

To Enhance Aid Effectiveness:

“General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation”

For the informal Development Partners Working Group on Local Governance and Decentralisation¹

I. Introduction: Core Issues for Enhancing Aid Effectiveness

Decentralisation and democratic local governance have gained prominence over the last two decades. The motivations and directions of reforms in this area vary. Whether by choice or as a result of external pressures, the majority of partner countries are currently involved in some form of decentralisation. Typically, the authority of local governments is increased and efforts are made to make them more responsive and effective. As a result, local authorities and their associations have emerged as key actors of development. They offer democratic legitimacy, proximity to citizens and capacity to mobilise local actors. It is thus a shared responsibility of national and sub-national governments, civil society organisations and citizens to promote development in this area.

A holistic “open system” approach is needed to address the support to decentralisation and local governance (DLG) processes. DLG are core elements of the public sector reforms and broader poverty reduction efforts in most developing countries. Hence, efforts to improve DLG may contribute towards the achievement of the Millennium Development Goals (MDGs). DLG constitute political arenas and processes that are particularly country specific and unpredictable. For this reason, DLG cannot be addressed with a uniform “one size fits all” approach.

The present general guidelines reflect a consensual approach on how the informal Development Partner Working Group (DPWG-LGD) participants can translate lessons learned and perspectives put forth by previous studies into joint action on **alignment and harmonisation initiatives** that can enhance aid effectiveness in the field of DLG. The guidelines aim to foster exchange, dialogue and cooperation between actors with a view to promoting harmonisation; encourage common understanding of key concepts; and improve coherence, complementarity and effectiveness of initiatives in support of DLG. These guidelines are complementary to other documents and guidelines on DPWG support to DLG.

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

The objective is to inspire ways of applying the Paris Declaration principles, specifically within the field of DLG. The five main principles of **ownership, alignment, harmonisation, managing for results, and mutual accountability** provide a clear framework for improving alignment and harmonisation in general. There is, however, a need for addressing the specific relevance and implications of this for development partner support to DLG. When engaging in complex, politically sensitive areas like DLG it is important that development partners (DP) follow some common principles. Some of these are generic rules for good development co-operation practice. Yet they are particularly important in the DLG arenas and need, ideally, to be applied consistently.

II. Ownership

Partner country ownership is a key factor in the harmonisation of DP efforts. For DLG in particular this entails ownership at various levels: central government, local government, parliament and civil society. Elected local governments and their associations are key actors in DLG and they have their own autonomous spheres of public action. DLG are political processes at multiple levels, and even if approached as a sector DLG is integral to public sector reforms, poverty reduction processes and democratisation efforts. The multi-actor and multi-level DLG process implies that special attention should be given to establishing a dialogue to promote ownership at all levels. Central government commitment is a precondition for effective support and broad capacity building/development initiatives are key in most DLG reforms. However, capacity building will not in itself create well-functioning and capable local governments.

Guiding principles:

- Recognise the leadership of national and local governments, civil society organisations and citizens in partner countries.
- Foster a political dialogue between all state and non-state actors involved in DLG – at central and national levels, according to their legitimate roles and responsibilities.
- Strengthen demand-driven capacity development of local governance actors: avoid fragmented ad-hoc support; target individual, organisational and institutional levels simultaneously; and transfer implementation responsibilities to local structures.

Central fields of Development Partner action:

- Undertake a joint situation analysis/diagnostic review to establish a common and holistic understanding of the DLG processes and framework for co-ordination between national and local actors and DPs. This can be a first step towards asserting ownership and joint commitments. Take into consideration the political, administrative and fiscal dimensions of decentralisation and the “open systems approach” and apply a “drivers of change” or “political economy” approach.
- The joint situation analysis should comprise the five critical pillars or dimensions for effective decentralisation: a legal framework, which clearly stipulates the division of roles and responsibilities between different layers of governments; financial resources adequate to undertake functions; sufficient human resources; effective mechanisms for local level accountability (election of local government councillors is the most basic precondition); and finally, all of the above needs to be supported by relevant central institutional arrangements. Such arrangements might include a DLG reform secretariat, a strong Ministry of Local Government, an Association of Local Authorities and a type of Local Government Finance Commission.
- The dialogue between national and local actors and DPs should reflect on the current status of the five critical pillars above. The national decentralisation strategy should outline a vision of

reforms and elements of an operational strategy for achieving these. Some of the main challenges for ownership have been the lack of active involvement of the sector ministries and continued DP support outside of the agreed strategic framework. Hence there is need for strong initiatives, from both government and DPs, to ensure sufficient “buy in” to the overall decentralisation framework.

- Fiscal decentralisation is a key factor and driver for successful decentralisation. Support to fiscal decentralisation should aim at strengthening the long-term financial development and sustainability of local governments. It should empower local governments to exercise authority and control over financial resources and for the provision of local services. Support to fiscal decentralisation also entails strengthening local public financial management, revenue generation and inter-governmental arrangements and transfer systems and collaboration.
- DPs typically wish to include DLG issues on the agenda of their on-going general dialogue with partner countries. Dialogue is useful on the way DLG is integrated in the PRSP, public sector reforms, and whether there is a clear operational strategy and mainstreaming of DLG as cross-cutting issues in sector plans, policies and programmes. Where a general budget support mechanism exists, decentralisation should be mainstreamed into the performance assessment framework.

III. Alignment

The stronger the partner governments’ commitment and ownership are for DLG in general, and harmonisation and alignment in particular, the more DPs generally align to approved national strategies. The extent to which DP support is aligned to legal frameworks, national strategies and policies, and is based on existing country institutions, systems and procedures differs greatly from country to country. Alignment can be facilitated by partner governments and DPs engaging in the elaboration of an overall strategy for development assistance (Joint Assistance Strategy). DLG need to be reflected prominently in the PRSP to avoid conflicting frameworks for alignment. When a clear national framework is lacking, alignment and harmonisation require continued DP support to policy and strategy development.

Guiding principles:

- Ensure that support to DLG is coherent with both the national and local development objectives, and where possible is fully integrated into the partner government’s budget process. Align local development programmes with national decentralisation policies, when they exist, by supporting national systems and procedures.
- Support partner country-led analysis to ensure that the design and implementation of support strategies are tailored to the specific country context and local realities.
- Promote flexible support strategies that maximise adaptability to local situations, paying particular attention to the needs of fragile states, as well as conflict-torn and post-conflict countries.
- Take into account DLG in sector programmes. Avoid undermining the DLG process; instead incorporating this into sector programmes, with a continuous dialogue on the issue between DPs and partner countries and amongst DPs.

Central fields of Development Partner action:

- DPs commit to support strengthened public financial and procurement systems and sub-national fiscal frameworks that include viable and sufficient own sub-national government resources, genuine inter-governmental fiscal transfer systems (including reliable reporting on budget

execution at national and sub-national government levels), and rely to the extent possible on the government's decentralised budget and accounting system, control systems and auditing.

- Gradual alignment to key elements of a national framework can facilitate the development of a comprehensive overall support programme with joint funding mechanisms. (Examples are joint support or approaches to the existing elements of national decentralisation strategies, reform programmes, funding mechanisms to key institutions and actors, development funding at local levels, and capacity building programmes).
- Partner countries and DPs should use common assessments. Diagnostic reviews with assessment of country systems, institutions and procedures, and the subsequent reforms and strategies, can benefit from good practices and research. Relevant sources of this are “centres of excellence,” like the international United Cities and Local Governments, and regional associations of local governments, research centres on DLG, networks etc.
- A particular challenge for alignment is to take DLG into account in sector programmes. Including DLG issues in sector reviews, evaluations and in the design of new phases of sector programmes will be useful.

IV. Harmonisation

Harmonisation refers to how DPs work together to minimise transaction costs, to both recipients and themselves. The co-ordination and harmonisation of policies and practices of DPs need to result, ideally, in an alignment with country policies, structures and procedures. In the wide field of DLG, effective support largely depends on a well-coordinated set of interventions and, where possible, joint action.

Guiding principles:

- Co-ordinate DP efforts and financial support in favour of DLG processes. Consolidate coordination mechanisms together with the partner country and among the technical and financial partners.
- Support DLG processes over the long term, using aid modalities that are appropriate to each specific context.
- Foster the coherence of interventions carried out at the local level, by ensuring that support to other areas does not undermine support to DLG.
- Mainstream gender, anti-corruption, and environmental issues in all support strategies and programmes for DLG.

Central fields of Development Partner action:

1. Strengthening of joint partner country-DP frameworks for aligning and harmonising DP support to DLG, providing clear orientation on roles and modalities of aid:

- All DPs have expressed concerns regarding how decentralisation reform can be effectively articulated and supported through sector programmes. Sector co-ordination therefore needs to comprise all dimensions relevant to DLG.
- DPs should support government leadership of the co-ordination and dialogue structures in the area of DLG and establish or strengthen DP co-ordination mechanisms at country level.
- DPWG-LGD at country level should set up a road-map with specific milestones for enhancing co-ordination and harmonisation within the DP group, moving from exchange of information, mapping exercises and the development of ToRs towards joint missions, common funding mechanisms and partnership and representation arrangements.

- DPs can support an ongoing dialogue at two levels. At national level, dialogue on (i) the fundamental objectives of decentralisation; (ii) its core components; (iii) the actors to be involved and (iv) implementation strategies. Between national and local stakeholders and the DPs, dialogue to define partnership principles, to identify relevant support strategies and to jointly ensure proper monitoring and evaluation.

2. DPs can use a “building blocks” approach for alignment and harmonisation. Steps might include: comprehensive national reform programmes, national and local stakeholders, national funding mechanisms, capacity building programmes, technical assistance pools, etc.:

- Where country owned decentralisation strategies exist, DPs can support programmes that provide comprehensive support to all key aspects of decentralisation reforms (policy, legal, political, fiscal and human resource management). Where strategies are less developed, support should be co-ordinated within the existing “building blocks” of DLG strategies.
- A more harmonised approach to support to civil society and other actors (parliament, local government associations) should be promoted by DPs.
- DPs need to work to reduce transaction costs and use more effective divisions of labour:
 - Make full use of the DPs' comparative advantages at country level and avoid overlap; make greater use of delegated co-operation and strengthen incentives for collaborative behaviour.
 - Strengthen international division of labour e.g. by delegating selected analytical work and share ToRs, best practices and analytical work in agreed international fora.
 - Increased use of local harmonisation and alignment action plans; increased use of programme-based approaches, joint funding mechanisms (sector budget support, basket-funding) and simplified procedures.
 - Commitment to use of joint missions (all phases in the project and programme cycle) and sharing analysis.

3. Build on complementarities in the characteristics of DP organisations and strategies on aid modalities for supporting DLG, in particular with regard to the coherence with sector-specific support:

- Appoint a lead DP (or troika) on rotation to function as the key interlocutor with government on behalf of all the DP active in the field of DLG.
- Build strategic alliances and complementarities with other DPs in order to facilitate an integrated approach to the DLG "system" and increase the influence and impact on the overall system.
- DPs provide support to DLG through many types of programmes and support modalities. Some include DLG as an integral part of wider democratisation and good governance programmes. Others support broader public sector decentralisation reforms across sectors (systemic change), area based programmes or local governance programmes (local and civil society actors). DPs need to co-ordinate support programmes when they are of similar nature, and to integrate decentralisation and local governance support into wider national programmes when possible.
- DLG processes are usually ‘stop-and-go’ rather than linear. DPs therefore need to use instruments and modes of co-operation that are sufficiently flexible to adapt to the inevitable changes in the political and institutional environment, as well as to the dynamics of the reform process. Co-operation schemes should also be able to adapt to new priorities.
- Within DP organisations communication and knowledge should be improved on DLG as a cross-cutting issue. This entails dissemination and internalisation of lessons learnt and good practices for support to DLG within the concerned departments of each organisation.

- In countries where there are enough DPs to constitute a local DPWG-LGD an effort should be made to undertake peer reviews of the support from each DP. This could serve as basis not only for improvement of planned support, but also to identify possible action points for further alignment and harmonisation.

V. Management for Results and Mutual Accountability

Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making. For support to DLG this entails that DPs commit to link country programming and resources to results monitored through national and local systems, and harmonise their monitoring and reporting systems and aim for ultimate reliance on national and local systems. A major priority for partner countries and development partners is to enhance mutual accountability and transparency in the use of development resources. Support to decentralisation aims in particular to enhance local governments' accountability, and modalities for downwards, horizontal and upwards accountability.

Guiding principles:

- Monitor and report compliance with co-operation principles. Commit to investing in learning and sharing lessons learned and experiences on support to DLG.
- Focus the DLG dialogue on results, support monitoring and evaluation systems that can document these, and capacity development in the area of statistics.
- Promote mutual accountability and transparency with local partners.
- Foster exchange reciprocity among co-operation partners.

Central fields of action:

- Support the implementation of monitoring and evaluation systems of DLG reforms. Furthermore, foster information sharing, follow-up and evaluation between the central and local levels and capacity development to generate statistical information.
- There is a strong linkage between efforts to enhance local government accountability and support to civil society groups to enable the latter to take advantage of participatory opportunities. This dual focus on accountability needs promotion.
- Jointly assess mutual progress in the implementation of agreed commitments on aid effectiveness in support of DLG.

After discussions within the group for more than a year, the guiding principles were adopted on 8 November 2008.