Bulgaria. First of all, its long-term perspective was vital to fully institutionalize a new system. Secondly, SANE activities complemented a change process, which was entirely driven by Bulgarian institutions. Lastly, the project took a holistic approach with activities at various levels – work on the policy framework was complemented with capacity development activities for municipalities and NGOs, as well as employment creation for the once unemployed. The Bulgarian example illustrates the importance of all the five steps of the CD circle.

However, in most of the studied cases the entire process is not yet finalized. Anyway, in some instances it should be acknowledged that experiments in a municipality or a province have the potential to influence the policy in the whole country even before the final outcome can be measured (Box 7).

7. Capacity Building for Self-employment for Rural Women in Turkmenistan

More than 60 rural women in Dashoguz and Mary provinces, selected from a pool of 400 applicants, received training in business development and operations. With a broader goal of improving rural women's family role, social status and income, activities included training in finance, cases studies, marketing and sales. Additionally, small grants were available to fund new businesses, which included carpet making, flower growing and ceramics.

At the Ashbagat forum, the female entrepreneurs' recommended the programme to be replicated throughout the country. In addition the recommendations for future support included business support, service centres, new forms of accessible financing such as credit unions and women's banks, and more business trainings.

One very important reason for the correlation between increasing economic activity and decentralization is that local governments, as they emerge as serious actors, normally work very effectively to create an environment that is highly supportive of small business development. In contrast, national governments generally tend to be preoccupied with large-scale national and multi-national business and corporate development. Local governments have the time, the knowledge and the inclination to pay attention to the needs of smaller entrepreneurs. This is very important since in the new economy, small businesses are becoming a critically important generator of new jobs. Whether it is in Europe and the United States, where 75 % of all new jobs are created in companies with under 20 employees; in Latin America, where studies by the Inter-American Development Bank have reported similar results; or in the less economically developed countries of South Asia (where increasingly micro enterprises in e. g. India and Bangladesh are becoming a key source of economic development), local government is playing an ever more critical role in facilitating and promoting economic development. In West Africa (e.g Senegal) as well as other parts of Africa local government and civil society has worked together to sustain local economic development.

However, in many African countries there has been more focus on deconcentration and delegation of functions and duties than devolution. On the supply side the concept of subsidiarity requires finding the right level of authority for the execution of every task. The presence of public services on sub-national levels makes them more approachable, which is of great importance in countries with lack of transportation capacity. On the other hand sometimes there are economies of scale and/or difficulties finding skilled personnel at the sub-national level that has to be taken into account. It is necessary to build the adequate capacities both at the central level, for support and supervision, and at the local level for planning, management and execution. Working on only one level will result in limited impact. Burundi is one of the African countries providing interesting innovative programmes to promote local economic development and at the same time find sustainable solutions on other emerging problems (Box 8).

8. Gender – Sensitive and Youth Employment Creation in Burundi

In many African countries more than 50% of the young men and women are hard hit by unemployment, underemployment and poverty. Burundi's situation is specific due to the almost 15-years of war (1993 – 2008) and civil crisis that has increased the youth unemployment. The programmes for youth employment creation that are considered as best practice are implemented in the commune of Nyakabiga, the municipality of Bujumbura and the province of Bujumbura respectively. The persons who are the direct recipients of the programmes "*are young and vulnerable persons such as the demobilized young people, the street children, the unmarried mothers (whose girls), the orphans, the widows and the beggars*".

According to the review of best practices and success stories in Burundi in terms of youth employment creation some common trends are revealed:

1. Success factors and magnitude are linked with the degree of youth involvement in the programs;
2. Involvement of local communities is crucial for the initiatives to be successful;
3. The support of governmental institutions is a factor of success as it does help in terms of recognition;
4. The amount of money budgeted and duration of programs are also very important for such programs to be fruitful and beneficial;
5. Social, security and political environmental must be restored and confident to let programs be undertaken and benefit to the population;
6. Social dialogue and team – cohesion are key elements for youth associations to succeed in launching an initiative of employment creation.

In one of the programmes on collecting domestic waste each household contributes around 1 US\$ per month. The programme can perfectly function with its own funds in the mid-term and in the long-run. The programme is planned to be replicated in all Burundian towns and cities and generate employment creation for youth, increase production, preserve the environment because the use of charcoal and firewood will be progressively abandoned and heating briquettes replace them in terms of domestic cooking energy source. Moreover, as the programme is labour-intensive, the development and implementation of such programs will also result in employment creation taking into account the youth and gender dimension if needed. This programme is also seen as one of the effective answer to climate change due to environmental degradation.

The Burundian example also shows how local government is instrumental in building capacity for sustainable development in many different respects taking into account human as well as environmental aspects of CD.

Because of the importance of local governance to democratic accountability and economic development, it is not surprising that issues surrounding the building and strengthening of local government have been a part of the government modernization process in numerous countries around the world. Experiments and substantial systematic efforts in the building and strengthening of democratic local governance have been underway in many places for some time. As a consequence, there is now a substantial and continually increasing body of knowledge regarding what we can do to make these efforts of decentralization more effective. Thus, dissemination of lessons learned and structures where countries can share their experience with each other are of significant importance.

Building up a network of EU knowledge multipliers with special focus on local administrations in Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia is an interesting example (Box 9).

9. Knowledge Multipliers in Local Administrations in South Eastern Europe

Enlargement is one of the EU's most powerful policy tools. Special importance is attached to the challenges which local administrations are facing in the process of EU integration. The topics to be covered here range from general aspects of public administration reform to strategies for an effective project management. The supranational approach shall actively contribute to the intensification of cross-border cooperation and networking in SEE. The main project partners are the associations of municipalities and towns in the countries involved.

On 1 January 2007, the Instrument for Pre-Accession Assistance (IPA) was introduced. The aim is to provide a coherent framework for assistance to the candidate and potential candidate countries and to support these countries in their efforts to strengthen democratic institutions and the rule of law, to reform public administration and to establish functioning market economies. Support will take the form of institution-building and cross-border cooperation projects, support to regional, human resources and rural development measures.

The main objective of the IPA is to help beneficiaries to face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the criteria for EU membership.

In order to benefit from the EU instruments (IPA and community programmes) in a most efficient way, administrations not only on the national state level and on a regional and local level need qualified staff with a sound knowledge of relevant EU procedures in order to disseminate this know how and thus help to make full use of the opportunities that EU funds offer. Following its regional approach, the programme builds up a network of EU knowledge multipliers with special focus on local administrations in Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia

The EU integration is a strong driving force for decentralisation and CD at the local level in transitional countries in Europe. A similar kind of driving force is missing in other regions. Thus, the motivation for cooperation between countries in local development is not always that strong. In some cases there is competing interests between countries regarding export markets, natural resources and so on. However, in the review for this Reference Document some examples of cooperation between countries at the local level in other regions seems to have the potential to be efficient in building local capacity by the transfer of knowledge over the borders.

In for example many Latin American countries new institutional forms for exercising local power have been developed (e.g. the *gobiernos alternativos* in Ecuador). Country-specific approaches are shared with neighbouring countries in cross-country programmes as outlined in the example of the Andean countries below (Box 10).

10. CD to Support Decentralization Processes in the Andean Countries

In the Andean countries Bolivia, Peru, Ecuador and Colombia, decentralization processes are initiated and implemented. Substantial institutional strengthening of the decentralized administrative units has been achieved. The expectations of the communities are focused on economic development and poverty reduction, better supply of services and the integration of excluded groups. It requires the building of a more practice-oriented education system, including the establishment of mechanisms for demand aggregation, support for networking among providers, quality assurance systems, multiplication of "best practice" examples and the development of funding models for training. Moreover, dialogue with the various political levels is important to the further consolidation of the decentralization processes.

Besides the country-specific approaches the regional cross-country component is important. National, regional and thematic cross-country training networks are strengthened and contribute to the improvement of training opportunities for local governments with a view to continuous improvements. At the level of the system the objectives are (1) skills and structures for training management in networks are built; (2) training for local governments is more demand-oriented; (3) capacity for the integration of the ongoing dialogue on current issues of decentralization has been established, (4) local and central government bodies are communicating with each other, (5) modern methods of adult education will contribute to the consolidation of democratic and creative thinking; and (6) cross-country contacts and networks for the regional dialogue are established.

Sub-section 7.2-7.7 will provide a few more examples of good practice for each one of the five steps in the CD approach outlined by UNDP (Figure 1 in Section 4).

7.2 Step 1: Engage with Stakeholders

An important element of the movement to decentralization has involved the organization and enhancement of governmental units beyond those of the national government. This has meant the strengthening of both local governments and intermediate levels of government (regions, provinces, states, counties etc.). Either simultaneously with this, or shortly thereafter, many countries, especially in Latin American have witnessed the emergence of issues of fiscal decentralization - especially in terms of revenue sharing, national grants in aid and various types of privatization. Finally, this has also meant the encouragement and organizing of citizen participation, neighbourhood groups and local grassroots community organizations in both rural and urban areas.

Decentralized governance provides more options for individual citizens seeking a positive response from government. In essence, having alternative levels of governance provides options for individual citizens seeking the provision of a particular kind of governmental service or the redress of a particular problem. If the individual is unable to receive desired assistance at one level, they then have the option of pursuing, over the short or the long run, strategies designed to elicit a more positive response from another level or unit of government.

CD requires strong investment in policy dialogue with government to create awareness of the long-term approach. Democratic ownership means (inter alia) that stakeholders possess the capacity to formulate their interests and articulate them within political processes. Dialogue and consensus-building between governmental and non-governmental actors need an effective

frame to take place. Special responsibility rests with the governments as they are the ones that must demonstrably initiate and steer these processes²⁴.

In the first step and during the entire process it is important to engage with stakeholders, including relevant local, regional and national actors and enhance vertical and horizontal cooperation and coordination. An enabling environment is a prerequisite to enable both the demand and the supply aspects of decentralisation in an effective way. On the demand side governments should focus on the principle of civic participation, consumer sovereignty, empowerment and the right for communities to be consulted when it comes to matters that affect their daily lives. However, to be consulted is not enough. The expressed opinions have to be taken into account in the decision process. In Tanzania the consultation process has involved the wards and the villages strengthening their role in discussions on planning and how to prioritise (Box 11).

11. Local Government Capacity Building in Tanzania

In Tanzania the mandate for local development and the provision of public services has been delegated to local self-government structures, while the reform process as a whole is being steered by the Prime Minister's Office - Regional Administration and Local Government (PMO-RALG), the central authority responsible for decentralisation and supported by the Local Government Reform Programme (LGRP). The implementation of LGRP started 2000 whereby 38 councils entered the first phase. Since then, the programme has been expanded and by 2005 all councils in Tanzania mainland were implementing the programme.

Local Governments assume more responsibilities for service provision, development planning, financial management and promotion of suitable conditions for local economic development.

The reform is designed to directly improve the capacity of those levels to serve the local population and to support the fundamental level of governance in Tanzania – the Village Governments. If the LGRP is to work effectively the local communities must be able to play an active role. Therefore the reform process must engage the lower levels of government i.e. the wards and villages as well as to encourage ordinary citizens to participate in the planning, decision-making and implementation of activities. Local governments cannot successfully carry out their duties unless all stakeholders internalize the objectives, benefits and responsibilities of the reforms. This entails working on issues concerning governance, democracy, transparency and accountability with communities.

This included the training of more than 400 village legal workers who went out to the villages and informed community members on their land rights. The programme has also included training village facilitators on LFA tools, strengthening villages' role in planning, training on democracy and legal rights for councillors, increased resource mobilisation, comprehensive strategic staff capacity building, improving service providers' capacity among others.

²⁴ Capacity Development und Aid Effectiveness Discussion Paper in preparation for the High Level Forum on Aid Effectiveness in Accra (September 2008)

Community based planning that reflects the needs of the entire community - its women, its children, its elderly, its poor, its minorities, its youth – is perhaps the single most effective means to develop priorities that truly reflect the needs of the community. Consequently, the implementation of participatory strategic planning techniques is increasingly important to the development of effective local government and the linking of the outcomes of such processes to the development of budget priorities is even more important.

Governments, both at the national and the local level, can create environments that are both friendly to, and supportive of; civil society growth or that retard and limit its development. Through the protection of such basic rights as freedom of speech, association and press, as well as through a variety of specific legislative actions (including taxation, financial support and regulatory activity) government – both national and local – can profoundly impact the ability of civil society institutions to develop and flourish.

It is crucial that CBOs and local governments work in partnership to explore the most effective means for delivering services to the citizens of a given community. In addition to the Bulgarian example (Box 6) the review has come across many other interesting examples in all regions (e. g. Guatemala). In some cases it may well be that civil society organizations represent a more effective means for the delivery of the basic services that citizens require. On the other hand, it is equally imperative that governments not abdicate their responsibility for the delivery of needed service to their citizenry on the assumption that civil society organizations can provide them alone. A relatively neglected part of civil society is the cooperative sector. It combines public accountability, non-bureaucratic functioning and self-reliance. A capable cooperative sector can complement a capable government and a capable private sector.

Nurturing capacities at the local level means adopting approaches that take into account and build on the challenges and opportunities at this level. These include the difficulty of retaining capacities because of limited incentives to stay in one's position, but also the availability of significant social capital and commitment to contribute to change,

For sustainable development political commitment and ownership is needed. It is necessary to establish a relationship with national partners, and agreeing that CD is a priority. This requires dialogue throughout the entire process. Central government should support local governments in implementing their agenda and monitor their effectiveness in doing so. Thus, central government officials have several roles in the decentralization process. Given these elements, one cannot expect CD response mechanisms to transfer easily from national to local levels.

As the example from Vietnam in sub-section 7.1 (Box 3) demonstrates local governments cannot promote successful local development on their own. They need to build and maintain relationships with all relevant stakeholders (central government and line ministries, NGOs, local communities, the private sector, association of municipalities, etc.). Stakeholders at central and local level have competing and conflicting interests and different incentives, motives and expectations in the decentralization process. Decentralization implies the redistribution of power and access to resources as well as shifting lines of accountability. Thus, decentralization must be politically motivated and the centre willing to transfer power to lower levels. Without the commitment to the process from the centre decentralization is not possible.

12. CD for Decentralization in Vietnam through an Institutional Visioning Process

The Government of Vietnam has for many years made significant efforts to decentralise tasks to local authorities by CD at the local level; especially decentralising or delegating the management of public services from the Ministries to the provinces, districts and communes. However, still more than 90 % of the decisions are made at the central or provincial level. Thus, the Minister at the Ministry of Agriculture and Rural Development (MARD) took the initiative to an Institutional Visioning Process with the aim to clarify the role of MARD as a macro ministry including awareness creation and changing the mindset of MARD leadership and staff on issues concerning decentralisation and State Management Functions in relation to the transformation to a market economy and Vietnam's WTO membership.

The Institutional Visioning process during 2008 comprised a series of five major workshop steps with the leadership of MARD with the participation of some 200 leaders, including representatives from other ministries and the provinces. The results of the process are significant changes in the mindsets, increased motivation to engage in decentralisation and deregulation and a shared Institutional Vision 2020. The Institutional Vision states that *“In 2020, MARD has actively implemented decentralisation, deregulation and simplifying procedures to create the most favourable conditions for rural people's autonomy and to empower the Vietnamese people to develop comprehensive rural economy and to engage in responsibly produced food and agricultural products to not only meet, but exceed, the demands of the customers”*.

Based on the Institutional Vision 2020 five working groups are developing a road map detailing the change process. One working group is responsible for decentralisation and the overall assessment of the need to strengthen the capacity at the provincial and local level to take over roles, functions and responsibilities from MARD. One working group is dealing with deregulation. A third working group has made a survey on the management culture at MARD in order to clarify the need for further CD and awareness creation on the changes of future MARD's management culture and its philosophy.

Although MARD-Sida Cooperation Programme (MSCP) is a small programme, it has contributed significantly to strategic and policy development within MARD as well as provided CD in key management areas.

In the Vietnamese example (Box 12) all key stakeholders are committed to the shared Institutional Vision and the capacity to reform has increased significantly through the process. This is also an example of how to improve practice with regard to greater reliance on partner country assessment processes and the involvement of all actors in the design of the strategy (road map). Thus, there has been a shift from seeing decentralisation as a zero-sum power game where the centre is losing power to the local levels to a positive-sum power game where all actors can be winners. This has resulted in behaviour change and changes in the relationship between the actors in the decentralisation process.

7.3 Step 2: Assess Capacity Assets and Needs

Capacity assessments are necessary starting points for institutional development interventions. The capacity assessment identifies both capacity assets and needs through gathering critical information. All three levels should be considered throughout the assessment. However, it is

common to start with the most relevant and add the others later in the process. Core issues include institutional arrangements and the management capacities to formulate, implement and review policies and programmes. In many cases quick capacity assessments should be carried out prior to project design, followed by a comprehensive assessment once the project has its overall direction²⁵.

The capacity assessment should include establishing baselines for measuring, monitoring and evaluating progress in capacity development. The Institutional Mapping Report in Georgia referred to in the box below is an excellent example on this (Box 13).

13. The CD Approach: The Kvemo Kartli Experience, Georgia

In 2006, the newly created municipal institutions grappled with their new functions and roles, further compounded by a lack of clear guidance and an incomplete structural framework. Citizen participation in local governance processes was at a low. Information on functional capacities was compiled in a baseline report on service delivery in all seven municipalities of the Kvemo Kartli region and the capacity needs were identified. Three months were allotted for dialogue and establishing relationships with national partners.

After conducting the capacity assessment a capacity development response strategy was formulated covering activities in priority areas: human resources; organizational development; accountability; strategy and planning. Training was organized where necessary for staff to ensure that they possessed the competencies mentioned in the job descriptions. The local and regional administrations streamline systems and procedures on data management, communication, coordination and budgeting. New projects have been started to address some of the capacity needs mentioned in response strategy.

Working groups were established with members from the local, regional and central administration, the private sector and civil society. Relevant central ministries were involved from the beginning, in order to influence some of the existing policies and procedures at the national level.

Many of the activities laid out in the response strategy have already been included in the long-term strategic document of the municipal administration, which will be implemented using their own funding. Integrating the capacity development approach in the Country Programme helps to ensure that development activities are structured and systematic.

The potential consequences of institutional development interventions should be assessed and understood by all involved stakeholders. Unfortunately, in most cases donors make their own assessments and the possibility of harmonising donor approaches to assessing governance has not been taken into account in many countries. Based on an assessment of a large number of assessment tools the GOVNET has drafted guiding principles to promote more coherent collective action in line with the Paris Declaration principles²⁶. These Guiding Principles were developed in respond to many of the issues and concerns raised above, in order to improve donor impact, usage and harmonisation of governance assessment. The principles only cover approaches developed and applied by donor agencies, but they make reference to locally driven governance assessments and assessments based on peer review mechanisms. They are intended to provide practical advice to governance specialists in donor agencies

²⁵ Capacity Development in Europe and CIS 2008, Capacity Development Practice, UNDP Regional Bureau for Europe and CIS

²⁶ Donor Approaches to Governance Assessments: Guiding Principles for Enhanced Impact, Usage and Harmonization, (www.oecd.org/dac/governance/govassessment) The Sourcebook on Donor Approaches to Governance Assessments that is maintained virtually as a living resource on the GOVNET site is a complement to the Guiding Principles and is intended to help practitioners navigate the universe of tools and methodologies available in this field.

working on assessments and to donor agency staff working in other sectors who encounter the realities of governance in their work every day.

The lack of accurate and disaggregated statistical data is a key challenge for local development planning. Such data is required to discern and analyze main poverty challenges and their casual factors. Often local governments do not have the capacity to collect, disaggregate and analyze data, including conducting household surveys, internal auditing (e.g. of budget expenditure, staff skills), etc. The Methodology for the Assessment of Capacity of Municipalities in Turkey and Western Balkans to deliver services is a good example of user-friendly guidelines²⁷.

The CD approach emphasizes the importance of assessing the situation and defining vision and mandate for the sub-national levels and the change agents. In almost all cases studied in the review for this Reference Document this has meant more power to the local levels and delegated responsibility for a broader scope of services. In many cases it has been obvious that it is not possible to carry out all new tasks in too small municipalities. In many countries the trend is clearly unidirectional: to increase the size (and reduce the number) of either the regions or the local government units. Both available options of top-down decision or incentives for voluntary merge have their supporters and their pros and cons. However, in the case of regional re-configuration, the top-down approach seems more likely than the voluntary one, given that the citizen has more stakes at the local government as a direct provider of most of the services s/he needs.

7.4 Step 3: Formulate Capacity Development Responses

In the assessment of approaches and strategies for decentralization the five principles of the Paris Declaration - ownership, alignment, harmonisation, managing for results and mutual accountability – has been analysed from a CD perspective. The review clearly indicates that national ownership is necessary if institutional development interventions are to yield results and lead to longer-term changes at all three levels. Thus, formulating the CD response is a responsibility of the government and not the donors.

In the third step the government should formulate its new policies and strategies and establish partnerships for their implementation. The evidence suggests that effective and sustainable CD of national and local actors involved in advancing local governance reform and decentralization requires a systemic and comprehensive CD response which must be linked to and draw from relevant national reforms to be sustained, such as public administration reforms²⁸.

Leadership at the highest level must be ensured as was clearly indicated in the Vietnamese case in sub-section 7.2 (Box 12). In that case the government has stated that the Institutional Vision 2020 is the consolidated platform for all support that will be provided in the sector. However, this has not yet been accepted by all donors who in some cases have their own agendas.

²⁷ UNDP 2008-08-03

²⁸ *UNCDF (2003) Local Government Initiative. Pro-poor Infrastructure and Service Delivery in Rural sub-Saharan Africa. A synthesis of case studies;* (ii) *UNCDF (2005) Delivering the Goods. Building Local Government Capacity to Achieve the Millennium Development Goals A Practitioner's Guide from UNCDF Experience in Least Developed Countries;* (iii) *UNCDF (2006) Local Development Practices and Instruments and their Relationship to the Millennium Development Goals. A Synthesis of Case Studies from UNCDF Programmes in: Burkina Faso, Guinea, Mali, Niger and Senegal.*

As stated by UNDP CD efforts are likely to yield better results when countries have clearly articulated and widely supported strategic goals²⁹. An established overall administrative reform strategy is a precondition for any effective reform at the institutional level. Without a conceptual framework based on an Institutional Vision, progress with institutional change reform is highly unlikely. Institutional development initiatives need to be linked to the government's public administration reform strategies and decentralisation strategies. Thus, it is a long-term commitment as indicated in the example from Albania (Box 12).

14. Long-term CD for Decentralization in Albania

Albania is keeping an ambitious agenda of reforms of its institutions and towards a further democratization, effectiveness and compliance with EU accession criteria. After a slow pace of progress since 2000, in the recent years the process of decentralization has somewhat accelerated and gained more attention. Progress has been noted in transferring various competencies, services and public properties to local governments. Improvements have been made in fiscal decentralization with the introduction and constant volume increase of the unconditional transfer, the increase of tax share and tax discretion for local governments, the introduction of competitive grants for local capital expenditures and the law on local borrowing.

In December 2005 the EC adopted a revised European Partnership for Albania that serves as a checklist against which to measure progress, and provides guidance for EC assistance. Following the EC's Enlargement Strategy Paper which stressed that Albania's reform progress paved the way for the conclusion of the negotiations, the Stabilization and Association Agreement was signed 2006.

In response to the European Council's European Partnership for Albania, the Albanian Government prepared a detailed National Plan (2007 -2012), assembling the necessary actions to undertake in the short, medium and long term for meeting the standards and the requirements of the EU acquis.

One main concern relates to the still ambiguous scope and instruments of the regional council for playing its development and coordination role in the interface between central and local governments. The other main concern relates to the high number of small inefficient local government units which lack both capacities and resource basis to bring about any possible change. The revised Decentralization Strategy (2006) notes the need to determine the role of region council as the harmonizer and coordinator of the reform progress and this is part of the decentralization action plan for 2009.

This will aim at guiding the process of institutional building and development of capacities for a proper management of local and regional development policies. The ultimate purpose is to improve the capacity of the Government to implement national development policy in a phased manner. While the main focus at the central level is the assistance to the ministries responsible for local and regional development, collaboration and coordination with the other relevant ministries of Finance, Interior, Environment and Transport will be sought in order to harmonize and optimize the desired outcomes.

²⁹ Capacity Development in Europe and CIS 2008, Capacity Development Practice, UNDP Regional Bureau for Europe and CIS

Major changes of the systems and institutional reforms that are illustrated by the Vietnamese (Box 12) and the Albanian (Box 14) examples are complex and politically sensitive, thus requiring an in-depth understanding of the reform environment and the vested interests of institutional stakeholders involved. The policy dialogue assists in the identification of the adequate means of support. The review shows that donors sometimes do not have adequate competences for high level dialogue. Programmes tend to focus more on quantity than quality. Too many of the programmes studied in this review have spend large amounts of funding building capacity on the local level without having adequate policy dialogue on necessary changes on high political level. One of the prerequisites for sustainable change is not to neglect any of the three levels (system, organisation and individual).

The capacity assessment in step 2 is used to formulate a response that addresses capacities that need to be strengthened. Satisfying immediate needs by one-off activities should be prioritised only if they are of strategic importance for wider changes in the long-run. Responses can be broadly categorized under the areas of: institutional reform and incentive mechanisms; leadership development; education, training and learning; and accountability and voice mechanisms. The response should also estimate the cost of the activities and provide indicators and recommendations – which are then prioritized by the stakeholders.

The variety of decentralised entities that are involved in the decentralisation process makes it complicated to redistribute roles and responsibilities in an efficient and coherent way. The review confirms UNDP's conclusion that institutional development is a long term process requiring an integrated approach and investment at all three levels. Such interventions are often politically sensitive and constitute highly complex processes, thus often do not always happen as a linear sequence of well planned interventions. Institutional reform hinges on a number of factors such as political will and leadership for real change³⁰.

In fact, in almost all cases, the organizational structuring of the institutions of sub-national governance (and the resolution of the issue of what services will be carried out at what level) is a product of local history, traditions, citizen demand, administrative capacity, institutional self-interest, perceived efficiency and political negotiations. Moreover, these decisions, once made, are almost never set in stone. In truth, adjustments are frequently being made between the central and the local governments on these matters.

Decentralization creates numerous training grounds for the development of democratic skills and practices. Local government provides not only a stepping stone to higher office but indeed serves as an initial training experience for many people in the processes of negotiation, compromise and the like that are necessary elements in the process of democratic governance. In transitional countries, where there is not a tradition of democratic participation, this is particularly important as it provides an arena where those who have not been a part of the traditional governing elite can begin to develop their own political skills and experience³¹. The F. Y. R. of Macedonia has successfully over the last decade implemented new local government structures. Many times the necessary competencies and experience already exists within the country, however, sometimes thinly spread among the municipalities. Thus, it is of significant importance when formulating the CD response to take this into account and

³⁰ Capacity Development in Europe and CIS 2008, Capacity Development Practice, UNDP Regional Bureau for Europe and CIS

³¹ Arne Svensson: Public Administration Reform in the Former Yugoslav Republic of Macedonia – Strategy, General Plan and Action Plan (European Commission, 1999)

prioritise contributions that facilitates the internal learning processes within the country (Box 15).

15. Inter-municipal Partnerships for Public Service Quality in Macedonia

CD in Macedonia aimed at strengthening the capacities of local administration in municipalities, implementing municipal partnerships and supporting the existing institutional structures in place, thus, contributing to the improvement of the quality of public services provision at a local level through the enhancement of inter-municipal cooperation in the context of ongoing decentralization reform in the country and the EU integration process.

CD has included among others assessment and quality improvement of public services, wireless network established between the municipalities, one-stop-shop offices, on the job-training for performance appraisals and organizational analyses, training needs assessment, update of the taxpayers database, public awareness campaign, training on collection of data, Guide for Human Resources Management, Handbook on Inter-Municipal cooperation and preparation of a Law on Inter-municipal Cooperation. The support has also through other projects included Methodology for measuring the Index of responsibility, transparency and accountability at local level, Code of Ethics for local officials, Manual for administrative procedures in urban planning, communal activities and financial management.

7.5 Step 4: Implement Capacity Development Responses

The CD response should be an integrated part of the programme to implement a national strategy and existing government reform and should use existing national systems. Leadership and commitment of all key actors are crucial for successful implementation and necessary institutional changes. This requires high level dialogue and knowledge of the driving forces behind the reform process as well as the obstacles.

Generally the capacity at the local level to take on new responsibilities is low. However, this should not be an argument against decentralisation. Instead CD at both the individual and the institutional level should be carried out in order to fulfil the new role. Building networks and advanced job-specific and practice-oriented training programmes employing international standard are some important tools in the implementation. CD is a long-term process. Thus, CD programmes should be implemented over long periods.

The Kenya Water and Sanitation Programme (KWSP) is an example of how to promote an enabling environment, specifically at the policy, regulatory and institutional levels, conducive to local partnerships for pro-poor service delivery which directly contribute to achieving the MDGs (Box 16).

16. CD through Local Partnerships in Kenya

The Kenya Water and Sanitation Programme (KWSP) is an example of how to promote an enabling environment, specifically at the policy, regulatory and institutional levels, conducive to local partnerships for pro-poor service delivery which directly contribute to achieving the MDGs.

The main thrust of the Kenya Water and Sanitation Programme (KWSP) 2005-2009 is to separate water resources management from water services delivery and to focus the role of Ministry of Water and Irrigation (MWI) on policy. Detailed regulations are left to a number of parastatal bodies that report to boards representing different stakeholder interests. Local government will no longer have an automatic right to regulating, developing and operating water services in their area of jurisdiction. Instead they will have to compete with other potential service providers.

The development objectives of are

- A rational and efficient framework to sustainably meet the water needs for national economic development, poverty alleviation, environmental protection and social well being of the people through sustainable water resources management.
- Sustainable, affordable and safe rural water supply and sanitation facilities managed by communities with a special focus on the poor, women and other disadvantaged groups.
- An enabling environment for the water sector that ensures effective and equitable delivery of water services and integrated management of water resources.

Capacity development has included consolidating the sector reforms, including the operationalisation of the new institutions within water resources management and rural water supply and sanitation. Furthermore, the programme has assisted the new sector institutions in establishing efficient, service-oriented and transparent structures and working methods for improved water resources management and expanded water and sanitation services in the rural areas, based on stakeholder involvement and measures that will tangibly contribute to poverty reduction, an improved rights situation and equity in the provision of sector services. It has also assisted the restructured Ministry of Water and Irrigation in its efforts to improve the institutional, financial, administrative and technical coordination of internal and external resources.

KWSP is fostering broad and inclusive partnerships among local governments, business, civil society partners and communities. There are many examples of privatisation or public-private partnerships of a similar nature documented over the last decades³².

Another example of a CD programme implemented over a long period is the mainstreaming of decentralization in Mali (Box 17).

³² Please refer to for example Focusing Partnerships: A sourcebook for Municipal capacity Building in Public-Private Partnerships (UNDP and DFID, Janelle Plummer, 2002) and Privatisation of Public Sector Activities (United Nations, 1999)

17. Mali: Mainstreaming Decentralization

In response to extreme poverty, inefficient government action and a low level of democracy, the Republic of Mali started to decentralise its political and administrative structures in 1992. In 1999, a total of 761 elected bodies were established at three levels (regional, district and municipal), taking the responsibility for regional development and providing basic social services. A special national government ministry is steering and monitoring the decentralization process and basic structures for improving local services and facilitating democratic participation has been created and continues to expand.

However, the deficits at local government level remain considerable: poor administrative capacity, tight financial scope for action, deficits in transparency and credibility. The reasons for this are to be found at the central-state and local government level. The intensive support initially given to local municipalities neglected reforms at state level. Without fiscal decentralisation, the municipalities are heading towards a permanent financial crisis. The transfer of tasks has yet to be followed up either by an increase in local revenue autonomy or by any substantial financial transfers or the re-allocation of resources from state sectoral programmes. The local governments themselves are able to make only little use of their legal opportunities: Only half of the most important local tax, the poll tax, is levied.

The Local Government Support Programme 2002-2013 aims to improve local administration enhance access to basic social services and promote economic development and democratic participation. The programme combines local municipalities' development with decentralisation and state reform.

The programme links up technical assistance to government and capacity-building measures in favour of municipalities using a multi-level approach. The programme presents its experience at national level and works to mainstream it within state level reforms with a view to achieving nationwide results. To increase its effectiveness, the programme has launched a scaling-up process of its instruments in 2008 with the aim to make a "quantum leap in CD". This involves a three-track approach: (1) In the districts of the priority region, the programme is engaged in direct support for the local governments together with private service-providers and deconcentrated sectoral agencies; (2) In other parts of the country the programme delivers instruments and training modules based on experience from the pilot region; and (3) Instruments from the programme have been adopted in the curriculum of the Training Centre for Local Government, thereby reaching staff in all municipalities of the country.

No plan will be implemented without the budget to support it. Therefore, local authorities should have sound ability to: (i) prepare and implement an integrated budget; (ii) manage effectively public finances; and (iii) be accountable to their constituencies. The Indonesian case that is presented in Box 17 is a good example on CD interventions in support to effective planning, budgeting and implementation. The support includes necessary frameworks and systems that have the capacity to manage demand, supply, redistribution and accounting. The CD on Financial Management in Indonesia is a good example on how to implement local financial management (Box 18).

18. CD on Financial Management in Indonesia

In 2000, before the implementation of decentralization, the funds allocated to the Local Government totalled Rp33.5 trillion. In 2006, seven times as much was allocated for Local Government. Through decentralization, implementation of local financial management is now a responsibility of Local Government. This reform of both state and local financial management has strengthened the fundamental base of decentralization. Local Government should play the main role in bridging the gap between Central Government and local communities.

The implementation went through three main phases. The first phase was the implementation of Regional Autonomy Laws on Regional Government and Fiscal Balance between Central Government and the Regions. The second phase dealt with the reformation of policy on State Finances. The third phase was amendments of the previous laws and a law on Tax and Local Tariffs. The old paradigm emphasized inputs control such as budget, document verification, and accounting control. The new paradigm is based on performance-based budgeting, good governance and value for money. This has been done through capacity building through the visualization in participatory program method fostering better communication and the development of participatory skills. In addition, a new way to identify potential local taxes was introduced as well as experience in developing innovative ways to deliver better public services.

The problem in local financial management is associated with the change of political system in Indonesia, from a top-down to a bottom-up system. However, the change to the system has been too extreme due to the lack of experience of bottom-up practices. Local Governments often insist that decentralization should provide them with full authority to manage their local finance although they are not prepared for this.

The low capability of human resources at the local level hampers the implementation. Therefore, capacity building is crucial in implementing optimal decentralization among others through supporting capability and capacity building of local financial management agencies through Training of Trainers.

7.6 Step 5: Evaluate change in Capacity and ensure Sustained National Capacity Development.

Understanding progress and the impact of CD interventions requires the establishment of agreed results indicators at the outset. Components for M&E are operational only in a limited number of the studied interventions. When it comes to the 18 presented cases the available information on changes in capacity has been summarized in the boxes. All examples have been evaluated on output level. In many cases changes in capacity has also been evaluated at least to some degree on outcome level. The experience underlines the principle that the evaluation framework should cover the core issues that the response aimed to address as well as capacities at the levels of the enabling environment, organization and individual. Where possible, indicators should be incorporated into the national monitoring and evaluation framework.

Indicators should generally include output, outcome and impact. CD interventions should always be seen as long-term investments. Thus, real impact is often hard to measure during the programme period. Certain aspects of CD relate to establishing policies and institutions where relevant progress can be measured. However, it is not enough to measure outputs.

M&E must also answer the question on to what degree the CD response has helped to build, enhance and/or retain capacities that contributed to greater development effectiveness. Thus, in all programmes including the institutional and individual levels performance should be measured. Even if changes in attitudes and behavioural changes are difficult to measure it should be assessed if intended outcome is achieved by using qualitative and quantitative information from both objective and subjective sources.

It should be recommended that the local monitoring, evaluation, and auditing activities should include the local community in order to improve the public accountability of local government's financial and narrative reports.

To ensure transparency and accountability for results local governments should assess their own capacity to fulfill their tasks. In addition local governments should advocate for and support the establishment of functional voice and accountability mechanisms which will enable their constituencies to voice their aspirations and need and hold them accountable for the quality of public goods and services provided. Three dimensions of accountability should be considered: (1) the downward accountability of local governments to citizens; (2) the horizontal accountability within local government; and (3) the upward accountability of local government towards central government.

The review indicates that voice and accountability mechanisms exist in the examples that are referred to in the Reference Document. However, it is hard to find any summative or formative evaluation of changes in local capacity on impact level. One good example is the Methodology for measuring the Index of responsibility, transparency and accountability at local level in Macedonia (please refer to Box 15 in sub-section 7.4). In many countries (e. g. Macedonia) manuals and guidelines for M&E have been drafted as well as training manuals on M&E, including the use of indicators and how to analyze complex processes and results. There are also some more guidelines on Performance Management that provide necessary general information on how to carry out evaluations on the local level³³. However, in relation to the other four steps it must be stated that more should be done on step 5 in order to fulfill the ambitions as outlined in the UNDP approach on CD.

³³ One good example is Performance Management: A Practical Guide for Municipalities (UNDP Bratislava Regional centre and the Urban Institute, March 2007)