5th Annual Meeting

Informal Development Partners Working Group on Decentralisation and Local Governance (iDPWG-DLG)

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Summary Report and Next Steps

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Fifth Annual Meeting of Informal Development Partners Working Group on Decentralization and Local Governance (DPWG-DLG), Washington, DC, June 9-11, 2010

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Background

The Development Partners Working Group on Decentralization and Local Governance (DPWG-DLG) was established in recognition of the prominent role these issues play in overall Public Sector Reforms and Poverty Reduction Strategy processes in many developing countries. The DPWG seeks to promote strategy coherence and harmonization in order to improve the effectiveness of local governance and decentralization operations. Since its inception in 2006, membership of the DPWG continues to increase.¹

This Annual Meeting was the first held outside of Europe and aimed to strengthen the dialogue with Americas based partners. The event hosted by the World Bank sought to identify key purposes and challenges from improved donor coordination, highlighting practical tools and approaches to achieving greater coherence in country engagements. A central objective of the Annual Meeting was to stimulate substantive dialogue and to elaborate concrete follow-up actions and commitments for the group and the Secretariat. Practices of aid harmonization and effective were explored through three in-depth case studies and field based participation. The cases had been selected to highlight examples of low income, middle income, as well as fragile and post-conflict settings.

Each case study country was sponsored by a lead donor, but in close coordination with the other partners. The selected cases include DRC (World Bank) as a fragile/post-conflict setting (World Bank), Indonesia (USAID) as a middle income, and Uganda (UNCDF) as a low income country.

The agenda progressed in three phases. In the first day the key issues, questions, outcome expectations for the workshop were presented and ongoing activities were discussed. During the second day the low and middle income cases (Uganda and Indonesia) were examined. The last day started with the analysis of harmonization in a fragile context (DRC) and concluded with a discussion on the future focus of the working group.

Summary of Discussions and Recommendations

The discussion that took place during the Annual Meeting centered around: (1) alignment and harmonization in the area of decentralization and local government; (2) case studies and linkages and

¹ Members of the Group are: African Development Bank; Austrian Development Agency; Belgian Technical Cooperation; Canadian International Development Agency; Dutch Ministry of Foreign Affairs; EuropeAid, European Commission; French Ministry of Foreign Affairs; French Development Agency; German Development Bank (KfW); German Development Service (DED); German Federal Ministry for Economic Cooperation and Development (BMZ); Gesellschaft für Technische Zusammenarbeit (GTZ); InWEnt gGmbH Germany, Capacity Building International; Inter American Development Bank; Irish Aid; Joint Africa Institute; Ministry for Foreign Affairs of Finland; Norwegian Agency for Development Cooperation; Royal Danish Ministry of Foreign Affairs; Spanish Ministry of Foreign Affairs and Cooperation; Swedish International Development and Cooperation Agency; Swiss Agency for Development and Cooperation; UN Capital Development Fund; United Nations Development Programme; UN-Habitat; United Kingdom Department for International Development; U.S. Agency for International Development (USAid); World Bank
interventions on headquarter vs. country level, and (3) the roles and objectives of working group in global initiatives (i.e., Global Forum on Local Development).

The DPWG-LGD continued their dialogue within the framework of the Paris-Accra-Seoul process. Presentations and discussions highlighted that issues of alignment and harmonization arise in various dimensions: (1) between development partners, (2) between stakeholders within development partner agencies, and (3) between ministries responsible for institutional and sectoral reforms. In addition, questions were raised with regard to (1) the implications of political economy on aid effectiveness in DLG, (2) the different types of challenges faced by development partners working on decentralization projects and sectoral work, (3) the need to show results in the field of decentralization and local governance in a context of limited resources and increased accountability and harmonization pressures in preparation for the Seoul meeting, and (4) challenges arising in the nature of engagement of the working group and the field level (e.g. lead donor workshop Burkina Faso). The DPWG discussed different modalities of donor harmonization, including the utilization of multi-donor trust funds targeted specifically at local governments.

Second, the case studies (Indonesia, Uganda, and DRC) presented during the Annual Meeting called attention to outstanding issues and provided reality checks to the working group. The issues include, but are not limited to: (1) the lack of communication among development partners, (2) the absence of political commitment to improving harmonization and alignment, (3) the lack of awareness about the importance of coordination on both donor and client sides, (4) discrepancies in priorities and interests of development partners, (5) the limited geographical coverage of local governance projects, and (6) the lack of harmonization efforts. The case studies also highlighted that the issues are inherently at the local and often the individual level. Some participants recommended investigating the association between various aid modules and outcomes. Others suggested that the methodology of case studies be carefully designed and that the finding be ultimately fed into broader data collection.

Thirdly, the existing case studies need to be refined and synthesized, while additional case studies might be helpful to expand the validity of preliminary conclusions. The different sessions showed that there more effort is required to conclude the country case studies, especially on the issues of alignment, harmonization and aid effectiveness in decentralization and local governance programs by establishing operational recommendations for promoting improved donor coordination. The cases would include follow-up actions for the DPWG and Secretariat in particular.

Linking the activities at headquarters with the field operation was repeatedly identified as important during the Annual Meeting. Case studies could be used to facilitate information exchange with the field. To this end the group selected several countries (Benin, Bolivia, Cambodia, DRC, Ghana, Indonesia, Mozambique, Peru, Tanzania, and Uganda) as possible cases for a comparative study that applies the same methodology and broaden the representativeness of the sample. These cases would be used to provide inputs to the High Level Forum on Aid Effectiveness that is planned for Seoul in November 2011 and would be disseminated using strategic modes of communications and venues.

Last, the group worked on clarifying the objectives and roles of the DPWG-DLG/the Secretariat and other upcoming global events. Decentralization and local governance work is becoming sectoralized and marginalized in traditional donor engagement approaches. In this context, conducting and disseminating case studies and revising studies (Fiscal Decentralization, Capacity Development, and Specific Guidelines) and focusing them on aid harmonization and effectiveness are viewed as important tasks of the DPWG-DLG/the Secretariat.
Furthermore, the DPWG-DLG can play a significant role contributing in global events such as the Global Forum on Local Development in Kampala (October 2010). This event will promote the idea that DLG is an area which is extremely important for (1) achieving the MDGs and (2) strengthening the aid effectiveness dialogue.

One important recommendation for the future functioning of the group was establishing a steering committee which advises the Secretariat and provides Secretariat technical inputs (Founding members (KfW EuropeAid, previous host, and upcoming host)

Next Steps
The Annual Meeting concluded with identifying the following next steps:

- The DPWG-LGD will engage in the Global Forum on Local Development in Kampala (October 4-6, 2010). The idea is to organize a session on aid effectiveness and donor coordination and present the country cases (DRC, Indonesia, Uganda) under the label of the group. In this context the group needs to carefully consider how DLG relates to MDGs and appreciate that DLG is not just instrument of better services delivery (political development and other objectives are important).

- The working group is looking to position its 5-year joint learning on this vis-á-vis Paris-Accra-Seoul (2011) aid effectiveness dialogue. The group will focus on this next High Level Forum on Aid Effectiveness when meeting in Brussels for the next Annual Meeting (May 18-20, 2010).

- Specific tasks for the Secretariat include collecting inputs for the Global Forum, follow-up on the case studies linking up with sector–working groups, general and specific guidelines, and fostering exchange with the field, including possible further case studies and newsletters. The work plan of the Secretariat will be tied to alignment, harmonization and aid effectiveness; the focus will be on ten countries (Benin, Bolivia, Cambodia, DRC, Ghana, Indonesia, Mozambique, Peru, Tanzania, and Uganda).

- Interest in extending selected case study/follow-up engagement with processes in Ghana, possibly in comparison to Burkina Faso with regards to donor coordination, maybe one LAC country.

- Looking into existing studies harmonization regarding further elaboration (fiscal decentralization, capacity development, specific guidelines).

- The next Annual Meeting will be held from May 18-20, 2010 in Brussels, hosted by EuropeAid, co-hosted by MFA Netherlands and DEZA/SDC.
Annex I

Summary of Sessions

(Personal titles omitted)

Day One

Susan Reichle (Acting Assistant Administrator for the Bureau of Democracy, USAID) opened the meeting reflecting on the inherently political nature of decentralization and local governance, which despite requiring technical expertise are enveloped by issues of political economy. She thanked the organizers and commended participants for focusing on donor coordination in practice and identifying priorities for harmonization in the Paris Declaration through case studies. The work to capture and systematize knowledge on successful donor coordination initiatives is in her view of critical importance for improving aid effectiveness. She concluded by highlighting that decentralization and local governance are central pillars in the interventions to improve food security and health around the world, which are the current presidential priorities.

Problem Definition Supporting Decentralization and Local Governance: Challenges for Engagement and Donor Coordination

This session was introduced by a presentation of Dominique Dellicour (EuropeAid) on results achieved by the working group thus far and issues to address. The presentation called attention to the lack of harmonization due to different approaches (Local Development vs. Community Based Approach, Poverty Alleviation vs. Democratic Governance), entry points and modalities of implementation, the competition between donors and between stakeholders within donor organizations. Challenges are the need to connect with the field and to promote consensus reached at Headquarters on alignment and harmonization in concrete operations, the need to show results in order to justify the amounts invested in Decentralization and Local Governance. Kuno Schläfli (DEZA/SDC) underscored the importance of making the issue of aid effectiveness more visible and the need to decentralize donor organizations in order to enhance internal support towards decentralization. Anki Dellnäs (ICLD) cautioned that it would be not easy to define the state-of-art and that decentralization is highly contextual in terms of time and political dimensions. Kai Kaiser (WB) highlighted that case studies illuminate issues as well as negative consequences of weak coordination and harmonization.

Discussion:

Dominique Dellicour (EuropeAid) suggested that:
- The group needs to make the linkages between case studies and management for results and domestic accountability mechanisms.
- The group has to ensure that the specific guidelines adopted in December 2009 relate to the case studies.
- If we want to be operational, we need to think about communication strategies.

Blair King (USAID) pointed out the need to define terms (i.e., alignment, harmonization, and coordination).
Kai Kaiser (WB) posed questions: Can we come up with trade-offs, priorities, and general challenges with regards to donor actions?

General challenges of Decentralization and Local Governance programs with regards to donor behavior and action:

Emmanuel Gayraud (EuropeAid) addressed the issue of greater coherence between sector and institutional approaches. The main message was that decentralization and sector programmes have their own dynamic and that these processes do not always mutually reinforce each other. Decentralization driven by political considerations is not necessarily linked with the improvement of service delivery. On the other hand, the two processes do not follow the same logic. Decentralization is an institutional process which requires time, while sector policies need to yield short-term service delivery results. The lack of coordination between decentralization and sector approaches may affect negatively the development process. Therefore, it is important to ensure coherence between sector and institutional approaches and coordination must take place not only between but also within DP organizations. The recent experience of EuropeAid in this field includes the organization of joint workshops between governance and sector practitioners and the development of methodological guidance on decentralization in sector operations. Thomas Wollenzien (KfW) explained that organizations are different in instruments, financial conditions and political mandates and this difference can be a source of a substantial risk; it is important to avoid speedy implementation of decentralization reforms and attempt to get all development partners to collaborate (e.g., Malawi). The presentation of the case Lead Donor Workshop Burkina Faso by Eugen Kaiser (InWEnt) and Dieuwke Klaver (CDI) raised the question if and how the DPWG-LGD can engage on country field level.

Discussion:
Serdar Yilmaz (WB) agreed with the overview of challenges associated with decentralization/sector work and usual discrepancies between internal departments within an agency in addition to the complexity existing at the country level.

Aladeen Shawa (UNCDF) mentioned that he was in Uganda when the lead donor session was held and noticed that only a few of the donors working on DLG attended and asked to what extent is the group reaching to programs that are outside the narrow definition of decentralization.

Paul Smoke (NYU) commented that even in cases where there is an effective coordination mechanism, if the work is associated with weak sectoralized local ministries, having them at the table does not resolve most of the problems (e.g., Uganda in late 1990s).

Kai Kaiser (WB) pointed out that the way we do coordination might differ between decentralization versus sector working groups; the former faces no single counterpart or ministry and works across ministries.

Kuno Schläfli (DEZA/SDC) mentioned that to improve the group’s work failure, such as the one in Burkina Faso, need to be analyzed in-depth.

Sebastian Bartsch (BMZ)
Explained that if the goal of the working group is to improve donor coordination in the area of DLG, getting closer to the operational and country-level would be important.

Suggested that the group should not aim to solve problems at the country level (as intended in the first donor workshop) because these are delicate situations and the intervention can create additional problems if not done properly.

Toornstra Franke Hendrik (WB) lamented that donors in sector work are talking to donors but not with governments and asked to incorporate the client and government perspective.

Nina Wade (InWent) posed questions of what would be the mechanism of communication if the DPWG-LGD, which operates on headquarter level, decides to do something on field country level and what the issues relevant to the working group would be.

**Special Issue: Municipal Contracting**

Rolf Swart (VNG) examined how municipal contracts (MCs) could play a role in facilitating aid effectiveness in decentralizing and urbanizing countries. The presentation highlighted that the success of MC depends on (1) the process of MC itself, (2) local capacity, (3) timing and political commitment, (3) ownership, (4) harmonization between donors and between legislation, policies, and budget at the central and local level, and (5) continuity and donor predictability, among others.

Discussion:

Blair King (USAID) questioned if MCs in developing countries are just an aid modality or if it is strictly for domestic center-local relationship without using donor money and asked if in Europe MCs are used for special or routine service delivery.

Rolf Swart (VNG) answered that the choice concerning MCs is made on alarming and immediate needs associated with rapid urbanization, and that the use of MCs vary across countries in Europe.

Iréne Salenson (French Ministry of Foreign Affairs) asked if MCs is not about transfers but also about the improvement in tax collections.

Daria Fané (Delegation of the European Union to Ghana) suggested that this sort of aid modality (i.e., MCs) should be incorporated into existing frameworks/practices.

Kai Kaiser (WB) warned that it is important to ask whether a particular aid modality is “right” for a certain context of countries.

**Understanding Key Challenges: Accountability/Results/ Sustainability and Donor Impact**

Paul Smoke (NYU) explained that the complexity associated with a variety of incentives associated with the adoption and implementation of decentralization. He presented the political economy of decentralization analytical framework developed by the World Bank, which emerged as a response to demands from practitioners for diagnostic tools that help them understand the
broader context of decentralization reforms in which they design and implement programs. In the framework, a set of incentives that shape decentralization, i.e. electoral, partisan, institutional, coalitional, and bureaucratic are detailed and a typology of reactions to decentralization and bureaucratic resistance are laid out, recognizing that decentralization frequently leads unintended consequences and changes in power.

**Serdar Yilmaz (WB)** explored the relationship between decentralization and accountability and sustainability and how the status of these might affect donor activities.

**Discussions:**

**Keith McLean (WB):**
- Commented that the paper successfully laid out the complexity of political economy and different actors involved.
- Asked how the analysis can be applied in practice. Given the political complexity, do we know how a certain combination of political setting influence the way decentralization generates a certain set of outcomes? What kinds of political coalition are promising from the donor perspective?
- Claimed that language of democratic decentralization is what the bilateral donors can use. However, other institutions such as the WB cannot use that language and often refer to accountability instead.

**Paul Smoke (NYU)**
- Responded to Keith’s comments that different audiences wanted to hear something more concrete than the paper wanted to say. Academics had asked: What is the dependent variable? What are you trying to achieve? Who is trying to achieve? What is better than what? Practitioners had asked: This should be done in combinations of what? But these are not what the paper is trying to do.
- Stressed the importance of getting implementation strategy right—what do you start at which level?—and that there are different ways to accomplish goals in decentralization.

**Thomas Wollenzien (KfW)** commented that most developing countries are far from the ideal model of democratic decentralization.

**Stefan Kossoff (DFID)** wanted to see more operational implications of the Political Economy Framework.

**Aladeen Shawa (UNCDF)** underlined that what is important is not to change political dynamics but to understand the dynamics and help practitioners to work with that understanding.

**Kadmiel Wekwete (UNCDF)** posed questions of what kinds coalitions are important and how far can development partners go assuming the political complexity.

**Looking to Make Donor Coordination Work**

**Ed Connerley (USAID)** highlighted that development partners may have different positions and focus with regard to decentralization and local governance. As an example, he explained that USAID has its own definition of decentralization and prefers devolution over deconcentration. USAID is proposing to national leaders is a form of decentralization which reduces central control. USAID’s Democracy Office has produced leading studies which show that the agency’s work has had a positive impact on
democracy indicators. Nonetheless, inter-donor coordination does not work because the agency and its departments have different objectives which are not necessarily exclusively concerned with improving service delivery.

Discussion:
Comments centered around two topics: (1) impact evaluation and (2) the significance and objectives of the global initiative (i.e., Annual Meeting).

Dominique Dellicour (EuropeAid) suggested development partners should pursue building capacity of countries so as they can monitor impacts themselves.

Paul Smoke (NYU) expressed doubt that empirical analysis could handle the unobservable.

Ed Connerley (USAID) suggested that impact evaluation is an area that requires harmonization and standardization of donor interventions.

Thomas Wollenzien (KfW) and Kai Kaiser (WB) questioned if harmonization issues can be appropriately addressed at the headquarter level because as Burkina’s case showed, the problem is happening at the local level.

Kuno Schläfli (DEZA/SDC) and Iréne Salenso (MAEE) pointed out that the failure to coordinate can be due to individual-level problems as in Burkina Faso and thus the problem might not be well addressed at the global level.

Emmanuel Gayraud (EuropeAid) and Daria Fané (Delegation of the European Union to Ghana) asked what the added value for a centrally organized group trying to promote coordination in countries would be.

Dominique Dellicour (EuropeAid) suggested that the workshop could facilitate some kinds of solutions towards the problems.

Eugen Kaiser (InWent) suggested that the DPWG-LG narrows down its focus, taking into account the original tasks the group wanted to address.

Day Two

CASE 1: Low-Income Country Example (Uganda)
Country Overview and What can better donor coordination actually deliver?

The motives behind these decentralization or centralization processes in Uganda have been inherently political. Uganda’s decentralization traces its origin back to the system of Resistance Councils (RCs) introduced in the late 1980s. RCs were locally-based institutions which played a role in waging the war against the dictatorial regime of Milton Obote. Once the National Resistance Movement (NRM) gained power in 1987, RCs served as social service providers and gave legitimacy to the political institutions of the NRM. One of the hallmark steps towards decentralization included the enactment of the Local Governments Act in 1997. This reform was reversed in 2006 to some extent when the Government
carried out administrative recentralization and removed the graduated tax, at the same time that multiparty democracy was introduced.

Donor engagements in decentralization reforms began in the early 1990s; they were initially fragmented with respect to geographical coverage and modes of budget and sector support. Nonetheless, some collaborative initiatives gradually emerged and included the District (later Local Government) Development Program, the Decentralization Development Partners Group, the Uganda Joint Assistance Strategy, and the Joint Budget Support Framework. Donors have helped to expand service delivery and improve local planning and financial management while reinforcing the government’s ownership. Despite these contributions, challenges still remain. The division of labor has been perceived to be donor-centric and it is devoid of government commitment, while initiatives to aid local governments to strengthen their capacity and accountability have been independently implemented by individual donors with limited information sharing.

**Video Conference:** Representatives in Kampala explained the history of decentralization movement in Uganda, and highlighted the issues associated with harmonization and alignment as well as the division of labor. There has been a recentralization movement in Uganda.

**Discussion:**

**Paul Smoke (NYU)** explained that the shift away from decentralization by devolution happened earlier in 2005 due to mutual interests of the donors and the government. Both ministries and development partners became worried about what was going on at the local level. So they shifted from unconditional to conditional transfers. Local OSR went down, but transfers became conditional, and yet a problem with local service delivery persisted. To make the local governance work better, budget templates were imposed on local governments, but central ministries did not want to release what they promised to release.

**Dominique Dellicour (EuropeAid)** explained that in Africa, there is a tendency to invest two areas: institutional and thematic programs and the challenge of Ministry of Local Development is to ensure a horizontal link between the ministry and other sector-specific ministries.

**Rolf Swart (VNG)** pointed out that the Group talked a lot about local government, but not with local government.

**Kadmiel Wekwete (UNCDF)**
- Explained that most African countries are going through multi-party politics. Oppositions often go through local governments and therefore the ruling government feels uncomfortable.
- Asked how localities can play a role in achieving MDGs.

**Jan-Willem Nibbering (MFA Netherlands)** asked how people reacted to the tendency of re-centralization.

**Jamie Boex (Urban Institute)**
- Pointed out that the share of operation and maintenance (O&M) expenditures going to local level is getting smaller and smaller.
- Asked if there is a mechanism in the joint budget support framework to look holistically at the budget system overall. Vertical support (e.g., block grant for school construction) is necessary, but is there any framework concerning both non-wage and wage expenditures and multiple sectors?
**Ed Connerley (USAID)** asked if the division of labor has led to a reduction in the number of donors, as it is theoretically expected.

**Emmanuel (Gayraud, EuropeAid)** commented on the objectives of the decentralization process and the relation with service delivery. If decentralization is a mean to improve service delivery, the process should be designed and implemented following this orientation and donors should be able to demonstrate the linkage.

**Kampala Panel** explained that:
- UNDP’s pilot projects highlighted the issues of localization of MDGs.
- Development partners do not discuss multi-party politics.
- Some localities were disempowered after they were divided into smaller units.
- Concerning recurrent expenditures, when local government has discretion, they may use the funds for their opportunistic objectives, and thus it is important to specify the purposes of investments.
- Current expenditure needs to focus on service delivery as opposed to project investments.

**Special Issue: Implementation of UN-Habitat Guidelines on decentralization and access to basic services for all**

**Iréne Salenson (MAEE)** highlighted challenges associated with the implementation of and coordination between various initiatives: DPWG-DLG guidelines, European Charter on Local Governance, and UN-Habitat guidelines. These initiatives have different focuses and intentions.

**Discussion:**

**Ed Connerley (USAID)** commented that these frameworks might reflect urban bias. It is important not to embrace such a bias because we could end up neglecting the most-difficult situations.

**Stefan Kossoff (DFID)** was skeptical about the added value of having an internationally driven top-down process to derive decentralization in a number of partner countries. **Irene** responded that the approach is not top-down because countries are selected based on voluntary basis and UN-Habitat says that guidelines have to be applied after taking country contexts into account.

**Kai Kaiser (WB)** posed a question: what is it the effective instrument we are trying to do if decentralization is inherently political?

**Jamie Boex (Urban Institute)** pointed out the difficulty associated with empirically proving the linkage between decentralization and public service outcomes. There is no need to embrace decentralization without empirical evidence.

**Case 2: Supporting Middle Income Decentralization (Indonesia)**

**Country Overview & What can better donor coordination actually deliver?**

Indonesia introduced in 2001 a far-reaching decentralization reform after a period of democratization and as a reaction to centrifugal forces (East Timor) and special autonomy demands (Aceh and Papua). District and provincial governments already existed, but had been largely marginal relative to deconcentrated government. The decentralization essentially merged deconcentrated functions and
personnel into the local government structures. A decade after Indonesia’s “big bang” decentralization, the Indonesian central government’s approach to decentralization continues to evolve, and development partners continue to play key supporting roles at both the national and local levels.

A Decentralization Support Facility (DSF) was introduced to harmonize donor support. Nonetheless, the Indonesian government has not been able to coalesce around a single central institution responsible for setting the decentralization agenda, and this has hindered harmonization of external support for decentralization. At the same time, pre-existing alliances between development partners and particular actors in government have prolonged the fragmentation of government policy on decentralization, which in turn continues to hinder harmonization. It is not clear that the political incentives exist either at the highest levels of the executive branch in Indonesia or among the development partners to remedy this situation. Lastly, the usefulness of the trust fund approach being supported by the National Planning and Development Ministry (BAPPENAS) is particularly challenged in the decentralization sector.

Summary of Presentations: Matthew Winters (Univ. of Illinois at Urbana-Champaign) explained that the lack of coordination between multiple ministries within the government is causing a series of overlapping laws, regulations, and data collection efforts. Development partners are not coordinating as they continue to work with different ministries. Indonesia has a long history of harmonizing efforts but these efforts are not coordinated and there is little political will to change the situation. The potential cost of harmonization may outweigh the benefits. Darius Titosuharto (George Washington University) presented key issues related to decentralization in Indonesia and explained how donors are positioning themselves in reprioritization and empower the role of provinces.

Discussion:
Daria Fané (Delegation of the European Union to Ghana) commented that starting decentralization is always messy and we can never prepare enough. She also suggested establishing a joint assessment board to reduce problems associated with the lack of alignment.

Matthew Winters (Univ. of Illinois at Urbana-Champaign) explained that:
- There were some reactions on the part of the central government that a small set of districts went too far to take advantage of autonomy.
- There has been a suggestion that provincial governors be appointed, rather than elected under the supervision of the central government, but this alternative have not been supported by governors.

Blair King (USAID)
Big Bang question: this was the only way that could be possibly done due to political economy and political culture. If there were not a Big Bang before the election, it would have been faded away due to oppositions against decentralization who claimed that the reform would disintegrate the country.

Kuno Schläfli (DEZA/SDC)
- Asked if service delivery deteriorated after decentralization.
- Commented that the depletion of forest seems to be the result of decentralization and asked how the central government and donors have responded to this problem.

Ed Connerley (USAID) commented that decentralization and democratization may not occur simultaneously.
Emmanuel Gayraud (EuropeAid) commented that decentralization in Indonesia seems to be a success due to strong political will from the central government.

**Brainstorming session on the focus and tasks of the DPWG-LGD/ Secretariat**

The working group sought to answer the following five questions that Kai Kaiser (WB) had proposed based on the ongoing discussion, which included:

1. *What will we do with the country case studies? How do we synthesize lessons?*
2. *What should be the role of the group/Secretariat in the Oct 4-6 UN Kampala workshop? What are its key objectives?*
3. *Where the sixth DPWG Annual Meeting should be held? What should be its core objective (Aid Effectiveness: Paris-Accra-Seoul)?*
4. *Do we want to proceed with the lead donor meetings what would be the alternative?*
5. *What countries do we want to engage with more closely over the coming months?*

Annette Bähring (GTZ) commented she would be like to discuss more technical issues and exchanging experiences on issues such as functional assignments and questions of linking levels of governments.

Nina Wade (Inwent) asked with regards to the lead donor workshops how to engage with development partners at country level if not through the involvement of members of the group. This was the initial problem of implementation because not always development partners have the influence to change programs in the field.

Kuno Schläfli (DEZA / SDC) suggested that before we discuss what to do with case studies, the members of the working group need to decide if they want to collaborate and to what extent they intend/are able to influence their own organizations.

Jochen Mattern (InWent) mentioned that the subgroups are currently not functioning and that the group needs to discuss if that is the preferred modus of operation for moving forward.

Thomas Wollenzien (KfW) reminded that the working group decided not to review rules and regulations for each of the members and that it is important to link the discussions with our operational units.

Daria Fané, Delegation of the European Union to Ghana

- Suggested that it would be useful to bring case studies to respective donor headquarters and make sure that the assessment on development cooperation be made according to the lessons learned from the case studies.
- Emphasized that it is urgent to raise awareness of the negative consequences of weak harmonization and use the case studies to illuminate that decentralization and local governance work is particularly vulnerable to these problems.

Dominique Dellicour (EuropeAid) commented that:

- The working group should be connected with the field. All donors made an agreement at Accra which we have to support and we have to identify the commitment we can make to improve aid effectiveness in decentralization.
This group was originally created to exchange information with regard to how to make a progress in decentralization and local governance reforms.

It is of great importance to translate the group’s discussions into the operational level.

Case studies were very good; some lessons drawn from these case studies in terms of aid effectiveness would be the assets.

Regarding sub-groups, the only operational subgroup is the train4dev subgroup. A training should be open to all development partners such as the one the subgroup is creating may be helpful.

We might want to highlight negative consequences of weak harmonization during the workshop in Uganda.

Ed Connerley (USAID) noted that:

- The idea of more case studies is interesting, but the group should be cautious because to declare lessons learned without going through a formal process that ensures that these have external validity and not the product of very specific circumstances.
- It is important that the group discusses policies or alternatives that the members can take to their senior management.
- Budget matters. Sometimes members do not care about lessons learned, but they care about how case studies are paid for.
- The group should not think case studies as a package and need to empirically find out whether a single case is more useful than three cases together.

Aladeen Shawa (UNCDF) posed the following questions:

- Does the working group have a comparative advantage at the global level to influence as a group?
- Can the group test its join action in some countries to begin with?
- Are the representatives empowered as a group and adequately represented?

Jan-Willem Nibbering (Dutch Ministry of Foreign Affairs) commented that:

- Just by working in this way, the workshop helps to convince colleagues how other development partners think about decentralization and how it is important.
- Major conferences (like this Annual Meeting) would not have a significant impact but they could introduce incremental changes.

Kai Kaiser (WB)

- Asked if the cases studies would be attractive to internal management.
- Explained that decentralization at the moment is a “boutique” topic, and it is necessary to make pretty compelling argument that there is a link between decentralization and MDG, resources, and cross cutting issues (i.e., aid effectiveness).
- Suggested that we should integrate all three case studies into a coherent analytical framework, synthesize the issues and draw conclusions from the country cases (mid-September). The study could then be published under the DPWG-LGD label. WB will check if there are funding possibilities for this at WB.

Ed Connerley (USAID) responded to the last point that he will check whether USAID can assign Matt Winters to do this.

Aladeen Shawa, Kadmiel Wekwete, and Magnus Magnusson (UNCDF) explained the objectives of the Global Forum on Local Development to be held in Kampala include the following:
Stressing critical roles of local governments in achieving MDGs and delivering services (e.g., education, environment, health, etc.).

Highlighting challenges faced by local governments.

Identifying ways to improve effectiveness of local governments, in particular to changes in political dynamics and empowerment on the effectiveness.

Introducing issues of donor harmonization in the context of local service delivery.

Serving as a platform to reach out to the region/countries.

Bringing a variety of stakeholders together, enhancing the awareness of partnership.

They stressed that inviting both stakeholders who need to be convinced about the importance of the decentralization and local governance reforms and practitioners in the fields is important. Strengthening of local governments must be discussed on a high political level. It would be good to be able to show empirically the linkages between DLG and MDGs/aid effectiveness.

Rolf Swart (VNG) reminded the group that the Africitics conference held in Nairobi in 2006 was exactly about the same subject: "Building coalitions for the alignment of the Millenium Development Goals in African local governments". Therefore the UNCDF/UNDP conference in Kampala should build on its conclusions.

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Case 3: Fragile State Setting Democratic Republic of Congo (DRC) [VC to Kinshasa – Translated by Caroline Millet]

The 2006 Constitution of the Democratic Republic Congo (DRC) establishes that the country should be a decentralized unitary state. However, the gap between the de jure and de facto decentralization remains enormous. The issues with the existing system range from the difficulty in drawing territorial boundaries, ethnic conflicts within provinces, the lack of capacity at central and local level, arrears and non-payment of wages for civil servants, the lack of clarity in the Constitution with regard to the division of fiscal responsibilities, to bureaucratic and political fragmentation which hampers a stable and credible public service delivery.

A number of ministries are involved with the decentralization process but they are not structured and coordinated well enough to effectively function. Development partner engagement has been substantial; Official Development Assistance constitutes over 90 percent of the investments in the country. Nevertheless, engagement is highly fragmented partly because development partners have different objectives and approaches. Some steps towards realizing better coordination have been made (i.e., the 2009 High Level Forum on Aid Effectiveness held in 2009, common objective shared by some DPs, and a dialogue between Ministry of Decentralization and DPs held in 2010). Even so, remaining challenges include insufficient dialogue and coordination among stakeholders, partial geographical coverage, uneven speed at which reforms have taken place across provinces, the lack of government ownership, and weak domestic accountability.

Summary of Presentation: The issues in DRC include: (1) highly fragmented aid—a large number of donors are present in DRC, but 90 percent of the aids come from 10 out of 26 donors, (2) planning and implementation units whose tasks are overlapping, (3) thematic groups that must be restructured, (4) weak capacity of decentralization ministry, (5) the lack of inter-ministerial dialogue, (6) the absence of inventory of all active and pipeline interventions, (7) the failure to cover the whole territory of country,
creating “orphans”, and (8) the lack of coordination among development partners and different levels of government. Additional challenges would be raised by the transfer of civil service bill to provinces, and the local elections that will take place in 2012.

Discussion:
Stéphane Muninda (PRCG) stressed problem of lack of leadership in the decentralization process and asked what donors could do to promote leadership and put pressure on the central government to implement decentralization.

Mathieu Ruguye (Ministry of Decentralization and Territorial Management – DRC) referred to:
- The case of Mali, where a fund has been established to coordinate all donors provides joint financing according to the needs of the country.
- Such model could be used in DRC to improve the use of resources and ensure that all provinces receive resources.
- Urged donors to develop a simple mechanism that do not add complexity to a complex context.
- Politically it is not possible to do a progressive implementation of decentralization, according to the capacity of the different provinces.
- Decentralization was designed to be implemented in three years, and that period is too short to implement such far-reaching reform in a low capacity setting.
- If donors have to select a level of government to channel resources, they should focus on the central government.

Julien Bukasa (PRCG) pointed out that donor coordination is not only important to achieve visibility and effectiveness of the aid, but also to increase the leverage of the international community in DRC.

Dominique Dellicour (EuropeAid) explained that:
- The donor coordination structure that is in place in Mali is the product of a long-term process that began in the 1980s.
- Drawing from this example, the funding should be accompanied with technical assistance and ask how can donors implement such mechanism in the DRC context.
- Donors should differentiate provinces and follow a progressive approach adapted to the level of capacity/development of subnational units.

Toornstra Franke Hendrik (WB) underscored that given the large size of the country development partners should not only harmonize programs at the national level, but also would be important to ensure coordination at the provincial level.

Dieuwke Klaver (Centre for Development Innovation) reflected that:
- Retrocession has not yet been implemented.
- In preparation for the enactment of decentralization, it would be necessary to provide venues and mechanisms through which civil society and communities can take part of the decision-making.

Richard Martin (USAID) commented that:
- USAID is working mostly at the local level with the aim of improving service delivery in a context in which power has not been transferred.
- The lack of a legal framework makes decentralization weak.
- There are problems of coordination, but the aid is quite small compared to the needs of the country.
Stefan Kossoff (DFID) asked:
- To what extend objectives around conflict resolution and peace building can be incorporated in the decentralization agenda.
- How development partners can overcome the challenges of weaken accountability in resource-rich countries because governments do not depend on the citizens to mobilize revenues.
- Can power sharing at the local level can be stabilizing.

Kurt PETIT (Coopération Technique Belge CTB) pointed out that building local partnership is important at the local level.

Junaid Ahmad (WB) commented that:
- There is no common view on how development partners should work in decentralization, even within the World Bank. A lot of efforts spent on seminars and debates among researchers, think tanks, and practitioners in order to get common language.
- Block grant to build institutions and citizens’ engagement at the local level in South Asia and support for CDD may have improved services, but are not sustainable.
- The system of decentralization is about building relationship between the state and the citizen. This is the fundamental view underlying service delivery of public goods.
- In a country like DRC, donors should not use “decentralization,” and instead use “asymmetric decentralization” or “partial decentralization” because decentralization in DRC is not textbook-type decentralization. In the world of partial decentralization, sequencing does not follow textbooks.
- The center is willing to give resources to the province as long as the center can give resources also to local governments. By giving up autonomy to provinces, but strengthening the local governments, these can be in a position to serve as the check on the provinces. Such a center-province-local relationship has a role in ensuring check and balance.
- Concerning donor coordination, the issue is how you coordinate yourself. It is incredibly positive to see this group of your donors is at least talking about local governments.
- Multi-donor trust funds to support local governments would dramatically change the dialogue in DRC.

**What can better donor coordination actually deliver? Discussants: Junaid, Ahmad, World Bank**

Junaid Ahmad (WB) explained that:
- Development partners often assume that there is no capacity at the local level; but people are innovating and have lots of capacity. Decentralization itself triggers capacity.
- Multi-donor trust fund is very important. Donors do not want to let go of the central government so the dialogue would take place between donors and the center, but they should make sure that the trust fund is specifically targeted at local governments.
- Decentralization is a process which has started because of an assumption that power-sharing would help hold the nation together; but power-sharing only up to the provincial level may destabilize the nation; the power-sharing with localities below provinces might stabilize the nation. Bottom-up development of a state is as important as strengthening the state from the center.
- There has been no history of nation-building without elites partaking or splitting rents. Decentralization splits elites and it changes the dynamics of rent-seeking.
Working Lunch

The working lunch once again addressed the five questions that were discussed the previous day, and it ended up focusing on the objectives of the global forum, the roles of the DPWG-LG / the Secretariat, and plans for the next DPWG Annual Meeting.

David Morrison (UNCDF) explained that local governance issues in the Global Forum are viewed as the keys to achieving MDGs and aid effectiveness and that the forum is a humble advocacy event to which everybody will be invited, and the goals of the forum include broadening the circle of the conversation outside the least developed countries.

Dominique Dellicour (EuropeAid) suggested that:
- Sector ministries are invited to the global forum because MDGs are sector-specific.
- The forum will focus on a striking linkage between MDGs and responsibility of local governments.

Kai Kaiser (WB)
- Suggested that the global forum invite people who have to be convinced that LGs are important.
- Suggested that each agency write a two-page summary about its individual supports/commitments.
- Warned against selecting best practices from case studies.
- Suggested two-page newsletters and poster sessions.
- Asked what would be a cost-effective way to bring people from the fields.

Ed Connerley (USAID) suggested that:
- The working group and the Global Forum follow a systematic understanding with regard to the responsibilities of LGs in achieving MDGs.
- Case studies are eventually used as training materials concerning aid effectiveness.

Kuno Schläfli (DEZA/SDC) suggested that a theoretical framework to assess political economy situation in practice might be useful.

Eugen Kaiser (InWent) suggested that the Secretariat use the website to communicate with the field.

Toornstra Franke Hendrik (WB) proposed that the following issues are addressed at the next workshop (Annual Meeting in Brussels): (1) capacity, (2) south-south cooperation, (3) international transparency initiative, and (3) accountability.

Jamie Boex (Urban Institute) argued that simply adding case studies would be helpful, and stressed the importance of getting methodology right such that case studies specifically highlight the linkage between aid modality and outcomes.

Daria Fané (Delegation of the European Union to Ghana) commented that particularly for Ghana, “we are really looking forward to using case study approach as the first step and figure out what we have to do with the existing situation.”

Emmanuel Gayraud (EuropeAid Co-operation Office) stressed the importance of linking the work of the working group with the field and asked if the case studies were used to do it. He suggested involving practitioners in the next Annual Meeting.
Panel -- Donor Harmonization and Coherence: Lessons from the Field & the Center

This session was held in order to further clarify the roles and work plans of the Secretariat. Recommendations included setting up a well-defined work plan for the Secretariat and establishing a steering committee, and producing some publications based on fiscal decentralization studies.

Serdar Yilmaz (WB) suggested establishing a steering committee to guide and advise the Secretariat.

Nina Wade (InWent)
- Agreed with the idea of setting up a steering group.
- Suggested that sub-groups working on different topics should be established because this is how the group was originally intended to work.
- Summarized the ten countries the group suggested to focus the work of the Secretariat on: Benin, Bolivia, Cambodia, DRC, Ghana, Indonesia, Mozambique, Peru, Tanzania, and Uganda for cases.

Eugen Kaiser (InWent) commented that:
- The tasks of the Secretariat should include: (1) information management related to harmonization and alignment, and (2) service function to ensure continuity of Annual Meetings.
- We have to understand the limits of the Secretariat. A certain activities of the Secretariat are not functioning; for example, sub-groups are not working. The Secretariat needs the commitment of members with focus; the group should not overload the Secretariat with too many tasks.

Aladeen Shawa (UNCDF)
- Suggested developing work plans for the Secretariat.
- Reflected that sub-groups did not work due to the lack of focus. The group has a focus—alignment and harmonization, which can be used to formulated the work plan.
- Supported the idea of a steering committee comprised of technical experts.

Kai Kaiser (WB)
- Identified two areas in which the Secretariat can play a proactive role:
  - Case studies.
  - Some form of publication based on fiscal decentralization studies if the quality is right (follow up with some country teams; ten countries).
- Clarified that the group should not do entirely new technical studies as it does not have the capacity to do it.
- Suggested selecting one person in each country and do snowballing.
- Suggested that the Secretariat produce one or two-page newsletters, maybe starting with Ghana.

Kuno Schläfli (DEZA/SDC) agreed that Ghana could be a case for which we can go deeper.
Annex II
Dissemination Workshop Agenda

Location: Old Boardroom, MC 13-121, World Bank

Wednesday, June 09, 2010

09:00 – 09:15  1. Opening and Welcome Speech
Susan Reichle, Acting Assistant Administrator for the Bureau of Democracy, Conflict
and Humanitarian Assistance, USAID

09:15 – 09:30  2. Round of Introductions

09:30 – 10:30  3. Problem Definition Supporting Decentralization and Local Governance:
Challenges for Engagement and Donor Coordination
Chair: Serdar Yilmaz (World Bank)

Key objectives and challenges for achieving greater development partner
coherence around decentralization and local governance

- Achievements of the DPWG-LGD compared to the objectives initially
  established. Issues that need to be further addressed in order to achieve greater
  coherence in donor interventions
  (Dominique Dellicour, EuropeAid)

- “Problem definition: Discrepancy between harmonization efforts and the
  pressure to implement in a multi donor environment”
  (Kuno Schläfli, DEZA / SDC)

- State of the Art of Local Governance – Challenges for the next decade
  (Anki Dellnäs, ICLD)

- Introduction to Case Study Approach
  Kai Kaiser (World Bank)

Discussion

10:30 – 10:45  Coffee Break

10:45 – 12:30  4. General Challenges of Decentralization and Local Governance Programs with
regards to donor behaviour and action:
Chair: Aladeen Shawa (UNCDF)

- Greater coherence between sector and institutional approaches
  (Emmanuel Gayraud, EuropeAid)

- Constraints for General Donor Harmonisation”
(Thomas Wollenzien, KfW)

- Case Lead Donor Workshop Burkina Faso: Situation Analysis and group discussion about factors hampering activities in the field.
  (Dieuwke Klaver, CDI, Eugen Kaiser, InWEnt)

12:30 – 13:00 Special Issue: Municipal Contracting
(Rolf Swart, VNG)

13:00 – 14:00 Lunch

14:00 – 15:30 5. Understanding Key Challenges: Accountability/Results/ Sustainability and Donor Impact  
Chair: Kai Kaiser (World Bank)
A Brief Review
- Sustainability: how is sustainability defined and assessed?
  (Presenter: Serdar Yilmaz, World Bank)
- Political-Economy of Decentralization
  (Presenter: Paul Smoke, NYU)

15:30 – 16:00 Coffee Break

16:00 – 17:20 6. Looking to Make Donor Coordination Work
- A Perspective from USAID
  (Ed Connerley, USAID)

17:20-17:30 7. Wrap-up/Housekeeping for Next Day

Day 2: Thursday, June 10, 2010

CASE 1: Low-Income Country Example (Uganda)
(Session Organizer UNCDF)

9:00 - 10.30 8. Country Overview
[VC to Kampala]
Discussion

10:30 - 10:45 Coffee Break

10:45 – 12:00 9. What can better donor coordination actually deliver?
[VC to Kampala]
Discussants (Country/DC):
Dieuwke Klaver, CDI, Jan Willem Nibbering, MFA Netherlands

12:00 – 12:30 Special Issue: Implementation of UN-Habitat Guidelines on Decentralization and Access to basic services for all
(Irene Salenson, MAEE)
12:30 – 13:30  Lunch Break

CASE 2: Middle-Income Country Example (USAID)
(Session Organizer USAID)

13:30-15:00  Case 2: Supporting Middle Income Decentralization (Indonesia)
10. Country Overview
Discussion

15:00 – 15:15  Coffee Break

15:15 – 16:15  11. (Indonesia cont.)
What can better donor coordination actually deliver?

16:15 – 17:00  Brainstorming Session on focus and tasks of the DPWG-LGD / Secretariat part 1

Day 3: Friday, June 11, 2009

CASE 3: Fragile State Setting Democratic Republic of Congo (DRC)
(Session Organizer World Bank)

9:00 - 10.30  12. Country Overview
[VC to Kinshasa]
Presentation of DRC (World Bank)
Discussion

10:30 - 10:45  Coffee Break
10:45 – 12:30  Case 3: Supporting Fragile State Decentralization
[VC to Kinshasa]
(DRC cont.)

13. What can better donor coordination actually deliver?
Discussants: Junaid, Ahmad, World Bank

12:30 – 14:30  14. Working Lunch (Group Discussion)
Brainstorming Session on focus and tasks of the DPWG-LGD / Secretariat part 2

14:30 – 15:15  15. Panel -- Donor Harmonization and Coherence:
Lessons from the Field & the Center

Co-Chairs: David Morrison, UNCDF Executive Secretary
Rapporteur’s Reports

Annex III

Participant Lists (Personal titles omitted)

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