

## **Donor Sector Technical Working Group on Decentralization Consultative Group Statement**

### **Introduction**

The NARC government has in various formal documents recognized the need to decentralize power to strengthen local government and to ensure effective and efficient service delivery to communities. The 2003/04 budget speech, a recent workshop on devolution policy, the draft constitution document and both Poverty Reduction Strategy Paper (PRSP) and the Economic Recovery Strategy for wealth and employment creation - all reiterate this focus.

In response to the government's plans for local government reform based on a decentralization and devolution framework, various development players support or are in the process of developing programs in support of the decentralization agenda. Preliminary steps for forming a Technical Working Group to coordinate activities of development partners and to strengthen their support to the GoK's efforts have been taken.

### **Recent developments**

Evidence of Government's interest in the decentralization/devolution process has been declared in various documents and discussion forums.

***In the Economic Recovery Paper***, it is indicated that the Government will enhance local governance and service delivery through a devolution process based on the outcome of the ongoing Constitutional Review process. The Constitutional Review is likely to recommend increased responsibilities for local authorities requiring greater managerial competence. It also indicates the proposed next steps in the reform: review of local authorities to ensure that only the viable and sustainable ones are retained; accelerating KLGRP, including the coverage of Integrated Financial Management System (IFMS), and strengthening and monitoring and implementing the local government reform initiatives; implementing staff rationalization and right sizing in all local authorities with a view to improving efficiency and effectiveness in service delivery; and reviewing the Local Government Act in line with the Constitutional Review proposals.

***During the Budget Speech for FY 2003/04***, the Minister for Finance indicated that: Local Authorities play a critical role in economic growth and development as they provide services necessary to investors at operating level, and promote participatory democracy. They would have significant impacts on poverty alleviation if they were efficiently run. He also indicated that the draft constitution proposes to give local authorities enormous responsibilities as part of the devolution process. The Government would also seek greater partnership between local authorities and their communities to initiate and implement local level economic and social development programs. However, as many local authorities lack the capacity to deliver quality services to the public capacity building will be necessary. It is necessary to focus on improving their financial and institutional viability to make the local authorities true agents of social change.

**During the First National Workshop on Devolution Policy held on July 1, 2003**, it was indicated that there have been several government initiatives towards decentralization since independence: establishment of local authorities; enactment of various sessional papers to promote development planning and management at the local levels; implementation of Special Rural Development Program (SRDP); establishment of Regional Development Authorities based on river basins to provide balanced integrated multi sectoral programs; and the setting up of the District Focus for Rural Development.

Despite these initiatives, nothing much has been achieved in the area of decentralization/devolution. The following were identified as the main weaknesses: existence of different institutional arrangements and approaches in delivery of different services; weak revenue bases of local authorities and ineffective service delivery systems; poor governance characterized by corruption and political interference, leading to inappropriate prioritization in resource allocation; and lack of a formal legal mandate and weak institutional framework for the delivery of services. More positively, however, the participants noted that the NARC Government is committed to decentralized planning and devolution of power.

**Priority actions required addressing the challenges:**

It is clear from the foregoing that some good intentions and actions are in the pipeline towards a coordinated decentralization/devolution framework and this is encouraging. Going through the various pronouncements it becomes evident that there are some critical areas that need to be addressed. In this regard some key outstanding issues that require urgent attention are: provision of an appropriate institutional framework, particularly clarifying the roles of local authorities and provincial administration as an outcome of the Constitutional Review process; improvement of transparency, accountability and good governance; clarifying roles and responsibilities of councilors and council officers and Ministry of Local Government in managing local government officers - in the context of the review of the Local Government Act; capacity building in Local Government sector to respond to the new mandates and manage the participatory development processes; sound financial accountability principles and budgeting; and adequate resources for local authorities to match their service mandates.

While addressing these issues is clearly the mandate of the government, there is a need for the development partners to lend assistance to the government's initiatives.

To assist the GOK in this process, development partners have identified three important areas for support. While the first requires strengthening and widening the scope of the reform program already being implemented by the GoK under the KLGRP, the other two components are linked to articulation of a longer term and broader decentralization framework and strategy.

- i. *Basic Local Government Reform in Governance, Service Delivery and Financial Management* focused on improving the fundamental capacity of the local government sector to effectively facilitate community driven development, governance and poverty alleviation through improved responsiveness and accountability in planning, financial management and local service delivery. This will be mainly through continued and expanded support the KLGRP.

- ii. *Intergovernmental Fiscal Framework and Restructuring Local Governments* focused on improving the broader decentralization framework for local government reform through further rationalizing intergovernmental fiscal system; and systemic and legislative changes to support the restructuring of local government organization and finances through the necessary consolidation of smaller local authorities, creating downward accountability structures, and fiscal reforms in some highly distressed large local authorities.
- iii. *Wider Public Sector Reform for Local Service Delivery* focused on an improved public sector management structure to enhance governance, service delivery and accountability. Two aspects are important for this: organization of government at the sub-national level and rationalization of delivery systems for local services across different sectors.

It is imperative that support of development partners focuses on assisting the GOK in these endeavors to develop its framework and approach. This would enable a programmatic approach where the anticipated support is aligned with the overall government program rather than varying and disparate approaches by each donor and different sectors focused on individual projects. Development partners will need to communicate and coordinate better for providing a unified approach to supporting the GOK program. Within this, financing options using a “basket funding” approach may be explored to ensure adequate support to the GOK program and to avoid duplication and overlap for the various components. This will need further discussion related to the ongoing or planned efforts by some key donors such as the European Union for its rural poverty reduction and decentralization support program which includes a community investment fund aimed at rural local authorities supported by DFID among other development partners.