To Enhance Aid Effectiveness:
“Specific Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation that will apply to specific country contexts”
For the informal Development Partners Working Group on Local Governance and Decentralisation

Adopted on 17 December 2009

I. Introduction: purpose and executive summary of the specific guiding principles.
After the approval of “General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation” in 2008, the DPWG-LGD has embarked upon the elaboration of “draft specific guidelines for enhancing aid effectiveness that will apply to specific country contexts.” Earlier studies have indicated that “the challenges of improving alignment and harmonisation are closely linked to two factors: i) how advanced the decentralisation process in the country is and ii) what the overall approach of government to coordination of Development Partner (DP) support is.”

The General Guidelines (GG) proposes some guiding principles and central fields of action within the frame of the five principles set forth by the Paris Declaration: ownership, alignment, harmonisation, managing for results and mutual accountability. The Specific Guidelines (SG) will cover the central fields of action under these principles, and focus on steps to be taken by the DPWG-LGD both at headquarters and at country level in order to apply the principles in a more operational manner.

Developing countries are faced with unprecedented challenges. The attainment of the Millennium Development Goals (MDGs) is lagging behind expectations, fragile gains in economic and social well-being are threatened by the deep and still unfolding global economic crisis, and the looming threat of heightened environmental vulnerabilities are becoming more evident with the release of each new finding about global warming and climate change. As central governments in developing countries increasingly face more and deeper challenges than they can manage, could local governments become more essential actors in meeting the frustratingly elusive development needs and aspirations?

Many decentralisation and local government reform efforts have been primarily driven by central governments (and sometimes development partners/donors), and they have largely been framed in terms of the formal transfer of central government powers and resources to local governments. However, there have been some efforts to place local governments in a broader and more proactive developmental role than the term “decentralisation” implies.
Since the adoption of the GG, a number of international conferences have taken place that influence the DPWG-LGD agenda, the most important being the endorsement of the Accra Agenda for Action (September 2008), and the adoption of the EC Communication “Local Authorities: Actors for Development” (October 2008)\(^i\)

In terms of DLG, the importance of the Accra Agenda for Action lies in the specification of some of the objectives of the Paris Declaration that are directly relevant for the field of DLG and in recognition of the need to broaden the concept of ownership to include multiple actors; i.e. including, besides the national government: local governments, parliaments and civil society actors. Furthermore the Accra Agenda for Action develops a clearer focus on the specific actions to apply the Paris Declaration principles, a commitment to the use of country systems and principles on how to work with fragile states.

The Accra Agenda for Action identified three major challenges to accelerate progress on aid effectiveness: (i) **country ownership is key** (ii) **building more effective and inclusive partnerships**, (iii) **achieving development results—and openly accounting for them—must be at the heart of all we do.**

The action agenda ends up with a political commitment to **design country-based action plans** that set out time-bound and monitorable proposals to implement the Paris Declaration and the Accra Agenda for Action. This global commitment to adapt the implementation of the Paris Declaration and the Accra Agenda for Action to the different country circumstances is an approach or framework to which the DPWG-LGD can and should contribute in its specific field\(^ii\).

There is an emerging consensus on the definition of decentralisation amongst the members of the DPWG-LGD and other actors, that together with advances on other topics, such as a series of OECD-DAC guidelines and principles (notably on “Good International Engagement in Fragile States & Situations” (2007) and “Donor Approaches to Governance Assessment” (2008)), allow for more joint operational orientations amongst DP.\(^iii\)

The following Specific Guiding Principles reflect a consensual approach on how the informal Development Partners Working Group (DPWG-LGD) participants can translate the adopted “General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation” into joint action. These specific guidelines are complementary to other documents and guidelines on DPWG support to DLG.

**Executive Summary of the Specific Guiding Principles:**

**Ownership:**

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<th>1. Act strategically to strengthen the national framework and key actors in fostering decentralisation and local governance</th>
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Partner country ownership is a key factor for the alignment and harmonisation of DP efforts. For DLG in particular this entails strengthening of a multi-actor ownership, recognising the leadership of central government, parliament, local governments and their national associations, civil society organisations and citizens in partner countries according to their legitimate roles and responsibilities at various levels. It also entails **consolidating legitimacy of local governments** promoting local
democracy and elected local government, applying the principle of subsidiarity and sound accountability mechanisms, and empowering civil society with a view to its active participation in the processes of local governance and decentralisation.

2. Taking the decentralisation and local governance context as a starting point

It is important for the DP to understand the specific DLG context in each country, to get an overview of trends, issues and view of the state of decentralisation and local democracy in order to develop a shared view of the response strategies that are required. Recognition of the country specific drivers and incentive structures that move the DLG processes, the constraints, risks and opportunities of the DLG processes, being fundamentally political processes, are especially important, as is enhancing ownership through joint analytical work and policy dialogue on decentralisation and local governance. This should comprise the five critical pillars or dimensions for effective decentralisation: i) a legal framework, which clearly stipulates the division of roles and responsibilities between different layers of governments; ii) financial resources adequate to undertake functions; iii) sufficient human resources; iv) effective mechanisms for local level accountability (election of local government councillors is the most basic precondition); and v) finally, all of the above needs to be supported by relevant central institutional arrangements. The Accra Agenda for Action calls for the elaboration of Country Action Plans. These should include partner country and DP’s commitments to DLG reforms and support programmes.

3. Strengthening the domestic capacity development for planning, implementing and adjusting decentralisation and local governance reforms at all levels

Much remains to be done to properly frame DP-supported capacity development activities in a coherent, long-term, institutional development strategy. Important elements are, i) avoid fragmented ad-hoc approaches, ii) adopt an ‘empowerment’ approach to institutional development that puts a premium on starting from where the local governments are, iii) focus more on the ‘demand-side’ for capacity development support. One recurrent criticism of capacity development initiatives is that they are too ‘supply-driven’ and could give more responsibilities to local structures. DP’s should be supporting and strengthening the domestic capacity to plan, implement and adjust decentralisation and local governance reforms and to achieve their objectives at all levels. Assignments of responsibilities should be in accordance with local capacities – however, without accepting some interim gaps it will in most poor countries be impossible to transfer functions. Greater focus should be placed on strengthening organizational capacity of local government units. Capacity development can be made more effective through “learning by doing”, rather than through “listening”.

Alignment:

4. Designing aligned response strategies according to the degree of ownership, commitment and political will to decentralisation and local governance

Taking into consideration the stages of maturity of the decentralisation and local governance in specific countries: Various DP studies have pointed to the need to distinguish between stages of maturity in country specific DLG processes; i) “Active decentralising countries”: countries with significant powers and functions devolved to local governments, ii) “Advanced intermediate decentralising countries”: countries with a policy framework for reform but lack of coherent operational strategies for fiscal and human resources aspects of decentralisation, iii) “Early intermediate decentralising countries”: countries with broad intentions of reform but no clear
policy on devolution, iv) “Non-decentralising countries”; countries that have yet to define a basic decentralisation policy. **Taking into consideration the degree of commitment and political will to decentralisation; Political will** is the level of commitment that the country - particularly, but not exclusively, national government leaders - demonstrates to decentralisation and the development of democratic local governance. The degree of political will can be viewed along a continuum ranging from strong to moderate to weak. **Taking into consideration the overall approach of government to coordination of DP support:** The overall approach of Partner Country governments to coordination of DP support has a direct bearing on the possibilities to enhance alignment and harmonisation and for the kind of coordination that can be established between the different types of support programmes and aid modalities in DLG support; i) PC Governments with an overall strategy for developing assistance or well-defined architecture of the coordination mechanism, ii) PC Governments that seek alignment of DP support through the promotion of a national programme for decentralisation and local governance, iii) PC Governments without an approved strategy for decentralisation and local governance, where the coordination is undertaken without an overall responsible entity, iv) PC’s with no decentralisation policies or structures to address the DLG issues specifically in coordination of DP support.

### 5. Development partners commit to ensure synergies and consistency between support to the national decentralisation framework and sector support

Ensure that sector support programmes do not run counter to decentralisation, but where possible, help strengthen such reform processes and mutually reinforce them. This is difficult in situations where there are no, or weak, decentralisation and sector policies; i) take advantage of an opening in a sector to influence decentralisation, local democratic processes, and/or local government capacity, ii) avoid applying uniform approaches to sector decentralisation, as sectors are often too diverse, iii) identify support approaches through which opportunities for a win-win situation can emerge. This may prove to be a long and bumpy path, iv) there are no universal answers on how to combine support to a ‘classical’ sector and to decentralisation, v) use a number of tools that can assist in designing sector support programmes consistent and coherent with decentralisation, vi) address the challenging problems of decentralisation of expenditure responsibilities carefully, vii) support an informed decision process on assignment of functions to local governments, viii) there are no hard and fast rules about which functions should be assigned to which level of government.

### 6. Strengthening fiscal decentralisation and local authorities financing

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. The key elements to be addressed and included in a plan and support for fiscal decentralisation are; i) expenditure assignment and autonomy, ii) revenue assignment and autonomy, iii) design of the intergovernmental transfer system, iv) provisions for fiscal discipline, v) civil service rules, vi) political accountability. **Finance should follow function** given that one cannot establish the required level of sub-national government revenues independent of an estimate of expenditure needs. Support local governments’ entitlement to some level of revenue sharing and take into account that the assignment of expenditure responsibility is a very politically charged issue. **Strengthen mobilisation and foreseeable nature of local governments’ resources** and encourage the development and the setting up of a sustainable and flexible local tax system. An **Intergovernmental Transfer System with clear objectives and mechanism for alignment** should contribute to ensure financial transfer mechanisms from the State to sub-national governments in a regular, transparent and foreseeable way; to support equalization modalities aimed at reinforcing balance and solidarity between territories; and should also take into consideration
incentives to improve capacities and services at the local level (performance-based allocations of funds). The major issue is that different types of transfers have different objectives, and it is important to sequence grant design accordingly.

**In some situations transition measures such as asymmetric decentralisation** may be a solution; the transfer of fiscal powers to local governments may or may not involve a one-off delegation of the same authority to every local government. Uniformity may not be a necessary condition for effective decentralisation. DP’s should also address the severe fiscal challenges in fragile and post-conflict situations.

**Harmonisation:**

### 7. Building on and strengthening nationally driven DLG policies with harmonised strategic responses from DP to different degrees of and commitment to decentralisation and local governance

Four main overall response strategies can be identified as common among DP, corresponding to the typologies of PC: i) In “actively decentralising countries” with country owned decentralisation strategies and political will, Development Partners are invited to fully align their strategies, approaches, funding instruments and procedures to the national framework, ii) In “advanced intermediate decentralising countries”, the task at hand will be to stimulate the emergence and consolidation of a coherent national policy on decentralisation while providing support for policy experiments with selected national and local stakeholders (within and outside government), iii) In “early intermediate decentralising countries”, response strategies will have to build on existing windows of opportunities (in sectors or at local level) and support drivers of change, iv) In “non-decentralising countries” or fragile states/post-conflict situations, focus first on creating a basic legitimacy (i.e. rule of law) and invest then in shaping the pre-conditions for a decentralisation vision through a variety of entry points and instruments. It is of critical importance to act jointly as donor community.

### 8. Implementing division of labour amongst DP’s so that the mix of support programmes and aid modalities covers the key issues and actors in the country specific DLG process

One of the drivers and commitments in the Accra Agenda is the promotion of further division of labour amongst donors. Determine the levels of decentralisation, the political will of the PC and policies towards donor coordination as these factors also influence possible response strategies, entry points and scope for alignment (to what type of policies/strategies/programmes and institutions) and for harmonisation. Then take advantage of the mix of support programmes and aid modalities in country specific DPWG’s to cover support to the key issues and actors in the DLG processes.

### 9. Harmonising approaches to DLG capacity development in sector support programmes

Capacity development for DLG and sector support programmes interaction should avoid designing capacity-development programmes from the perspective of sector needs alone. Instead, begin from a perspective that addresses the overall needs of local government as a discrete sphere of government, within which specific sector-related capacities can be developed.

### 10. Adopting incentive systems in donor agencies that work in favour of harmonisation efforts

Enhancing positive incentives and weakening negative incentives at all three levels; political, institutional and individual. At the political level of donor agencies, there has been a significant
effort by Senior Management to transmit to staff members the message that harmonisation has to be considered as a priority. At the institutional level of donor agencies, initiatives have been much less consistent. Finally, most donor agencies give limited attention to incentives at the individual level, despite their clear importance in affecting behavioural choices. Ensuring effective utilisation of harmonisation experiences at country level through strengthened links between headquarters, departments and field offices of DP. Further measures needed may vary from organisational re-structuring to the development of clear policy guidelines, or from a review of existing procedures to formal and informal individual incentives which reward practical efforts to promote harmonisation.

Managing for Results:

11. Supporting the establishment and strengthening of domestic monitoring and evaluation systems of decentralisation and local governance reforms

Two important ingredients are necessary for monitoring and evaluating local governments; i) a fiscal analysis unit, probably best located in the Ministry of Finance, with staff adequate to continuously monitor local government finances, and ii) an extensive data system that will allow quantitative monitoring and evaluation (work with national statistical offices, role of local actors and authorities in monitoring and feeding the data collection/treatment system to ensure proper production of regional/provincial data collection and information systems and follow up.)

Mutual Accountability:

12. Building on and supporting decentralisation and local governance reforms that strengthen accountability on both the supply and demand sides.

Support to decentralisation aims in particular to enhance local governments’ accountability, and modalities for downwards, horizontal and upwards accountability. DP’s should be, i) drawing on and supporting national DLG reforms setting priorities and sequencing to simultaneously empower local governments and citizens, and cover political, administrative and fiscal decentralisation aspects, ii) engaging in support to supply side local government accountability; considering political accountability, administrative accountability, and financial accountability dimensions, iii) engaging in support to demand side local accountability; considering community-driven and social accountability approaches, iv) strengthening financial local governance to increase transparency in the management of local resources.

The Specific Guiding Principles:

II. Ownership
The specific guiding principles for enhancing ownership to the DLG processes are:

Specific Guiding Principle:

1. Act strategically to strengthen the national framework and key actors in fostering decentralisation and local governance

Partner country ownership is a key factor for the alignment and harmonisation of DP efforts. For DLG in particular this entails ownership at various levels: parliament, central government, local
government, and civil society. DP support to strengthening of multi-actor ownership should therefore comprise:

- Recognising the leadership of national and local governments, civil society organisations and citizens in partner countries according to their legitimate roles and responsibilities.
- Supporting the role of parliaments and national government structures in charge of formulating and implementing decentralisation policies and strategies, particularly ensuring coordination, adequate planning and financial management, monitoring and evaluating their implementation.
- Supporting central government ministries’ shift to new roles (policy formulation, guidance, standard setting, monitoring and budget supervision) as decentralisation shifts responsibilities towards sub-national governments.
- Supporting the role of local authorities, especially in the field of dialogue and cooperation with the different levels of governments.
- Supporting the role of national associations representing sub-national (local) governments in promoting local authorities’ interests, notably by supporting their capacity development and recognizing the need of financial support.

1.1 Consolidating legitimacy of local governments

- Support legal frameworks that promote local democracy, elected local government as a specific level of government and the application of the principle of subsidiarity.
- Support accountability mechanisms of local authorities towards central government, citizens and among themselves.

1.2 Empowering civil society with a view to its active participation

- Recognize the autonomy, diversity and the roles of civil society organisations as partners in policy dialogue and interlocutors of public institutions.
- Promote active and participatory citizenship by supporting the involvement of civil society organisations in policy-making, planning, budgeting, monitoring and evaluation.
- Empowering civil society at all levels (national, local, community), with a view to its active participation in the processes of local governance and decentralisation

Specific Guiding Principle:

2. Take the local governance and decentralisation context as a starting point

It is important for the DP to understand the specific DLG context in each country, to get an overview of trends, issues and view of the state of decentralisation and local democracy in order to develop a shared view of the response strategies that are required. Recognition of the country specific drivers and incentive structures that move the DLG processes, the constraints, risks and opportunities of the DLG processes, being fundamentally political processes, are especially important. There is no single approach that can fit support to decentralisation across widely varying country situations. Solutions need to be tailored to country-specific contexts and driven by a commitment to reform at all levels of government. Even then, outcomes are sensitive to and positively associated with aspects such as sub-national government capacity and political will.
2.1 Enhancing ownership through joint analytical work and policy dialogue

A first step can be to undertake a joint situation analysis/diagnostic review in order to establish a common holistic understanding of the DLG processes and framework for coordination between national and local actors and DPs. This could be carried out with involvement of the multiple actors in DLG (national, local governments and civil society) and the DPs and should be both a specific task and a process that feeds into national Monitoring & Evaluation systems. 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: i) a legal framework, which clearly stipulates the division of roles and responsibilities between different layers of governments; ii) financial resources adequate to undertake functions; iii) sufficient human resources; iv) effective mechanisms for local level accountability (election of local government councillors is the most basic precondition); and v) 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. (See Annex 2 for details on issues to analyse and take into consideration in joint analysis and formulation of National Decentralisation Strategies, and DP response strategies).

Timing is important. It is recommended to undertake more substantial analysis of the DLG processes and the level of commitment and political will in connection with national and local elections, in order to take into account the electoral cycles and align and harmonise with actual policies and plans of current authorities at national and sub-national levels, and not formal agreements signed by former authorities.

The DLG analysis can draw on general context analyses which are available from local sources (universities, think-tanks, media analysts) or from donors. When partner countries (PCs) and DPs undertake joint analytical work (situation analysis/diagnostic review) it is the right time to carry out a ‘reality check’. This implies, first of all, undertaking a solid political and institutional assessment of the country (regional) context. This goes beyond an analysis of the formal aspects and main trends of the decentralisation process. The task at hand is rather to adopt a political economy approach to understanding decentralisation.

How can development partners willing to support decentralisation cope with the need for an integrated approach? And how can partner countries be involved? The way forward lies in adopting an ‘open systems’ perspective on decentralisation and local governance processes. This enables those involved to see the global picture and understand that decentralisation processes consist of different interacting and interdependent elements embedded in a particular political and societal context and influenced by regional and international trends.

The dialogue between national and local actors and DPs should reflect on the current status of the five critical pillars above. Even more important, the dialogue should build on a national debate or discussion that has identified the primary objectives of decentralisation:

- A national decentralisation strategy should ideally outline a vision of reforms and elements of an operational strategy for achieving these. The issue of sequencing and implementing a
decentralisation programme, and the different risk scenarios and possible consequences attached to policy choices should be part of the dialogue.

- Some of the main challenges for ownership have been the lack of active involvement of the parliament including the political parties, and within central government of the whole cabinet and sector ministries. The involvement of all key actors in dialogue should be sought.

- Another challenge has been that DP’s do not always act fully in compliance with national decentralisation reform objectives and continue to support (sector and other) outside of the agreed strategic framework. Hence there is need for strong initiatives, both from government and DPs, to ensure sufficient “buy in” to the overall decentralisation framework and secure ownership.

- Dialogue is also 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.

- The Accra Agenda for Action calls for the elaboration of Country Action Plans. These should include partner country and DPs commitments to DLG reforms and support programmes.

**Specific Guiding Principle:**

| 3. Strengthening the domestic capacity development for planning, implementing and adjusting decentralisation and local governance reforms at all levels |

In many ways the issue of lack of capacity at the local government level is a “chicken and the egg” dilemma. Decentralisation may not take place because of the lack of capacity, but capacity has never developed because there never has been any meaningful degree of decentralisation. The recommended approach to this issue is a pro-active policy that combines capacity training and asymmetric measures with progressive devolution of responsibilities and financing instruments. It does not make much sense to wait for decades, as in some countries, for the capacity to appear at the local level. At such a pace local governments may never be ready. But the need for resources and a strategy may not be the main obstacle to developing capacity at the local level; rather, the problem may be entirely political.

- **Avoid fragmented ad-hoc approaches.** Much remains to be done to properly frame DP-supported capacity development activities in a coherent, long-term, institutional development strategy. Specific areas of attention include the need to (i) fully integrate the political nature of capacity development; (ii) respect the legitimate role of the different local actors throughout the project cycle (e.g. in the division of roles between central and local governments); (iii) combine support to government agencies and civil society actors; (iv) to improve methods and tools used to induce organisational change (e.g within local governments).

- **Adopt an ‘empowerment’ approach to institutional development.** In cases where such an approach has been adopted, this has led to impressive achievements in building local government capacity. In practice, it puts a premium on (i) starting from where the local governments are (rather than imposing standard formula for planning and management); (ii) accepting that capacity development emerges from a change process that will be incremental, unpredictable and risky; (iii) applying basic qualification criteria (willingness to change); (iv) injecting discretionary capital funds into local governments (so as to promote learning by doing); (v) incentives for good performance and penalties for poor or non-performance; and (vi) medium to long-term horizons
• Focus more on the ‘demand-side’ for capacity building support. One recurrent criticism of capacity development initiatives is that they are too ‘supply-driven’ (i.e. primarily conceived, designed and implemented by donor agencies). The need to better map and prioritise the ‘demand side’ for capacity development is now widely recognised. The task at hand is to transfer responsibility for identifying capacity needs to the actors themselves (e.g. local governments). In cases of recent DLG processes, supply offerings must also be made available. One approach could be a flexible mix of supply and demand oriented to the specific situation and permitting joint determination (by trainer and trainee) of the goals of the measure.

• Give responsibilities to local structures. DP’s have committed to reduce and finally abolish Project Implementation Units and shift to a more diverse set of technical and management support. Questions which go along with this policy are to what extent the support can be provided through existing (government) institutions and whether there is a need to (temporarily) work through other structures attached or even outside an institution.

3.1 Support and strengthen the domestic capacity to plan, implement and adjust decentralisation and local governance reforms and to achieve their objectives at all levels
Assignments of responsibilities should be in accordance with local capacities – however, without accepting some interim gaps it will in most poor countries be impossible to transfer functions. It should also be acknowledged that LG capacity can be developed along the principle of “learning by doing” and that capacity can be enhanced when responsibilities are being transferred.

• Place greater focus on strengthening organizational capacity of local government units and deploying additional methods of knowledge and skills transferring such as learning by doing backed by coaching and mentoring as a means to promote substantial changes to workplace performance or enhanced development capacity of target institutions.

• Make capacity development more effective through “learning by doing” rather than through “listening”. There is an emerging consensus that decentralisation can, in itself, be the best way to build local capacity. Actually, it is even argued that the citizen oversight made possible by decentralisation can be an important incentive to actively improve capacity.

III. Alignment
The specific guiding principles for enhancing alignment of DPs to the DLG national and local policies, plans and strategies and key actors at all levels are:

Specific Guiding Principle:

| 4. Design aligned response strategies according to the degree of ownership, commitment and political will |

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, or can be, aligned to legal frameworks, national strategies and policies, and is based on existing country institutions, systems and procedures differs greatly from country to country.

4.1 Taking into consideration the stages of maturity of the decentralisation and local governance in specific countries
A country’s local governance tradition reflects the nature of the local system - not only as it exists on the ground today, but also as it has developed over decades past. This calls for a close reading of the country’s history of local governance. Traditions, moreover, tend to change quite slowly. Unlike
the rapid shifts that can occur with respect to political will, one is unlikely to see major new developments in the tradition of local governance for some time. Consideration must also include ethnic, indigenous, or other traditional forms of governance that may influence or even substitute the formal local government structure.

Other important dimensions that should be considered when assessing the level of decentralisation and political will are that they must be applied to specific conditions of State form (federal, regionalized or unitary), with different State traditions (for example, Napoleonic, Germanic or Anglo-Saxon, as well as traditions found in Asia, or the Arab world). To some extent this refers to different traditions shared by the great geographic/cultural regions of the world: Africa, Asia, Middle East, Latin America, Eastern Europe, but the differences in the regions are numerous – given the state traditions and post-colonial development.

To this should be added that for the first time in history, more people are now living in urban than in rural areas. This has implications for the DLG processes and challenges to PC and DPs. Projections show developing countries having 80 per cent of the world’s urban population by 2030, with Africa and Asia hosting almost seven out of ten urban inhabitants in the world. Metropolitan governance will be a major challenge to tackle in DLG processes.

A basic typology is constructed by looking at the duration/stages of maturity of the decentralisation process. The following proposal to distinguish between stages of maturity builds on various DP studies:

- **Group 1, “Active decentralising countries”**: countries with significant powers and functions devolved to local governments; that are moving towards a more sophisticated implementation approach, trying to address more sensitive issues such as fiscal decentralisation, coherence between political decentralisation and deconcentration and mainstreaming local government participation in policy processes. The PC has a legal framework for decentralisation that has devolved or delegated responsibility and authority for service delivery to local governments and has established institutional arrangements for decentralisation, although these may be weak.

- **Group 2, “Advanced intermediate decentralising countries”**: countries with a policy framework for reform but lack of coherent operational strategies for fiscal and human resources aspects of decentralisation; that are having difficulties in implementing an initial package of decentralisation measures. The PC has decided to decentralise and/or has a policy or law but does not have institutional arrangements in place.

- **Group 3, “Early intermediate decentralising countries”**: countries with broad intentions of reform but no clear policy on devolution; that are starting up the implementation of their decentralisation policy, focusing on activities such as establishment of an adequate legal framework and pilot experiences with local and regional governments; and countries that are focusing on administrative deconcentration.

- **Group 4, “Non-decentralising countries”**: countries that have yet to define a basic decentralisation policy.

**4.2 Taking into consideration the degree of commitment and political will to decentralisation**

This second approach complements the first and categorises countries according to levels of commitment to decentralisation and local governance as perceived by different actors and triangulated with other sources of information. Four broad types can be distinguished. For each, it is possible to provide equally broad overall response strategies (within each of these broad categories, country-specific approaches are still necessary).
**Political will** is the level of commitment that the country - particularly, but not exclusively, national government leaders - demonstrates to decentralisation and the development of democratic local governance. The degree of political will can be viewed along a continuum ranging from strong to moderate to weak.

**Strong political will** is generally characterized by:
- A clearly stated desire to reform by the government and key non-governmental actors
- Enactment of laws (constitutional, regulatory, or otherwise) to carry out those reforms
- Implementation of the laws

**Weak political will** is generally characterized by:
- Lip service given to the need for and importance of decentralisation
- Vested interest in the status quo by government and other key actors
- Little or no promulgation of laws granting authority and resources to local government
- Virtually no implementation of laws that may have been passed

Political will is also measurable when undertaking an “actor mapping”. Decentralisation needs to be understood as a multi-actor process. Clarity needs to be achieved about the comparative advantages of working with different actors. A principal step here is the actor analysis, which ideally is completed before the identification phase of a joint programme or a National Decentralisation Strategy is terminated.\(^\text{15}\)

### 4.3 Taking into consideration the overall approach of government to coordination of DP support

The overall approach of PC governments to coordination of DP support\(^\text{16}\) has a direct bearing on the possibilities to enhance alignment and harmonisation and for the kind of coordination that can be established between the different types of support programmes and aid modalities in DLG support. Alignment and harmonisation can be facilitated by partner country governments and DPs engaging in the elaboration of an overall strategy for development assistance (Joint Assistance Strategy) and implementation of the Accra Action Plans. DLG also needs 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. The main approaches can be divided into the following types:

1. **Partner Country Governments with an overall strategy for developing assistance** (e.g. JAS, which is not very common) or well-defined architecture of the coordination mechanism.

2. **Partner Country Governments** that seek alignment of DP support through the promotion of a national programme for decentralisation and local governance, where the issue of central institutional arrangements and coordination is adequately tackled (responsibilities at central government/state level for the process are identified and assumed). This resembles a SWAP coordination mechanism and situation.

3. **Partner Country Governments** without an approved strategy for decentralisation and local governance, where the coordination is undertaken around i.e. deconcentration initiatives, area-based initiatives, different, but uncoordinated ministries, that attend different aspects of the DLG process, but without a clear national champion or overall responsible entity. In this situation the existence of a strong LGA is a good point of entry for coordination effort too.
4. Partner Countries with no decentralisation policies or structures to address the DLG issues specifically in coordination of DP support.

**Specific Guiding Principle:**

**5. Development partners commit to ensure synergies and consistency between support to the national decentralisation framework and sector support**

- *Ensure that sector support programmes do not run counter to decentralisation,* but where possible, help strengthen such reform processes and mutually reinforce them. This is difficult in situations where there are no, or weak, decentralisation and sector policies. But even where such policies exist, there is seldom an easy link to be found for coherent support. ‘Classic’ sector programmes are generally designed with a poverty-reduction aim in mind, such as reducing child mortality or increasing school enrolment. In capacity-weak environments, and where needs are acute, there is pressure to deliver from the centre and through the centre’s representatives in the regions and districts. This may collide with decentralisation policies, which place emphasis on the gradual and time-consuming creation of structures, systems and accountability relationships at lower levels of government and society.

- *Take advantage of an opening in a sector to influence decentralisation,* local democratic processes, and/or local government capacity. Sector programme support is often one of the main entry points for DPs working with decentralisation. Activities in health care, education, or environmental reform, for example, lead to opportunities to work with local and national government officials, to improve local service provision, and to involve sector-based NGOs in local affairs. The impetus for programming may differ, but the result is the same: improved democratic local governance and a stronger national democratic system.

- *Avoid applying uniform approaches to sector decentralisation,* as sectors are often so diverse that no uniform approach to sector decentralisation can be applied, neither within a country towards different sectors, or across countries towards the same sectors.

- *Identify support approaches through which opportunities for a win-win situation can emerge.* This may prove to be a long and bumpy path. There are no universal answers on how to combine support to a ‘classical’ sector and to decentralisation. First experiences indicate that much depends on the country context, particularly the political commitment, the maturity of sector development and the focus of the decentralisation policy. Whether intergovernmental instruments exist or not and the quality of these is also a factor, including the existence of effective financial management systems through which a central government can link with the local level and the quality of policy dialogue.

- *Use a number of tools that can assist in designing sector support programmes consistent and coherent with decentralisation.* The involvement of Development Partners in poverty-related sectors like health, education and water, provides the opportunity to translate overall policy commitments associated with decentralisation into concrete operations at a sector level. Where decentralisation processes need to be taken into account, a decision should be taken in favour of an appropriate support modality, i.e. a project approach or a sector...
support programme. In many cases conditions are not yet in place for a full-fledged sector support programme.

- **Address the challenging problems of decentralisation of expenditure responsibilities carefully.** First, the decentralisation of expenditure responsibilities needs to be implemented in the context of reformed national sector laws (e.g., Education Law, Health Law, etc.). This will lead to redefinition of the role to be played by line ministries and other central government sectoral policies with decentralisation policy generally leads to confrontations between agencies at different levels of government, confusion in expenditure assignment, and inefficient outcomes. Second, subnational governments must have the capacity to deliver the newly assigned services or to develop the new skills to do so. The risk is that service quality may deteriorate when local governments are climbing the learning curve.

- **Support an informed decision process on assignment of functions to local governments.** There are no hard and fast rules about which functions should be assigned to which level of government. Expenditure assignment decisions should be based on a careful unbundling of each function into sub functions, and for concurrent functions, the identification of attributes for regulation, financing and implementation, and then on analysis of the viability of each as a central, state or local responsibility. Policy analysts, international donors, and central ministries should not shy away from this difficult analytical task.

**Specific Guiding Principle:**

| 6. Strengthen fiscal decentralisation and local authorities financing |

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. Fiscal decentralisation involves more than what are traditionally thought of as fiscal issues. The electoral system and other forms of accountability, the civil service and a number of other institutional arrangements are arguably as important to assuring the success of fiscal decentralisation as are the taxing and spending components. A “oneoff” piecemeal reform, encompassing only one element of the system (e.g., central government revenue sharing with local governments), is not likely to fully capture the benefits of decentralisation. In fact, it can lead to undesirable outcomes, including larger central deficits and macroeconomic instability.

The key elements to be addressed and included in a plan and support for fiscal decentralisation are:

- expenditure assignment and autonomy
- revenue assignment and autonomy
- design of the intergovernmental transfer system
- provisions for fiscal discipline
- civil service rules
- political accountability

Getting all the pieces of the fiscal decentralisation puzzle on the table gives the best chances for success. Making the pieces fit together is the sufficient condition. The international practice shows there is no single best approach to sequencing fiscal decentralisation and that one formula will not produce the same results in every country.
An important ingredient for the success of (fiscal) decentralisation is a coalition of strong advocates. These advocates, or champions, will keep decentralisation in the centre of the national debate and will work to develop the coalitions necessary to enact a decentralisation policy.

6.1 Finance Should Follow Function
Finance should follow function given that one cannot establish the required level of subnational government revenues independent of an estimate of expenditure needs. If finance does not follow function it becomes difficult to effectively impose a hard budget constraint at the subnational level if there is an insufficient revenue assignment. Examples abound of local governments being given expenditure responsibilities and mandates that exceed their assigned revenues. A third argument for finance to follow function; the economically efficient assignment of revenues requires a prior knowledge of expenditure assignment. For example, services that may be priced (public utilities, bus transportation) should be largely financed by user charges; general services with a local area benefit zone (roads, parks) should be financed with local taxes; and goods characterized by significant externalities should be financed from region-wide taxes and intergovernmental transfers.

- Support local governments’ entitlement to some level of revenue sharing. Revenue sharing is clearly more attractive than being assigned expenditure responsibilities for which there may or may not be adequate funding. A positive argument for starting the process on the revenue side is that the assignment of revenue to local governments may dampen the resistance of line ministries to the expenditure reassignment that will follow. Once the funds to support certain functions have been transferred, there may be less of a rationale for line ministries to argue to keep control over direct delivery.

- Take into account that the assignment of expenditure responsibility is a very politically charged issue. Giving local government significant control over the expenditure budget reduces the control that can be exerted by the line ministries and shifts the balance of power away from the centre. Moreover, once decentralized to local governments, expenditures are not so easily controlled or “called back.” Revenue assignment, as practiced in most developing countries, is a less permanent proposition: local tax rates can be limited or subject to approval, intergovernmental transfers to local governments might not be delivered as promised, and all borrowing might be subject to central government approval.

6.2 Strengthen mobilisation and foreseeable nature of local governments’ resources

- Foster the sustainable mobilisation of their own resources by local authorities, in connection with the relevant services.
- Encourage the development and the setting up of a sustainable and flexible local tax system, using different types of resources, adapted to territorial specificities and new economic realities, and consistent with national tax system.
- Strengthen local governments’ ability to negotiate external resources: development projects, implication in sector programmes, and access to financial market. Take into account, within the framework of local budget elaboration, the forecasting of project support led by all the development partners.

6.3 Intergovernmental Transfer Systems with clear objectives and mechanism for alignment
Contribute to ensure financial transfer mechanisms from the State to subnational governments in a regular, transparent and foreseeable way; and to support equalization modalities aimed at reinforcing balance and solidarity between territories.

There are many different kinds of intergovernmental transfer systems, and they have many different types of impacts on local government finances. Some stimulate local spending, some are substituted for local revenue effort, some are equalizing, and some lead to more local government fiscal autonomy than others. Countries too often enter into the process of grant design without clear objectives for what the transfer system is to accomplish. The right order of policy formulation is to first ask and answer the question about which of many possible objectives the intergovernmental transfer system is to accomplish, and then to design the reformed system.

The major issue is that different types of transfers have different objectives, and it is important to sequence grant design according to these objectives:

- Reconcile the difference between the assignment of expenditure responsibility and the assignment of revenue raising powers. This vertical balance goal of transfers is arguably the first job to take care of in designing the transfer system.
- Implement conditional grants in grant system design for those functions of national/regional importance where it is feared that under-provision might take place without assistance.
- Equalization grants should be designed to address the horizontal imbalances that result after the first two pieces of the transfer system are designed.
- Take into consideration incentives to improve capacities and services at the local level (performance-based allocations of funds)

Often, countries do not design their intergovernmental transfer systems in such a rational way. There will be a need for DP dialogue, analytical work and technical assistance in order to allow for DP support to contribute to relevant transfer objectives, and for mechanisms that permit General and Sector Budget Support to be channelled to Local Governments using the national formulas for distribution of transfer grants.

**6.4 Applying transition measures if needed: Asymmetric Decentralisation**

The transfer of fiscal powers to local governments may or may not involve a one-off delegation of the same authority to every local government. Governments in many countries believe that there must be a uniform intergovernmental fiscal system under which all subnational governments must operate. If all subnational governments have the same expenditure responsibilities and revenue raising powers, management of the system and evaluation of its success is much easier. Moreover, there is no hint of political favouritism as ad hoc differentiation among local governments is not permitted. Uniform symmetrical systems seem fairer.

- Uniformity may not be a necessary condition for effective decentralisation. In fact, a better route may be to begin fiscal decentralisation with the larger local government units and to let the smaller ones “grow into it.” Sub-national governments have very different capabilities to deliver and finance services. It may be necessary to set up a system where these differences are explicitly recognized, i.e., where different local governments are given different financing powers and expenditure responsibilities. In countries that choose this route, it is necessary to have a clear set of rules about when a local government graduates from one status to another, and to have systems in place for training, and so on, that allow local governments to graduate faster if they so desire.
• **Address the severe fiscal challenges in fragile and post-conflict situations.** Some of the challenges include: lack of skilled cadres, destroyed tax bases, weak organisations and institutions, and massive public spending needsxxi.

### IV. Harmonisation

The General Guiding Principles already established a series of quite operational guidelines for enhancing harmonisation under its central fields of DP action. These can be complemented and/or reinforced by the following Specific Guiding Principles:

**Specific Guiding Principle:**

| 7. Building on and strengthening nationally driven DLG policies with harmonised strategic responses from DP to different degrees of and commitment to decentralisation and local governance |

Four main overall response strategies can been identified as common among DP, corresponding to the typologies of PC.

1. In “actively decentralising countries” with country owned decentralisation strategies and political will: Development Partners are invited to fully align their strategies, approaches, funding instruments and procedures to the national framework.
   - DPs can support programmes that provide comprehensive and harmonised support to all key aspects of decentralisation reforms (policy, legal, political, fiscal and human resource management).
   - Also support development of management capacities at central and local level and adjustments of institutional arrangements during implementation of National Decentralisation Strategies, fiscal reforms to balance local revenue and fiscal transfer systems.

2. In “advanced intermediate decentralising countries”, the task at hand will be to stimulate the emergence and consolidation of a coherent national policy on decentralisation while providing support for policy experiments with selected national and local stakeholders (within and outside government)
   - Assisting central level authorities to implement, monitor and evaluate decentralisation policies and their impacts on poverty and public service delivery.
   - Supporting fiscal decentralisation (this is strategic when some basic legal framework and LG responsibilities are in place)
   - Developing capacities for effective local government
   - Supporting inter-municipal cooperation
   - Promoting local accountability and community empowerment
   - Assisting central government to coordinate donor support for decentralisation

3. In “early intermediate decentralising countries”, response strategies will have to build on existing windows of opportunities (in sectors or at local level) and support drivers of change.
   - Supporting the design of national decentralisation policies and building the related capacities (support LGAs and/or mechanisms for representation of LGs in policy dialogue)
4. In “non-decentralising countries” or fragile states/post-conflict situations. Focus first on creating a basic legitimacy (i.e. rule of law) and invest then in shaping the pre-conditions for a decentralisation vision through a variety of entry points and instruments. It is of critical importance to act jointly as donor community. If no formal coordination structure exists among DPs working on decentralisation and local governance in a country, such a forum should be set up. All relevant DPs, including DPs working with decentralisation within specific sectors, should be invited.

- Support advocacy for public administration reform and decentralisation (policy dialogue, support to national policy research centres)
- Stimulating the demand side for reforms (general public, municipalities, NGO’s and private sector)

For the countries in the categories with limited commitment to promote decentralisation and enter into dialogue with DPs, where the process is recent, the following steps could be taken:

- If you cannot align, then harmonise: if the national government is not interested in any alignment at all, the DPs could still move forward regarding the harmonisation process, using the general guidelines to harmonise support to key institutions, financial management, reviews, audits, etc.
- Although only few advances may be made within the five critical pillars for decentralisation, these few advances could be used as the first “building blocks” for harmonisation, e.g. a common approach to fiscal decentralisation.

For the countries in the categories with stronger commitment, one or more roundtables should be promoted for dialogue, a road map for alignment and harmonisation should be agreed, and the principles from the General Guiding Principles on alignment and harmonisation applied.

For all categories of countries the following elements can be relevant:

- Start up a dialogue with stakeholders without waiting until all DPs commit themselves to Alignment and Harmonisation (A&H).
- Evaluate periodically the progress made by DPs toward harmonisation (and conduct peer reviews).
- Require each DP to draw up A&H strategies that include coordination between general DLG support and sector programme support, though each is free to make decisions.
- Harmonise support to civil society participating in processes of decentralisation and local governance. Basket funds for support to civil society with national management and governance structures have shown good results and could be replicated and expanded.
- It is difficult to achieve a common technical assistance plan, but this would represent a great step forward.
- The establishment of joint monitoring, evaluation and audit mechanisms is a key issue.

**Specific Guiding Principle:**

8. Implement division of labour amongst DPs

One of the drivers and commitments in the Accra Agenda is the promotion of further division of labour amongst donors. The EU Code of Conduct on Division of Labour in Development Policy (2007) has set ambitious goals that should lead to reducing the number of active donors in a particular sector to a maximum of three. The implementation of this Code of Conduct will be an
important driver for a leaner aid architecture in the coming years. The presence of EU in strategic sectors points to more use of lead donorship arrangements and delegated cooperation/partnerships, as EU donors concentrate their activities in-country on (two) focal sectors. The principle of establishing priority countries and reinforce geographical focus will push for coordination amongst DP as to which countries and then sectors will be covered by the different DP. It will be an obvious challenge for the DPWG-LGD in the coming years to ensure that priority is given to support for DLG processes in PCs with sufficient demand and conditions, and contribute to coordinate the response from DPs.

Once the level of decentralisation, the political will of the PC and policies towards donor coordination have been determined, a mapping should be undertaken of the approaches and aid modalities used by the DPs. These factors also influence possible response strategies, entry points and scope for alignment (to what type of policies/strategies/programmes and institutions) and for harmonisation.

Take advantage of the mix of support programmes and aid modalities in country specific DPWG’s to cover support to the key issues and actors in the DLG processes: Earlier studies commissioned by the DPWG have identified different approaches and modalities used in DPWG members support to LGD. The results of the DPWG-LGD Survey 2006 showed that the main part of aid to DLG was given in the form of project aid. The study did not cover the support given to decentralisation (DLG) through sector support programmes, but the resources invested locally through sector support are estimated to be the most substantial part of investment at local level. Most donors have included some support to DLG in their sector support programmes.

The main types of support programmes through which DPs finance DLG processes are:
- General Public Sector Reform programmes
- Good Governance programmes
- Decentralisation (system)
- Sector support programmes (with some support to DLG considered)
- Local Governance (LG and non state actors)
- Area-based support (territory and multi-actor)

General Public Sector Reform programmes and Good Governance programmes can address some of the accountability issues at national and local levels by engaging with and strengthening the parliaments and other supervisory and oversight bodies (Auditor General, Anti-corruption Committees, Ombudsman’s Offices, Public Service Commission (national and LG), human rights bodies etc.). Decentralisation system support programmes will be needed in all country categories in order to ensure a holistic strengthening of all levels of government and key actors, and complement sector support. A recent WB evaluation thus found, that sector level efforts to decentralise education services were not usually sustained or effective unless they were designed and implemented at the country level within a broad decentralisation framework. Area-based support may be of special relevance when the objective is to reach poorer geographical regions, or when no equalizing transfer system is in place. Programme approaches such as SWAPs and budget support (general and sector) have in-built characteristics that make their adoption particularly advantageous for promoting harmonisation. This, however, should not lead to the argument that efforts to harmonise and align project aid are unimportant or destined to fail. The most common aid modality is still project aid. In relation to DLG processes, project aid may be more flexible when it comes to contingency situations (imperfections in transfer mechanisms, asymmetric decentralisation, pilot projects).
Specific Guiding Principle:

9. Harmonise approaches to DLG capacity development in sector support programmes

9.1 Capacity development for DLG and sector support programmes interaction

- Avoid designing capacity-development programmes from the perspective of sector needs alone. Instead, begin from a perspective that addresses the overall needs of local government as a discrete sphere of government, within which specific sector-related capacities can be developed. The more immediate needs of the various sectors to improve service delivery need to be combined with investments in a more holistic institutional transformation process that goes beyond managerial considerations, and which also takes account of the needs of other local development actors.

- Focus capacity development support for local government on enabling their participation in national policy discussions, effective and efficient local delivery of services, and development as accountable and transparent democratic institutions, and facilitating partnerships with non-state actors.

- Develop the capacities of sector ministries to effectively interface with local authorities and in particular strengthen capabilities for policy coordination and dialogue, programme monitoring, financial control and technical mentoring.

- Envisage the earmarking of sector funds for non-state actor involvement in service delivery at a local level in response to concerns that sector-support programmes often have the effect of limiting their participation.

- Earmark capacity development support for non-state actors to enable them to play a more effective role.\textsuperscript{xiii}

Specific Guiding Principle:

10. Adopt incentive systems in donor agencies that work in favour of harmonisation efforts

10.1 Enhancing positive incentives and weakening negative incentives at all levels

At the political level of donor agencies, there has been a significant effort by Senior Management to transmit to staff members the message that harmonisation has to be considered as a priority. These efforts have taken different forms, from high-level statements to requests for regular reporting, to the organisation of specific events and the dissemination of personal messages, brochures and material. External political factors can however limit some agencies’ capacity to consistently deliver on its commitments. Politicians concerned with visibility tend to show limited support for the harmonisation agenda. NGOs and private sector lobbies are often concerned with losing some of their sources of funding. Where partner governments do not show enough commitment and leadership, harmonisation efforts may have limited scope. Therefore, political factors already highlight some of the contradictions that exist in fostering incentive systems which are favourable to harmonisation.

At the institutional level of donor agencies, initiatives have been much less consistent. A number of agencies have undergone a process of gradual decentralisation of resources and responsibilities to country offices. Often, however, this has not been matched by sufficient support and guidance from headquarters on defining and disseminating policy guidelines which clarify when and how to engage in harmonisation at country level. Agencies have tended to rely instead on a ‘pilot-based
system’ which has created lots of valuable experience but limited useful internal learning. Harmonisation units/focal points have been created in most agencies, but many of these lack the resources and status to really make a difference and influence general policy directions. Progress on reviewing internal rules and procedures in order to make harmonisation simpler in practice has been very uneven. Also, limited effort has been put into tracking and monitoring harmonisation efforts in a systematic and consistent way, with collection of information often more linked to external reporting needs rather than internal management purposes. It is clear that despite strong messages from Senior Management, the lack of an institutional framework which renders harmonisation not only easier, but almost necessary can create conflicting incentives that undermine harmonisation efforts.

Finally, most donor agencies give limited attention to incentives at the individual level, despite their clear importance in affecting behavioural choices. Recruitment policies, performance assessment and promotion systems hardly ever include any mention of harmonisation as a criterion to be taken into account in weighing or rewarding individual characteristics or behaviour. On the other hand, training initiatives which include modules and topics on harmonisation have been undertaken by some of the agencies involved and are bound to grow. Also, informal incentives are present in some cases, either through peer recognition or ‘harmonisation awards’. These are often seen as very important by staff and should not be underestimated. However, if the perception persists that at crucial points (e.g. when promotion decisions are made) other criteria take precedence over harmonisation efforts, individuals may again face conflicting incentives when deciding on their best course of action.

10.2 Strengthen links between DP headquarters, departments and field offices
There is a degree of disconnect between the high-level declarations and commitments, and the challenges related to turning these commitments into effective additional ‘signals’ at lower levels of the organisation, which can bring individual behaviour in line with harmonisation objectives. Further measures needed may vary from organisational re-structuring to the development of clear policy guidelines, or from a review of existing procedures to formal and informal individual incentives which reward practical efforts to promote harmonisation. All agencies involved have adopted some initiatives at different levels, but hardly in any case do these amount to a coherent strategy for ensuring that internal incentive systems are fully compatible with the predicaments of harmonisation.

In DPs with numerous departments or complicated procedures, it is necessary to focus on strengthened institutional arrangements within the DP (e.g. “One UN”) to ensure that an integrated view underpins DP interventions, particularly those based on sector-specific entry points.

VI. Management for Results

Specific Guiding Principle:

11. Support the establishment and strengthening of domestic monitoring and evaluation systems of decentralisation and local governance reforms

Typically, central and state governments in most developing and transition countries are not up to the task of monitoring and evaluating local governments. Two important ingredients necessary to this job are i) a fiscal analysis unit, probably best located in the Ministry of Finance, with staff adequate to continuously monitor local government finances, and ii) an extensive data system that
will allow quantitative monitoring and evaluation (work with national statistical offices, role of local actors and authorities in monitoring and feeding the data collection/treatment system to ensure proper production of regional/provincial data collection and information systems and follow up.) Other ingredients to strengthen national and local M&E systems and management for results include:

- Develop an integrated assessment framework for the political, administrative and service delivery elements of decentralisation including the institutional and inter-governmental arrangements;
- Develop appropriate result indicators for pro-poor DLG outcomes that can be derived from the assessment framework;
- Consider extending the sub-national government PEFA Performance Measurement Framework for the decentralisation assessment;
- Where a general budget support mechanism exists, decentralisation should be mainstreamed into the performance assessment framework.
- Take due notice of information generated by general governance assessment tools, that in several cases include decentralisation and local government issues.
- National platforms with “single windows” for all programs/projects at local level, or local steering committees should include and provide leadership at local level to local actors.

VII. Mutual Accountability

Specific Guiding Principle:

**12. Strengthen accountability on both the supply and demand sides of decentralisation and local governance reforms**

A major priority for partner countries and development partners is to enhance mutual accountability and transparency in the use of development resources. This entails both accountability and transparency between partner countries and development partners concerning aid and its results, as laid out in the Accra Agenda for Action, and domestic accountability mechanisms. Support to decentralisation aims in particular to enhance local governments’ accountability, and modalities for downwards, horizontal and upwards accountability. Another avenue is to strengthen the demand side of decentralisation and local governance through institutions (parliaments, supervisory bodies) that have a role to play in ensuring two key components in accountability: **answerability**, the obligation of government and service providers to justify their decisions, and **enforceability**, the existence and use of mechanisms for correcting poor behaviour or abuse of power and resources.

**12.1 Drawing on and supporting national DLG reforms setting priorities and sequencing to simultaneously empower local governments and citizens**

Building appropriate local governance structures requires bridging the supply and demand side so that local governments can be downwardly accountable to citizens. A precondition for downward accountability is to simultaneously empower local governments and citizens. Public accountability mechanisms safeguard against misuse and abuse of local discretion, but they have imperfections. New forms of social accountability mechanisms, which enable direct engagement of citizens with government, emerge to complement public accountability mechanisms. Public and social accountability approaches must be bridged and encouraged to ensure that citizens have the ability and opportunity to demand accountability and that local government have the means and incentives to respond to citizen demands for accountability and better service delivery.
12.2 Engaging in support to supply side local government accountability
A strengthening of the supply side implies addressing issues in the DLG reforms and in support programmes such as: local council oversight, electoral accountability measures (i.e. recalls, campaign financing, independent candidates), bureaucratic hierarchy, civil service rules, procurement practices, local public financial management (planning, budgeting, reporting, internal control/audit, external audit), improvement of data availability on local public management.

12.3 Engaging in support to demand side local accountability
A strengthening of the demand side implies addressing issues in DLG reforms and support programmes such as: civil society participation in participatory planning, budgeting, expenditure tracking, monitoring and evaluation, management of projects, citizen access to information and feedback for services (social audits, report cards).

12.4 Strengthening local financial governance
- Accountability to local voters is perhaps the most crucial element of a decentralised system, and the one that ties together all the other components of decentralisation design. Local governments’ expenditure and revenue autonomy are more likely to be put to good use (benefiting local citizens/voters) when local government officials are accountable to their local constituencies.
- Support the local governments’ capacities to settle expenditure priorities developed on the basis of information and dialogue among local actors.
- Strengthen a transparent mechanism of local governments’ engagement and expenditures’ payments channels by setting up accounting engineering and the development of capacities of a skilled staff.

END of Specific Guidelines
Annex 1. The five critical pillars or dimensions for effective decentralisation

The dimensions and issues listed below should be considered the basic elements of a coherent long-term programme to build decentralisation as a government reform process aiming at improving local service delivery and governance. These are also the critical pillars or dimensions for the joint situation analysis.

1. **Legal, constitutional and policy dimensions. A legal framework**, which clearly stipulates the division of roles and responsibilities between different layers of governments. The main issues to analyse are:
   - Historical development and context
   - Basic legal and enabling framework
   - Overall division of tasks and functions
   - Governments’ decentralisation objectives

Only if clear and significant responsibilities are assigned to local governments can they play a significant role in poverty alleviation. Assignments of responsibilities should be in accordance with local capacities – however, without accepting some interim gaps it will in most poor countries be impossible to transfer functions. It should also be acknowledged that LG capacity can be developed along the principle of “learning by doing” and that capacity can be enhanced when responsibilities are being transferred.

2. **Administrative and political dimensions.** The main issues to analyse are:
   - Overall structure of the system of Local Governments (number, layers, etc.)
   - Political structure of LGs
   - Oversight institutions and functions
   - Role of the associations of local authorities
   - Role of the statutory bodies

Effective mechanisms for **local level accountability** – election of local government councillors is the most basic precondition: However, in several countries even this element is only partially fulfilled. Effective local accountability will also require citizens and politicians’ access to information, institutional arrangements for politicians’ oversight of planning, finances, staff; and be influenced by political structures, civil society organisations among others and conducive procedures and systems for active involvement of the citizens. Systems should be put in place to ensure a simultaneously strengthening of the up-up-wards (central government monitoring and supervision, reporting etc.) and down-wards accountability (vis a vis the citizens).

3. **Fiscal dimension.** The main issues to analyse are:
   - Assignment of expenditures (profile and trends)
   - Assignment of revenues (composition, type, etc.)

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The political-economy approach is adapted from the EuropeAid Reference Document (2007): p.42
• Match between expenditure and revenue assignments
• Administrative issues within revenue mobilisation
• Fiscal autonomy
• Financial management and accountability issues
• Institutional issues and coordination in the field of LG finance

Financial resources should be adequate enough to undertake functions. Finances to be provided by local revenue sources, fiscal transfers (more or less conditional) and borrowing. Regarding the possible fiscal transfer system, the channels and systems currently used to transfer resources from the national to sub-national levels should be assessed, including the strength of patronage systems. A certain level of fiscal autonomy is required to ensure that potential benefits of decentralisation can materialise. Recently poverty effects of LG taxation have featured prominently in study literature and pointed to the importance of establishing highly skilled, competent and fair tax administrations and a sustainable system of LG tax assignments. It is generally accepted that LGs need some significant high yielding own source revenue assignments to create a strong sense of local ownership, accountability and links between the benefits and costs and ultimately to ensure a long-term sustainability.

4. Human resource dimension. The main issues to analyse are:
• Local government HR capacity
• Civil service conditions and incentives
• LG autonomy in HR management and accountability issues
• Efforts of restructuring LGs
• LG capacity building efforts

Human resources (staff numbers, qualifications, motivation etc) adequate to undertake functions: Some degree of local control of staff is required to ensure local level autonomy and thus benefit from decentralisation.

5. Institutional arrangements and coordination. The main issues to analyse are:
• Coordination of the decentralisation process
• DP-Government coordination
• Inter-DP coordination
• Role and functions of the various stakeholders
• LG reform in the wider context of public sector reforms

Finally, all of the above needs to be supported by relevant central institutional arrangements – for instance a reform secretariat, a strong Ministry of Local Government, an Association of Local Authorities and a type of Local Government Finance Commission. An effective decentralisation of the public service will require significant coordination across sectors and a substantial overhaul of most line ministries and other central institutions – this part of reform is often the most challenging – especially when compared to required changes at the local level.

Joint analysis with a political-economy approach
When undertaking the joint analysis of the political, administrative and fiscal core dimensions of decentralisation and more detailed the five critical pillars as described above, this should be done with a political-economy approach, to make sure the joint analysis produces an understanding of;
• the political motives behind decentralisation;
• the different interpretations given to decentralisation by the various actors;
• the levels of ownership of and resistance to a reform process (both at the state level and in society);
• the complementary reform agendas within the country and the place of decentralisation reform in these (e.g. public finance, sector, civil service and land reform);
• the spatial distribution of development, development potential (resources, infrastructure and services), poverty and/or sector investment plans;
• the channels and systems currently used to transfer money from the central to the local level, including an assessment of the strength of patronage systems;
• progress achieved so far in implementing decentralisation reforms and the main bottlenecks and factors of resistance encountered;
• the outcomes and lessons learnt in previous donor programmes.
Annex 3: Reference to documents and websites (bibliography).


27. The reforms we agree on today in Accra will require continued high level political support, peer pressure, and coordinated action at global, regional, and country levels. To achieve these reforms, we renew our commitment to the principles and targets established in the Paris Declaration, and will continue to assess progress in implementing them. 28. The commitments we agree today will need to be adapted to different country circumstances—including in middle-income countries, small states and countries in situations of fragility. To this end, we encourage developing countries to design—with active support from donors—country-based action plans that set out time-bound and monitorable proposals to implement the Paris Declaration and the Accra Agenda for Action.”

The most important guiding principles and fields of action from the AAA of relevance for the LGD processes from a DPWG-LGD perspective fit into the “General Guiding Principles” and deepen these in each of the 5 Paris Declaration principles.

ii The EC Communication and EU Charter (2008), the UN Habitat Guidelines (2007) that are endorsed by the UCLG, the EC 2007 definition, USAID, World Bank (2008), UNDP (2008) and many others, including the works commissioned by the DPWG-LGD (2006 and 2007) use the definitions of political, administrative and fiscal decentralisation, and the notions of devolution, deconcentration and delegation, which covers or is combined with the 5 critical elements or dimensions. There are still conceptual differences and there are different emphases on “bottom up” (or Local Development through Local Government) or “top-down” approaches amongst PC and DPs.

iii The “International Guidelines on Decentralisation and the Strengthening of Local Authorities” (2007) approved by UN Habitat and actively promoted and endorsed by the UCLG contain as its first section nine guidelines on Governance and democracy at the local level, the first being; “1. Political decentralisation to the local level is an essential component of democratization, good governance and citizen engagement; it should involve an appropriate combination of representative and participatory democracy.” The support to key actors in fostering decentralisation and local governance must take into account the complexity of the processes and differentiate/distinguish between local governments (that comprise local representative councils as well as executive branch of local governments) and local governance. The assessment of how to address the support to the different key actors should be guided by the joint analytical work on the specific country context recommended in SGP 2. On the distinction between “Local Governments” and “Local Governance” a useful reference is Markus Steinich “Monitoring and Evaluating Support to Decentralisation” (2000) www.ecdpm.org/dp19

iv When undertaking joint analysis there is also an harmonisation effort amongst the DP, where an adaption of the OECD-DAC/GOVNET “Donor Approaches to Governance Assessments would be appropriate, i.e.: Harmonizing DLG assessments at country level when the aim is to stimulate dialogue and decentralisation and local governance reform, Harmonizing when there is a clear added value. This is particularly important when the primary purpose of donor assessments is to engage domestic stakeholders, stimulate dialogue and promote governance reform. In such cases, multiple and uncoordinated donor assessments may do more harm than good. However, if assessments are mainly intended to serve internal purposes, then the cost of harmonization may be greater than the benefits. Drawing on ongoing processes and limiting transaction costs for partners. In some countries there may be robust domestic assessment processes underway; numerous recent governance assessments to draw on, or joint assessments could be carried out with other aid agencies. If another assessment mandated by an individual agency will not offer much added value, transaction costs can be kept low, particularly for partners, if the agency uses the available data and fits it to the agency’s specific formats.

vi The OECD-DAC “Donor Approaches to Governance Assessments, Sourcebook (2008) identifies at least 9 out of the 33 general governance assessment tools as taking into account Decentralisation as a focus area, and several other issues relevant for LGD processes are covered by other tools. Reference can also be made to other studies (such as the UCLG (2008) and UNCDF (2005)), and websites, starting with the DPWG-LGD website. (Reference list)

vii EuropeAid ((2007: Figure 11) outlines a framework in which to view decentralisation as an open system. The idea of linkages is crucial in an open-systems approach. The strength and quality of the connections between the different parts of the system determine to a large extent the shape, orientation and outcomes of the decentralisation process. This has major implications for development partners (EuropeAid 2007: Box 9).
To enhance the effectiveness and impact of decentralisation support, development partners are well-advised to adopt a holistic approach, which enables them to see (and act upon) the linkages between different parts of a system. A few lessons illustrate the importance of such an approach:

- Efforts to promote political decentralisation are unlikely to succeed in the absence of administrative deconcentration and fiscal decentralisation (i.e. there is a risk of having municipalities without capacities and resources).
- Decentralisation attempts, in turn, are dependent on broader state and public-sector reforms, as well as progress in the democratisation and the governance of the country (i.e. flawed local elections will erode the legitimacy of local governments).
- As decentralisation is introduced, local governments and communities become enmeshed in a wider system of intergovernmental relations. Inadequate intergovernmental linkages can have a substantial constraining effect on sustainable local development.
- Strong linkages are needed between decentralisation as a ‘political process’ (generally driven from the top) and the myriad of ‘local development initiatives’ (pushed from below). These are required for the sake of coherence but also to ensure cross-fertilisation (i.e. experiences gained at the local level can be applied to refine the national policy framework).
- The road from establishing ‘local governments’ to ensuring effective ‘local governance’ is likely to be tedious.
- Local conditions and the extent to which ordinary people have access to information and can express voice affect both the level of ‘elite capturing’ and the local-central relationship (i.e. local officials may not devote energy to local affairs unless they are accountable to local communities).
- The currently prevailing aid paradigm stresses the importance of supporting domestic policies and reforms with adequate financing modalities (budget support). However, the times when central government was the sole producer of policies are over. There is now strong societal demand for participation of all relevant actors (including local governments) in the formulation and implementation of development strategies. This has led to the critical importance of articulation between national and local processes of elaborating development strategies.
- Many countries have a long tradition of donor-supported ‘community-driven’ programmes relying heavily on nongovernmental organisations. The arrival of newly elected local governments, with their legally enshrined competences for local development, transforms (and upsets) the scene. For decentralisation to succeed, a harmonisation of agendas, roles and donor practices is required.

Adopting an ‘open-systems’ approach during the identification process also implies the use of other types of looking glasses.

- **Primacy of political analysis.** The ‘politics’ of decentralisation should occupy centre stage in the identification process. This implies a capacity to carry out a comprehensive political-economic examination of the political system, including the nature and competitiveness of political parties, their power at the local level and the strength of civil society, as well as the norms and values underpinning the behaviour of both public officials and citizens towards the res publica.
- **Build linkages.** Typical for an ‘open-systems approach’ is the concern for building linkages among the different dimensions of decentralisation (at the national, intergovernmental and local levels) to ensure that they function in concert. The identification process should clarify the ‘global picture’ and then ensure that the planned support is ‘embedded’ in the overall system.
- **Coordination of actors.** The various aspects of decentralisation are the responsibility of different actors, while many others have a stake in the process (at the central and local levels). The identification study should include a proper mapping of these actors and suggest effective ways and means to facilitate dialogue and coordination among them.
- **Focus on the drivers of change.** Decentralisation support programmes (like other governance-related interventions) ideally seek to influence ‘systemic change’. This requires a strong focus, right from the identification phase, on the forces, institutions and actors that can drive change processes.
- **Realistic implementation strategies.** In an ‘open-systems’ perspective, it is not sufficient to spell out an implementation roadmap for the planned DP support alone. Implementation strategies need to be integrated into a broader analysis of how a functioning decentralisation ‘system’ can gradually be built over time.
- **Integrated approach to capacity development.** For decentralisation to work, various capacities need to be built. An DP support programme may choose to focus on strengthening the capacity of local governments, yet the other parts of the system also require attention. For instance, decentralisation requires considerable central government capacity to design and implement the process, as well as mobilisation of de-concentrated services.
Joint action. No single donor can intervene at all levels of the ‘system’. This puts a premium on identifying and using all opportunities to closely work with other development partners in activities such as joint missions, joint assessments and joint evaluations.

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ix A UNDP Bratislava Regional Centre analysis from April 2008 (p. 20) points to shortcomings in the way capacity development has been addressed in the RBEC region: The main commonly advanced issues have been the following:

- Absence of a strategic framework for capacity development of local government, or non compliance with the existing framework;
- Donor driven capacity development activities, as national and local governments have lacked the capacity to articulate their needs;
- Inadequate coordination of capacity development activities between donors and national partners, as well as among donors;
- Prevalence of ad hoc capacity development activities which are rarely related to the objectives of reform strategies or concrete phases of implementation of the decentralization process.
- Lack of systemic approach to capacity development and inability to go beyond training of human resources. Experience suggests that training does very little regarding empowerment, leadership, political and public participation and accountability.

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x One reason why this is so, is because intermediate level governments, even though they may demand as much decentralisation as possible from their central governments, often like to act as highly centralised mini states vis-à-vis their local governments.

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xi The following is adapted from EuropeAid 2007, Annex 7. Regarding the growing importance attached to capacity development and support from aid agencies to country-led efforts, in particular the OECD-DAC guidance “The Challenge of Capacity Development: Working Towards Good Practice” (2006) has been a step forward in creating an internationally agreed vision and reform agenda for capacity development. However, other studies observe that, despite the level of resources committed to capacity development, it has not evolved as a distinct area of development practice yet. This position can be found in the ECDPM Policy Management Brief 22, March 2009. www.ecdpm.org/capacitystudy

xii Guidance and practical steps to address this issue has been taken up by many donors. EuropeAid has published a recent document; “Reforming Technical Cooperation and Project Implementation Units for External Aid provided by the European Commission: A Backbone Strategy” (July 2008)

xiii This aspect is further elaborated on in work done by the UCLG, in its “First Global Report on Decentralization and Local Democracy in the World, 2007” (UCLG, 2008). In this and other works, such as the Pocket-Book (52 country profiles), the UCLG team analyse current trends worldwide and by regions, this highlights the similarities but also profound differences between the regional traditions and practices in DLG issues. When embarking on analytical work on a country specific context it is recommended to first consult the work available at the UCLG (http://www.cities-localgovernments.org/uclg/index.asp) in order to get an overview of trends, issues and view of the state of decentralisation and local democracy in the world and the particular region. UCLG is also trying to elaborate indicators that can measure degree of advances in decentralisation, which are presently at a very general level. It is recommended that the DPWG-LGD examines the possibilities to support this effort.


xv The best way to do this is with a solid ‘actor mapping’ (one example: EuropeAid 2007:Table 5, page 44). Other tools could also be used to assess the attitudes of different actors towards decentralisation and local governments.

xvi DPWG-LGD country study main report (2007: p. 43-45)

xvii Adapted from USAID 2000:42
Examples are Tanzania, which has a very advanced DLG process (see 2007 DPWG-LGD country study) and nevertheless, encounters serious challenges when it comes to sector decentralisation. A recent joint evaluation of the Health sector (COWI 2007), thus points out serious challenges for health sector decentralisation. In the Education sector, the recent IEG evaluation of World Bank experience with support to decentralisation in education services also provides a mixed result.

**Sector decentralisation approach:** The EuropeAid (2007) recommended approach to DLG issues in relation to sector support programmes, that could be adopted, is:

1. Provide capacity development support at all levels of government. Staff and systems need to be strengthened at the decentralising levels (e.g. local government sector staff) as well as at the de-concentrated levels of government (e.g. regional technical support services). Such capacity strengthening should pay attention to enhanced vertical integration within a sector (intra-sector integration and coordination), but should stimulate, at the same time, horizontal interaction between sector staff and colleagues working at the same level in other sectors (inter-sector integration and coordination).

2. Where possible, stimulate the execution of discretionary powers. Local governments need to have some minimal space to experiment and build their capacities according to their own insights and priorities. Intergovernmental financial transfers from the centre to local governments for a particular sector should allow – in principle – for the execution of a minimal amount of discretionary power. At the same time, the sector support programme needs to ascertain that these transfers are used in line with the priorities set for the sector, for instance, through monitoring and evaluation systems which pay particular attention to discretionary spending.

3. Recognise that the principle of subsidiarity is applied. In a decentralising environment, responsibilities and tasks should be executed at the lowest possible level of government and society. A capacity assessment – ideally done during identification and formulation – can help to determine which lowest possible level can take on these responsibilities and tasks. The lowest possible level could be institutions within government (e.g. district administrations or municipalities) but also non-governmental organisations which provide services or are engaged in monitoring activities.

4. Do not forget the governance dimension. Considerations of technical and managerial efficiency related to the delivery of services should take into account equally the governance dimensions of the decentralisation process. For the education sector, for example, this could mean that some educational funds are transferred to the school level and that the users of school services are directly involved in monitoring school expenditures through parent committees or school boards. This way, new accountability relationships are established which might also stimulate new forms of governance within society.

5. Apply a multi-actor perspective. Not everything has to be undertaken by the state or by its lower levels of government. Often government lacks sufficiency and is better advised to engage in public-private partnerships with non-governmental organisations or private-sector entities working at the national, regional or local level. Involving non-governmental actors in service delivery can be particularly worthwhile in areas where government presence is weak. While applying a multi-actor perspective, sector support programmes need to ensure that all actors work in line with the policies and priorities set for the sector.

6. Each sector needs to be dealt with in its own right. Not all sectors are the same. Each has its own specific challenges and types of actors involved. Health and education, for example, are traditionally more centrally managed, since they require the application of certain professional standards and have a level of complexity for which it is difficult to find adequate capacities at the decentralised levels. Agriculture, on the other hand, has a great number of private-sector actors with diverse profiles and activities. This makes it much more difficult to plan for this sector and to ascertain that policies are followed.

7. Support sector ownership and donor coordination. The complexities of supporting decentralisation through sector support programmes require an intense dialogue with government, combined with good-quality coordination among the development partners. Equally important is that DP sector support programmes are consistent and coherent with the country’s own decentralisation policy.

**Annex EuropeAid 2007 Table 6 Sector support to decentralisation**

**Table 6: Checklist for sector specialists: Is support consistent with DLG?**

**Legal context**

- Is there a legal framework which outlines and defines the roles and responsibilities of the respective levels within government?
- How does the legal framework foresee the relationship of the sectors vis-à-vis the decentralised levels in government?
- Is the legal framework enforced?
Policy
• Is the sector support not in conflict with the decentralisation policy of the partner government?
• Is the sector support in line with the decentralisation policy and guidelines of the Development Partner?

Dialogue and coordination
• To what extent did policy dialogue take place with the partner government?
• At which level and with whom of the partner government did the dialogue about the planned intervention and its objectives, outcomes and effects take place (central, regional, decentralised)?
• Regarding consultation and coordination with other development partners, is the planned sector support not in opposition to the decentralisation support interventions of other partners?
• Did consultations take place with non-governmental actors active in the sector?

Implementation
• To what extent are the implementation arrangements (central management/ decentralised management/ financing via international organisations) for the sector support not in opposition to efforts to support decentralisation?
• To what extent are the financing modalities (sector budget support, pool funding, DP procurement and grant procedures) for the sector support not in opposition to efforts to support decentralisation?
• Where non-governmental actors will be involved in the implementation of the sector support programmes, how will arrangements ensure that their work does not undermine efforts to strengthen the decentralisation process?

Capacity development
• Do capacity development activities for governmental and non-governmental actors and their organisations for the sector take account of the decentralisation policy?
• Are the systems and procedures set up in such a way that they do not undermine efforts to support decentralisation?

Accountability
• How is accountability in the sector support programmes arranged? Does it not conflict with the decentralisation policy or efforts to support decentralisation?
• To whom and at which levels are the actors accountable? Only upwards, which might weaken efforts to strengthen decentralisation and local governance?

Bahl & Martinez-Vazquez (2006) is the main source.

Extensive guidelines drawing upon experience from 8 post-conflict countries can be found in USAID (2008) *Building Fiscal Infrastructure in Post-Conflict Societies* (p.55-60) and the accompanying Best Practice Note.

Failed States or Post-Conflict States are in very specific situation, where DFID and the UNDP have developed some experience in support to DLG (and generally there is the OECD-DAC Guideline on Fragile and Post-conflict States, and the USAID Guidelines on Fiscal Infrastructure (2008). UNCDF guidelines cover most of the LDC countries that are in categories 2-4.

Further reading: The study on “Building coherence between sector reforms and decentralisation: do SWAps provide the missing link?” ECDPM (2003) ([www.ecdpm.org/dp49](http://www.ecdpm.org/dp49)) is still the most exhaustive study on sector programmes and decentralisation support. The UNCDF very comprehensive Practitioner’s Guide “Delivering the Goods, Building Local Government Capacity to Achieve the Millennium Development Goals” UNCDF (2005) ([www.uncdf.org](http://www.uncdf.org)) deals with experience from Least Developed Countries, but covers all aspects and issues of programming, financing, investment, public financial management, accountability and capacity building. It also contains a specific annex with “Guidelines for mapping the Institutional Context”. The focus is on the sub-national/ local government level.