



DRAFT NOTE ON

Environment Sector Decentralisation

The views expressed in this paper are those of the author(s) and do not necessarily reflect the view or policies of the Ministry of Foreign Affairs of Denmark

Per Tidemand
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Abbreviations

HRM	Human Resource Management
LDC	Least Developed Country
LG	Local Government
NGO	Non Governmental Organisation
NR	Natural Resources
NRM	Natural Resource Management
PES	Payment for environmental services
PFM	Participatory Forest Management
REDD	Reduced Emissions from Deforestation and Degradation
WMA	Wildlife Management Area

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1. INTRODUCTION

1.1 Background to study

In order to improve the quality of Danish support to decentralisation reforms and approaches for improved local governance and service delivery it has been decided to develop a set of learning materials on decentralisation reforms.

The learning material is synthesized in an overall "Source Material on Decentralisation and Improved Service Delivery for the Poor" while separate issue papers have been developed on:

1. Political Economy of Decentralisation,
2. Fiscal Decentralisation and Sector Funding
3. Draft Note on Health Sector Decentralisation Issues and Practices
4. Draft Note on Environment Sector Decentralisation
5. Draft Note on Water Sector Decentralisation

The objective of this particular paper is to review international literature and Danida experiences with regards to decentralisation by devolution of environmental management. The review of Danida experiences is mainly based on available recent reviews and evaluations, available reflections on lessons in programme documents and the personal experiences from selected Danida staff and consultants working on these issues.

The paper should be read after familiarisation with the basic concepts in the overall "Good Practice Paper for Support to Decentralisation Reforms" just as readers with particular interest in the "political economy" and "fiscal decentralisation" issues should consult these respective papers.

The paper does not attempt to provide a complete overview of approaches for "local" NRM practices but focus primarily on issues related to the role of local governments in NRM. The objective is to guide practitioners working with environmental management, in particular NRM, on how to engage in dialogue with e.g. the Ministry of Local Government or other stakeholders leading local government reforms on environmental management issues related to decentralisation by devolution.

1.2 Definition of environmental management

Environmental activities within the special Danish environmental assistance is considered as concentrated in three thematic areas, with each of these being further divided into a range of sub-themes: (i) Urban and Industrial Environment, (ii) Natural Resource Management (NRM) and (iii) Sustainable Energy – the bulk of assistance is

provided within the first two themes¹. In this paper particular focus is on Natural Resource Management but with some reference to urban environment – primarily to provide contrasting examples to practices and issues in the NRM sector.

However, the NRM sector itself is also very broad and the very definition of the sector is often quite contested.

Decentralisation of natural resource management (NRM) issues is generally recognised as being very complex compared to decentralisation of social services and infrastructure². The complexities arise from the many sub-sectors (e.g. forestry, wildlife, water, land) that interplay and often are managed through separate ministries, institutions, policies and laws in addition to various local government legislation. Natural resources also have economic and political dimensions beyond those of,

say, health and education. For example, in the resource-dependent communities common in LDCs, natural resources are often key factors in maintaining rural livelihoods, as well as significant sources of wealth. Hence the distribution of control over these resources will often play a critical role in defining local income levels and power relations (Larson 2003). The management challenges in NRM sector are also substantially different from social and infrastructure sectors since the local government mandates e.g. frequently are more concerned with regulatory functions than “service delivery” functions and also are much more local in nature than e.g. education where a national standard curriculum is to be delivered universally.

1.3 Definition of Decentralisation and “Devolution Key Issues”

The overall “Good practice paper for support to Decentralisation” discuss various forms of decentralisation and concludes that “decentralisation by devolution” – i.e. decentralisation to locally elected local governments is the most challenging but also in many aspect most promising form of decentralisation. Emphasis in this paper is therefore foremost on “devolution” although other aspects also are discussed. A main argument of the general paper is that although it is futile to make broad generalisations about whether devolution in general lead to improved service delivery and governance, then it is possible to identify a set of conditions that most significantly impact on effectiveness of decentralisation reforms. These conditions can be categorised into five main headings or “pillars of decentralisation”. This paper is subsequently structured into the following chapters that each discuss what are common arrangements but also what can be considered as “good practices” with regards to each of the “five pillars of effective decentralisation”:

- Assignment of functions: discussion of practices and lessons regarding transfer of environmental management functions to local governments,
- Finances: discussion of practices and lessons regarding financing of decentralised environmental management,

¹ Ministry of Foreign Affairs, Danida 2009: Thematic Review of Special Interventions within Environment (2004 - 2008), Final Report May 2009, it is estimated that sustainable energy only accounts for approximately 5% of the project portfolio.

² Larson, A. M., 2003, ‘Decentralisation and forest management in Latin America: towards a working model’, Public Administration and Development, vol. 23, pp. 211–226.

- Human Resource Management – practices and lessons regarding decentralisation of staff working with environmental management,
- Local Accountability Structures – practices and lessons regarding how environmental management can be made more locally responsive by decentralisation,
- Central institutions for reform coordination and oversight – practices and lessons regarding how environmental sector decentralisation can be coordinated and managed centrally.

The paper includes in addition a chapter on local governments potential role in the ongoing and upcoming Climate Change adaptation initiatives. The paper closes with a brief concluding chapter where key issues and recommendations of particular relevance for (Danida) staff working with environmental issues are summarised.

The paper should be read subsequent to the general Good Practice Paper for Support to Decentralisation Reforms that provides a general overview of key concepts just as broader and more theoretical discussions of e.g. expenditure assignments etc are discussed there. In this paper the focus is on the issues that are special for the environment sector.

2. DECENTRALISATION OF ENVIRONMENTAL FUNCTIONS

Decentralisation of environmental functions is typically very complex – in particular for natural resource management functions. This chapter gives a brief overview of the main modalities for sector decentralisation followed by sub-sections on devolution of natural resource management and urban environment.

2.1 Main Modalities for Sector Decentralisation

Decentralisation of environmental management can take place through each of the main four types of decentralisation:

Deconcentration: transfer of authority and responsibility from central agencies to field offices of those agencies at a variety of levels regional, provincial, state, and/or local). This is a limited form of decentralisation that only marginally may increase local responsiveness of services and also still retain staff within the overall central civil service. De-concentrated units (e.g. “district administrations”) may however have e.g. some local autonomy for environmental planning and budgeting within a framework provided by the central ministry. This is quite typical arrangement for many NRM-sub-sectors (forestry, wildlife, land, water, fishery etc.

Delegation: transfer of authority and responsibility from central agencies to organizations not directly under the control of those agencies. In the environmental sector this typically include (sub)-sector specific semi-autonomous entities such as Forest Authorities, Wild Life Park Authorities, Water Authorities etc. They are very common for management of natural resources and can be accompanied by various forms of decentralisation to user committees at village / “community” level. Such community level institutions may be locally elected but are commonly ultimately

accountable to the central agency that has delegated the responsibilities – e.g. a Ministry of Wildlife that delegate certain responsibilities to local committees. The role of such committees and their relationship to local government institutions is discussed further in chapter 5. For urban environment it is very common to find some semi-independent (or private) urban water and sewerage authorities with responsibilities for delivery of these services. Such institutions are commonly linked to democratic elected local governments where these are in existence.

Devolution whereby authority, responsibility and resources are transferred from central government agencies to local governments. Local governments will generally have multiple functions, legislative and revenue raising powers and be responsible to a locally elected council. Devolution is therefore a form of decentralisation that holds the greatest potential benefits in terms of increasing local responsiveness of environmental planning and cross sectoral integration. However it is also a form of decentralisation that poses some of the greatest challenges and this paper therefore mainly discuss issues related to this type of decentralisation..

Privatisation is also occasionally discussed as a modality of sector decentralisation³. Privatisation involves the transfers of government functions to voluntary organisations or to private profit making or non-profit making enterprises. In many countries natural resources are being privatised in the name of decentralisation but as pointed out by Ribot (2004, p. 52) then this type of reform operates on an entirely different logic than other forms of decentralisation that are concerned with organisation of services within the public domain: “Decentralisation is predicted on an inclusive logic, while privatisation operates on a very different exclusive logic”. Privatisation is therefore not discussed as part of this paper except where relevant in relation to decentralisation by devolution.

In practice we find that these different forms of decentralisation co-exist in the same country. In Annex 1 we include some key questions that Ribot (2004) have summarised “ for practitioners, donors, policy makers, and activists to ask in order to evaluate whether the institutions being chosen to receive decentralized powers are likely to provide the equity, efficiency, development, and environment benefits that decentralization promises”. In general Ribot argues that “decentralization by devolution” is the “best” choice for natural resource management, however as we discuss further below, then it is not so easy to make empirically based general conclusions as decentralisation by devolution of many environmental functions in many countries is a relative new phenomena with limited practical experiences (except for urban environment) and where the specific arrangements for assignment of functions, financing of services, staff management, accountability arrangements and wider institutional arrangements for reform coordination are some of the key determinants of the effectiveness of decentralisation.

2.2 Devolution of Natural Resource Management Functions

³ It can be debated whether “privatisation” rightly should be categorised as a form of decentralisation or if the term decentralisation better be reserved for use of re-originations of the public sector. However privatisation is often discussed as a form of decentralisation in American literature including some World Bank literature.

As mentioned earlier, decentralisation of natural resource management (NRM) issues is generally recognised as being very complex compared to decentralisation of social services and infrastructure⁴. The complexities arise from the many sub-sectors (e.g. forestry, wildlife, water, land) that interplay and often are managed through separate ministries, institutions, policies and laws in addition to various local government legislation. Natural resources also have economic and political dimensions beyond typical social sectors.

The fact that natural resources in many poor countries are so central to the livelihood for people, and for centuries have been so, has led to many local institutional solutions whereby land and natural resources for instance have been regulated by customary authorities such as “chiefs”⁵ or various village or clan based institutions with their authority often contested by various “modern” institutions.

In a number of West African countries this conflict between various types of institutional arrangements has sought to be resolved through new forms of decentralised natural resource management involving all relevant stakeholders in joint decision-making. Some examples are the “gestion de terroir” and local conventions. These approaches try to combine “customary” and “modern” institutions, while seeking to anchor the results to the legal authority of the new rural local governments (Hilhorst 2008). Other community-based organisations have emerged in other parts of the world for other forms of decentralised natural resource management. Although some local governments have had NRM functions for long, then it is also in many countries a fairly recent phenomenon of devolving NRM to locally elected local governments. In Mali, Niger and Burkina Faso this process has only really started very recently (Hilhorst 2008), whereas countries with a history of British indirect rule have had much longer experiences with some form of NRM issues devolved to local governments (e.g. Uganda, Kenya, Zimbabwe).

It is an interesting feature that decentralisation of NRM often follows a quite different path than general decentralisation reform. This is foremost explained by the history of land management that often follows different trajectories than local government reforms generally. Thus some countries that not are considered to be very decentralised in general such as Honduras or Kenya (see box and table below) have comparatively decentralised certain NRM functions more than their generally decentralised neighbours. This lead to challenging balancing of matching general administrative capacities with the occasional substantive NRM devolution.

Box 1: Decentralisation Forestry and Land in Honduras⁶

In what would appear to be a contradiction that distinguishes the Honduran case, Honduran municipal governments have little power or authority in general, but the 1992 Law for the Modernisation and Development of the Agricultural Sector returned control over the country’s ejidos to local governments. Though precise data are not available, ejidos are estimated to represent about 28% of the country’s land and 30% of its forests. Honduras’ municipal governments can log ejidos themselves or contract out to a logging company or group of

⁴ Larson, A. M., 2003, ‘Decentralisation and forest management in Latin America: towards a working model’, Public Administration and Development, vol. 23, pp. 211–226.

⁵ Common in e.g. Southern Africa and West Africa (in French speaking Africa: “chef de forêt, chef de terre, chef de village etc)

⁶ Lawson op.cit.

agroforesters, with the only requirement that they develop a management plan for approval by the forestry institute, COHDEFOR. The larger and more economically secure municipalities, as well as those with project support; have been able to take on forest management in their ejidos to a greater degree than most others, in part because they have been able to contract the necessary technical assistance. These local governments have issued permits for controlled burning, developed land use plans, promoted the creation of protected areas, established funds for forest management, organised the population around resource conservation and/or implemented watershed protection projects. Some municipalities have important income from the logging of ejidos as well as from the sale of other products such as pine resin and seeds. Most, however, sell standing timber, substantially lowering the income that could be captured. Many also charge a fee for permits and taxes for exploitation, and some also charge fines, though this is not yet clearly permitted by law. With regard to all other aspects of forest management, however, local governments have few powers. They have little formal say over extraction on national lands within their territories, though they may give an opinion on the management plan, and they have a right to charge only a 1% tax on the commercial value of these resources. They are also expected to supervise the implementation of forest management plans, but COHDEFOR often fails to provide them with the necessary information to do so. Municipalities can propose but not declare protected areas and are expected to make sure that norms are met but cannot create norms themselves. A current draft forestry law would allow local governments to charge fines for forest crimes, but this is not currently within their jurisdiction.

Table 1: Comparative assignment of NRM functions to LGs in East Africa⁷

	Uganda	Kenya	Tanzania
Fishery	Extension, but regulation/licensing recently (2008) centralized LG tax on fish products	CG Fishery Dept i/c of regulation and extension LA tax on fish products	Extension, licensing LG tax on fish products
Forestry	Extension, Only 1% (5000 ha) of permanent forest under LGs	Wide ranging land use powers for: 25% of woodlands (400,000 ha) 35 mill ha forest (95%)	Extension, More direct LG management through: Joint Forest Management 1.6 mill Ha (12% of forest reserves), CBFM: 2 mill Ha (10% of public land)
Wild life	Vermin control & admin of 20% park gate fee Community Protected Area Committees formed for local representation	Parks under KWS but substantive areas of game reserves within boundaries of Local Authorities. Employment of wardens	Regulate hunting outside game reserves, Supervise and support Wildlife Management Authorities that ultimately may own and operate land for Wild life management.

From the table above, one can distinguish between three broad categories of functions that in various ways have been devolved in the NRM sector in those countries: (1)

⁷ ORGUT and DEGE Consult 2009: Integration of Natural Resources into Local Government Decision Making in East Africa, Final Synthesis Report, A report for WB3496-708/07, Project ID No. P058706, 10th December 2009

various forms of ownership of natural resources, e.g. the ownership of forests or parks, (2) various forms of regulatory functions that often are de-facto delegated functions (i.e. the local governments act on behalf of central government for e.g. regulation of activities within or nearby areas ultimately under central government control) and (3) various forms of extension services that supposedly are benefitting local communities and ideally should be subject to local participatory planning. These functions are obviously very different and have quite different implications of discussions of e.g. assignment of staff and finances (chapters 3 and 4) but are frequently not clearly distinguished in the literature.

The overall administrative local government architecture is also a key determining factor for how successful NRM can be decentralised. Some countries only have local government structures that are fairly large ("districts") where scope for direct community involvement is limited. Other countries only have fairly small units, where possibilities for assignment of staff with technical NRM competencies are limited – yet others have systems with a hierarchy of local government structures that provides potential for more comprehensive forms of NRM decentralisation that combines devolution of technical tasks and direct community involvements.

It should be noted that decentralisation of NRM is a form of decentralisation that rarely has been analysed by general decentralisation literature and specialists. Most of the general local government reform programmes globally also tend to emphasize the larger (in terms of their share of public expenditure) traditional social service sectors. The literature on decentralisation of NRM is rather scattered and often undertaken by sector specialists. However, from available key synthesis studies⁸ the following common conclusions emerge:

- In theory, in a decentralised system resource allocation should be more efficient and marginalised groups can have greater influence on local policy (see in particular the collection of works edited by Ribot 2004).
- Decentralisation of NRM is rarely "complete". Central governments tend to oppose strongly devolution of resources' from which high value can be extracted. The cases include often examples of how relative marginal areas foremost are devolved to local governments,
- In many of the countries studied, constituent and local government demands have played an important role in natural resource decentralisation – but in general in a complex interplay with many competing institutions,
- Where they have little authority or little to benefit from, local governments have not had much incentive to increase their involvement in NRM,
- Findings show that laws for local decision-making are important, though in most cases this falls short of establishing an autonomous arena for NRM decisions,
- Most case studies reveal inconsistencies, contradictions, or at least a 'grey' area between the legal structure for decentralisation and for NRM specifically.
- Decentralisation of NRM has faced many of the same kinds of problems with which policy-makers and researchers of broader decentralisation are familiar, but decentralisation of NRM is far more complex than the general decentralisation of infrastructure and services,

⁸ In particular Ribot 2004, Larson 2003, Shyamsundar et al 2005, ORGUT and DEGE Consult 2009.

- It is naïve to believe that local governments and people always will choose the most sustainable use of forests or natural resources; in addition powerful “outsiders” can occasionally more easily manipulate local communities,
- A key aspect of successful decentralisation of NRM is the security of right of access to and benefits from resources
- The most promising examples of NRM decentralisation are those where “right of access” to natural resources are granted through very low (“community”) level local government structures.

2.3 Decentralisation of Urban Environmental Management Functions

Devolution of urban environmental management functions is generally less complex than the devolution of NRM functions. Functions such as urban waste management and sanitation are normally the first to be decentralised to urban local governments. Support for urban waste management, sanitation but also urban roads, slum upgrading, water supply and wider aspects of urban planning are common aspects of Danida support to urban environmental management. The most critical challenges in designing sustainable interventions are normally not related to fundamental aspects of clarity of assignment of functions as to the financing and capacity aspects (see later chapters). External support for these aspects for the reforms are therefore not constrained by fundamental legal and policy issues and can trigger wider functional decentralisation as reportedly has been the case in for instance Guatemala and Honduras⁹.

Water and sewerage are frequently managed in urban local governments by semi-independent water and sewerage authorities, where local governments are involved through consultative and representative arrangements.

3. FINANCE

Fiscal decentralisation lies at the core of decentralisation programmes. A rich literature provides guidance on the building blocks for successful fiscal decentralisation¹⁰. This section will briefly discuss the specific environmental sector issues related to these building blocks:

- Expenditure assignment/Costing of services,
- Funding modalities, that in fiscal decentralisation literature generally encompass:
 - own revenue (local taxes),
 - Fiscal transfers (grants) from central government and
 - Modalities for local government borrowing,

3.1 Costing of services

⁹ Ministry of Foreign Affairs, Danida 2008: Decentralisation and Environment – exploring how the environment sectors have been influenced by and are influencing the national decentralisation frameworks in Guatemala and Honduras.

¹⁰ For a brief overview see the General Good Practice Paper and for details see the Fiscal Decentralisation and Sector Funding Paper

Once it has been established what assignments the decentralised units should undertake, some form of exercise will normally be undertaken to determine how the service can be financed and in particular the costs of the services. This can be undertaken in various ways. Sometimes it is done in a very scientific manner whereby the cost of each of the agreed decentralised functions is calculated in great detail and where location specific (administrative) costs also are included. This is the ideal "textbook" approach and is occasionally applied also in developing countries – often with assistance from development partners. However, this approach is most easily applied for the larger traditional social service sectors such as education and health where specific standardised services packages can form the basis for calculations of the required funding for devolved LG services (e.g. based on standard student/teacher ratios, book per students, agreed health minimum packages etc).

The costs of providing local environmental management are far more difficult to establish. Within the NRM sector, effective devolution may often lead to the devolution of resources to local governments: land, forests, wildlife and marine resources are valuable assets that can be taxed or harvested and decentralisation of NRM is often undertaken at the assumption that the sector will be self financing through local taxation of NR. However, some NRM functions are also costly to provide – e.g. local extension services, effective local regulation and enforcement of both local and national laws – and LGs may not have the incentives to finance those services out of NR based revenue when there may be many other services that politically are deemed more important to prioritise. While many other sectors frequently are financed through various conditional/earmarked grants, then it is common that NRM is transferred as an "unfunded" function.

Urban environmental services such as water, sanitation, roads, waste management, urban upgrading, urban planning etc are quite different from NRM functions in that they are much more capital intensive and more applicable to standard unit costs. Recurrent costs are commonly covered from various forms of user fees and traditional urban taxes (property taxes etc) while urban capital investment costs in poorer countries frequently are funded from donor-funded projects. Units costs (for roads, water etc) are relatively simple to establish and costs of services can in principle be established in a rational technical manner.

3.2 Funding Modalities

Funding for decentralised environmental management can broadly be categorised as:

- Locally generated revenue – traditional LG taxes as well as new forms of payment for environmental services (PES),
- Intergovernmental fiscal transfers – either as discretionary local government funds such as non-earmarked central government grants ("block grants") or as earmarked sector funding. A distinction can also be made between LG grants aimed at financing of recurrent expenses (salaries, operational costs, maintenance) or capital/development expenditure. For the environmental sector donors tend to finance only the latter,
- Local Government Borrowing

3.2.1 Local revenue generation

Local governments frequently raise taxes from a range of natural resources. There are few systematic studies on this and the data are rarely captured by national local government finance databases¹¹. Common forms of taxation include taxes/cess on various natural resource products – a tax that is levied on traders and producers - this includes for instance taxes on forest and fishery products - other LG revenues arise directly from the control of specific natural resources – e.g. by local management of forests, wildlife areas etc.

There is some evidence that the former types of taxes/cess in poor countries can have significant negative impact on local livelihoods (see box) just as some forms of such taxes also can have negative impact on the environment as e.g. charcoal production or sand mining is tolerated by local governments since it generates revenue and opportunities for corruption even though the negative environmental impact is obvious.

Box 2: LG taxes of natural resources – negative impact on livelihoods¹²

An important example of this discouraging policy environment is that of rural taxation, a topic that is relatively little researched in low income countries. Rural tax regimes are overlooked because their revenue yield at central government level is insignificant compared to other sources of government income. Some taxes are formal e.g. market dues and business licenses; others are informal and variable e.g. a basket of fish that must be given to the chief or village leader in order to be allowed to go fishing. Still others are bribes that must be paid to gatekeepers - fisheries, forestry and livestock officers, police, army, customs officials - in order to do things like move livestock, trade in fish, carry crops from one village or town to another, engage in cross border trade and so on.

The apparently small levels of these various payments give the false impression that they are unimportant to the economic vigour of rural areas, and of minor significance compared to other factors in explaining rising poverty and vulnerability. This is not so, as research in a number of African countries has begun to demonstrate (Fjeldstad, 2001a; 2001b; 2002; Ellis & Bahigwa, 2003). The enormous range and variety of such payments adds to the oppressive hopelessness of individual and household level attempts to construct routes out of poverty. While small in tax revenue generation terms, market dues can represent up to 30 percent of the farm gate value of items being sold; likewise business licenses that are applied to even the most micro of start-up enterprises can represent a substantial proportion of net income generated. There is typically a strong anti-poor bias in tax and licensing regimes: market dues are proportionately higher on small quantities of produce (a basket or a heap) than on large ones (a sack or truckload); flat rate business licenses represent a larger proportion of turnover for smaller than larger enterprises operating in the same line of business.

Rural taxes tend to be multiple, complicated, bear no relation to service delivery, create numerous rent seeking opportunities, and accentuate relations of mistrust and subordination between ordinary citizens and those who possess revenue generating powers over them. They also inhibit market engagement and mobility since often the risk of incurring taxes, fees and fines increases markedly the more people engage in activities above the subsistence survival level or external to their communities of residence.

However, other systems of LG revenue generation from natural resources that are based on lower level (near community) local government management of natural

¹¹ For an overview of LG taxes on natural resources in East Africa see e.g. Orgut and DEGE Consult 2009 op. cit.

¹² Ellis and Allison 2004: Livelihood diversification and natural resource access, Overseas Development group, University of east Anglia, January 2004, FAO, Livelihood Support Programme, LSP Working Paper 9.

resources has proven or potential very significant benefits for both local revenue generation and sustainable management of natural resources. The table below gives examples from village based management of forest and wildlife in Tanzania.

Table 2: Potential Financial benefits of Village Based natural resource management

Forest Name and location	Size (ha)	Status	Estimated annual revenue from sustainable harvesting	Number of villages managing forest	Potential revenue per village/annum
Angai Forest, Liwale District	141,000	Management plan being developed	USD 784,000	13	USD 60,300
Suledo Forest, Kiteto District	164,000	Village land forest reserve	USD 213,000	9	USD 23,700
Mtanza Msona Forest, Rufiji District	10,713	Village land forest reserve	USD 57,900	2	USD 28,950
Ipole Wildlife Management Area, Sikonge District	247,500	Wildlife Management Area	USD 730,000	4	USD 182,500

Source: Blomley and Said Iddi 2009

In conclusion, there are very particular environmental issues to be addressed by in relation to several local governments taxes, but these are rarely prioritised by the general local government reform programmes, thus need for environmental sector stakeholders to ensure that these issues are catered for in wider LG fiscal reforms.

3.2.2 Payment for environmental services

Payment for environmental services (PES) provides new and interesting potential for local government revenue. The box below presents a brief general overview of PES. The involvement of local governments in managing or benefitting from such schemes is still limited and the experiences from their involvement are still to be reviewed. It is nevertheless an area with significant potential for both local environmental management, sustaining local livelihoods and enhancing local revenue for local governments.

Box 3: Payment for environmental services¹³

Payment for environmental services (PES) is a new (inter)national policy area that aims to link NREG-related issues such as land use, ecosystem management and integrated water resource management to national poverty policies. PES schemes seek to reward those whose lands and resources provide environmental services (such as water purification, flood control, breeding grounds for fisheries, carbon sequestration, etc.) with subsidies or market payments from those who benefit. PES schemes are also being developed by the private sector. NGOs are taking the lead in developing REDD (Reduced Emissions from Deforestation and Degradation)

¹³ The box is an extract from: Ministry of Foreign Affairs, The Netherlands 2009: Local Level Governance of Natural Resources and the Environment. For further details on the REDD mechanism see the recent analytical work by DIIS: Reducing Emissions from Deforestation and Development: an overview of Risks and Opportunities for the Poor” www.diis.dk

policies. REDD should become a mechanism for compensating countries for reducing emissions from deforestation and forest degradation, thus generating a flow of funds for helping preserve rainforests and delivering economic benefits to rural communities. There are also compensation schemes for CO2 emissions (air travel etc.). A more indirect use of PES principles is by using trade mechanisms, such as certification schemes to promote sustainable natural resource use and procurement.

Arranging payments for benefits provided by forests, coral reefs and other ecosystems is a way to recognise their value and ensure that these benefits continue well beyond present generations. In the case of payments for watershed services, local governments are often involved, particularly in Latin America. However, there is little evidence yet that these PES schemes around watersheds are living up to the high expectations placed on them (Porrás et al., 2008).

Setting up PES schemes requires an assessment of the range of ecosystem services that flow from a particular area, and who they benefit; next an estimation of the economic value of the benefits to different groups of beneficiaries is needed. The final step is the design of a policy, subsidy, or market to capture this value and reward landholders or resource managers for conserving the source of the ecosystem services. Unsurprisingly, methods for evaluating actual benefits of PES (in terms of environmental goods and services) under different types of land use are subject to discussion. Other challenges include how to integrate PES in economic policy and public finance management; dealing with competing claims, making PES more “pro-poor”, and involve the actual local managers of natural resources.

Finally, lessons have to be learned from existing benefit sharing systems to enhance the effectiveness and governance. Such schemes exist around timber royalties and often involve local governments, villages and even customary chieftaincies. They are managed by sector ministries or the ministry of finance. Challenges remain with royalty recovery, transparency of resource management and disbursement, accountability mechanisms, and whether local managers of natural resources actually receive their share and invest in maintaining the resources.

3.2.3 LG Grants for Environmental management

Most poor countries rely on taxes that most advantageously can be collected through central institutions such as VAT, customs and duties. The local taxes are often low yielding compared to these and LG finances will therefore depend on a system of intergovernmental fiscal transfers to close the gap between the often expensive functions assigned to LGs and the often low yielding taxes.

The design of the specific grant elements within a fiscal transfer system will depend on the specific objective that the grant is to fulfil. A vast literature is established which discusses the characteristics of a good fiscal grant transfer system, and the issue is comprehensively dealt with in the Paper on Fiscal Decentralisation.

Danida has in several countries tried to provide funding to LGs for environmental management in the form of LG grants. In this manner the funds will be integrated into the respective country financial management systems and in one form or the other earmarked local governments environmental management.

Box 4: Earmarked funding: from project finance to LG grants

In several cases, donors provide funding directly to local governments through various project specific modalities rather than as integrated through government budgets. This may allow funding in areas that are priorities for donors but not for the national government. Tensions between differing priorities can have adverse consequences for the country's overall planning and its environmental sector, such as duplication of efforts, and fragmented, inequitable, or unplanned funding.

For development partners it may not be possible or desirable to shift project financing into full budget support. However, an option that increasingly is adopted is for donors to work with national governments to formulate specifically designed intergovernmental fiscal transfers (LG grants) that will support the same type of objectives previously supported through projects. This will ensure that funds are integrated into the overall budget process, allocated and transferred to local governments in a transparent a manner and ease local planning and reporting requirements. Aid modalities can then relatively easy shift from project mode to sector budget support mode.

The earmarking can be rather “soft” as in the newly formulated Sustainable Environment Support Programme in Bhutan (see Box 5 below) whereby funds are provided as a general contribution to a development block grant for the lower level of local governments combined with capacity building for environmental planning. The LGs may in this case theoretically invest all funds in projects that are not part of a narrow environmental menu – like classrooms – but would presumably do so because of genuine local prioritisation that also is informed by environmental planning tools. An unconditional grant on the other hand is a kind of broad budget support to the LGs. The advantage of the unconditional transfer is that such a financing modality can take advantage of all the assumed advantages of decentralised planning and budgeting

Box 5: Sustainable Environment Support Programme (SESP) Bhutan

The SESP will provide support to local governments (Dzongkhags and Gewogs) in two parallel sets of interventions: 1) provision of investment capital to Gewogs; and 2) capacity development for mainstreaming of environment, climate change and poverty concerns in policies, plans and programmes – with the intent that the developed capacity will influence the way in which local governments will plan and implement their development activities. SESP has been formulated in accordance with the Bhutan-Denmark Partnership (2008 – 2013) and Bhutan’s national development framework. The SESP comprises two components:

1. Budget support for capital investments in Gewogs. Budget support will be provided to all 205 Gewogs through the Annual Capital Grant mechanism for funding of the Gewogs’ development plans.
2. Support for capacity development for mainstreaming of environment, climate change and poverty concerns. Support will be provided for mainstreaming of environment, climate change and associated poverty (ECP) concerns in national policies, plans and programmes and in all local development plans and programmes

Another, more common, approach has been to establish a separate “environmental window” of general development funds whereby additional funds on top of existing block grants/development funds are provided as earmarked funds for e.g. natural resource management issues (“green windows”), urban environment or general environment. Examples of such Danida support to the environmental sector is for

instance found in Nepal, but has also been implemented in Malawi and tried in Tanzania. The rationale for the earmarking is that LGs without earmarking tend to spend the funds on politically more popular and technically less complex projects such construction of e.g. schools and health facilities.

The question of whether to earmark or not depends on a number of issues and earmarking as such may not be a problem in itself. Key issues include inter alia: (1) the overall architecture of existing LG institutions, policy and grant systems (in more mature local government systems where local governments manage a large share of total public expenses it is common to have a number of conditional grants – and LGs may have sufficient own revenue or block grants to ensure that they can make meaningful local prioritisations) (2) the relative size of the intended earmarked funds (have to be meaningful compared to the intended investment needs), the intended objective and focus of the earmarked grant (if the objective and intended investment menu is very broad it may be more meaningful to focus on a general strengthening of LGs environmental planning – however if the objective is more well defined e.g. to roll out a specific model for solid waste management then earmarking may be the best option).

Environmental grants or topping up of existing block grants will by their nature spread available investment funds “thinly” (as formulas normally are population based). This strategy for mainstreaming development funding into existing government budget and financial management mechanisms are therefore best suited for smaller investments. Large “lumpy” investments that are typical in the urban environmental sector such as urban roads, urban water and sewerage, dumpsites etc are often so big that they are difficult to finance from a LG grant. In poor countries such infrastructures may best be supported through discrete projects whereas more advanced economies may have the potential for financing such investments through municipal bonds or other forms of LG borrowing.

4. Human Resource Management

4.1 Main models for decentralised HRM

Successful decentralisation of human resources intends to achieve the following objectives:

- Hold staff to account to locally elected bodies,
- Allocate staff where need is greatest
- Manage its financial resources
- Attract and retain skilled staff

The following table identifies the various employer functions that contribute to these objectives¹⁴

¹⁴ Seminar presentation by Evans 2004, World Bank.

Table 4: Impact of Devolving the Employer Function

Impact on administrative Autonomy: Ability to:				
Dimensions of the employer Function:	Hold staff accountable	Allocate staff	Manage financial resources	Attract & retain skilled staff
Budget Transparency . Paying staff from its own budget	✓		✓	
Budget & Establishment Control . Controlling overall staff number . Controlling staff nos in local facilities . Authority to dismiss surplus staff		✓ ✓	✓ ✓	
Recruitment . Recognition as the formal employer . Authority to hire Ind. Merit-based recruitment mechanism	✓ ✓ ✓	✓		
Career Management . Transfers within local government . Horizontal mobility . Promotion	✓	✓ ✓		✓ ✓
Performance Management . Directing & supervising activities & tasks . Conducting evaluations . Ability to discipline/fire	✓ ✓ ✓			✓
Pay Policy . Setting local hardship/remote allowances . Setting overall wage rates		✓	✓	✓ ✓

Decentralisation of human resource management is rarely implemented in full. Even when a fully-fledged separate LG service is created it is typical that the central government retains control over e.g. staff salaries and regulate the total number of employees etc.

4.2 Environmental Sector decentralisation of Staff

The literature on environmental decentralisation pays scant attention to issues related to staff decentralisation. This may be explained by the fact that the sector is less “staff intensive” than e.g. the education or health sector where issues related to decentralisation of staff and local HRM are intensively and hotly debated.

HRM issues are nevertheless critical for effective local environmental management. A recent comparative study of NRM in the local governments in Kenya, Uganda and Tanzania concluded¹⁵:

¹⁵ ORGUT and DEGE Consult op cit.

- LGs are poorly staffed for management of natural resources – a large district with 300,000 people in Tanzania or Uganda where the population depend on natural resources will typically have only 4 professionals; the local governments in Kenya have no professionals at all - yet they are involved in a range of NRM functions and several local governments hold large areas of forest in as Trust land.
- There is evidence of unequal distribution of staff across LGs – staff are not allocated districts with the greatest needs and the professional profile of staff doesn't reflect the particularities of the LG,
- LGs generally have limited or no autonomy in deciding their local staffing levels. This even applies to Uganda where staff management otherwise to a large degree is decentralised.
- NRM staff is poorly motivated – in Uganda and Tanzania less motivated than their counterparts in e.g. health and education where significant central government funding is made available for salaries as well as the implementation of activities (the salaries for NRM staff in Uganda and Tanzania has to be funded by LGs themselves whereas salaries for staff in so-called "poverty priority areas" are directly funded by central government through conditional grants. In Uganda staff in the decentralised forest service were paid less than their counterpart in the centralised forest service.

The same study also found that the decentralisation of staff had some impact on the local enforcement of local bylaws. Although not conclusive, case studies found that local government staff was less stringent in the enforcement of environmental laws.

Decentralization of HRM for environmental management is nevertheless an under researched area that deserves more attention.

5. LOCAL ACCOUNTABILITY ARRANGEMENTS

This section discusses two main issues related to local accountability arrangements within decentralised systems. Firstly the accountability issues related to situations where several forms of decentralisation are implemented simultaneously, and secondly accountability issues related to local government systems¹⁶.

5.1 Different Routes of Accountability

The World Development Report of 2004 emphasised the importance of effective accountability mechanisms for improved service delivery to the poor. The report argued essentially for two ways to enhance this system: (1) by devolution of functions, finance and staff as discussed above and (2) by creation of a "short route" of service provider/public servant accountability to the public/clients. The latter can be promoted by the introduction of user groups at the service delivery level such as, health committees etc that will strengthen the "voice" of citizen in influencing service

¹⁶ For an in-depth discussion of the concept of accountability and analytical tools for understanding accountability issues it is recommended to use the <http://www.gsdrc.org/go/topic-guides/voice-and-accountability>

delivery providers. The green line refers to more direct voice by citizens in service delivery planning and management through user groups etc.

Concurrent decentralisation through various modalities e.g. devolution and user groups may create complimentary and mutually enforcing systems that enhance the voice of (poor) citizens. Citizens may for instance influence the planning and delivery of environmental services through their local government while also participating in a local environmental committee in a mutually benefitting manner. However, rather often will different simultaneous forms of decentralisation also lead to uncoordinated and wasteful approaches to decentralisation for NRM.

Separate institutions have for instance been created in Uganda, Tanzania and Kenya for community management of fishery, forestry and wildlife. Occasionally these structures are integrated within LG structures as is the case with the modalities for participatory forestry management in Tanzania that are based on the Village local governments structures, but most frequently they are legally constituted as organisations external to LGs with a varying degree of formalised relationships as summarised in the table below.

Table 5: Summary of Community Based NRM Structures and relations to LGs in East Africa

	Uganda	Kenya	Tanzania
Fishery	Beach Management Units (BMU) – with consultative links to parishes and sub-counties	BMU – with no link to LG structures	BMU – with strong link to Village Government (VG) (but not legally a part of the VG)
Forestry	Collaborative forest management with “communities” related to parishes	Community structures without link to LGs	PFM – within Village Government structures
Wildlife	Community Protected Area Committees and Institutions – separate from LG structures	Some direct under LG (County Council), other community structures sharing revenue outside LG	Wild Life Management Authorities (WMA) are completely separate from LG structure

5.2 Local Accountability in Local Governments

The general issues related to local accountability in LGs were discussed in the Good Practice Paper and included problems in LGs related to:

- LG elections (the extent to which councils are fully elected through free and fair elections),
- Modalities for more direct measures such as direct reporting by LGs to citizens on LG budgets, accounts and audits, access for citizens to be involved in planning, budgeting and project implementation, possibilities to control performance, etc. that enhance the demand side of decentralisation reforms¹⁷.

¹⁷ For a discussion of recent experiences and approaches see www.gsdr.org/go/topic-guides/voice-and-accountability/creating-participatory-spaces#dec

- Control of corruption including use of Public Expenditure Tracking Studies (PETS).

For NRM sector specialists it always poses as a dilemma whether local accountability is to be strengthened by working through the normal LG institutional arrangements or by establishing some additional NRM sector modalities within the LG system. While the first option in theory is the most evident, then in practice NRM sector programmes often establish additional committees within the LG system, separate planning systems, separate financial management systems etc. In general the relative impact of such arrangements are poorly documented.

Broader environmental planning such as inclusion of Environmental Impact Assessments into LG planning and more commonly fully integrated into Local Government planning. In some countries this has also been included as part of the general LG assessments for Performance Based Grants. In Uganda for instance the inclusion of proper EIAs in LG planning is included as a score for quality of LG planning and LGs are subsequently awarded more funding through their general development budget if they fulfil this criteria. LGs have therefore a strong incentive for applying EIAs.

6. CENTRAL INSTITUTIONS FOR REFORM COORDINATION AND OVERSIGHT

To undertake a decentralisation reform of an otherwise centralised public administration requires very fundamental changes of the previous implementing central ministries as well as the establishment of relevant central supporting institutions. When environmental functions are devolved to local governments it will normally require a more complex sector and donor dialogue than prior to decentralisation where the dialogue mainly was between donors and e.g. Ministry responsible for forestry, environment etc.

Under a decentralised system it will be necessary to expand the dialogue and possibly also include new institutionalised procedures for

- Working an established ministry of Local Government (MoLG) or Ministry of Internal Affairs responsible for local governments,
- Possibly working with Associations of LGs
- Support relevant political oversight institutions (for instance a LG Public Accounts Committee)
- New permanent institutional arrangements for LG finance for dialogue with the Ministry of Finance,
- Institutional arrangements for LG HRM that may include all of the above institutions in addition to the Ministry responsible for public service, public service commissions etc

7. CLIMATE CHANGE AND THE ROLE OF LOCAL GOVERNMENTS

7.1 Climate Change and Development Assistance

There is increasing consensus on the dangers posed by climate change and emerging consensus on the need for global action. This includes calls for spending as much as \$100 billion a year to help emerging countries adapt to climate change and develop low-carbon energy systems, to bring energy technology more quickly to the developing world and to take steps to protect tropical forests from destruction etc. Although this is below several assessments of the total costs required¹⁸, it is nevertheless a substantive amount and signifies a likely and substantive prioritisation of climate change through development assistance. This chapter briefly reviews recent key documents that discuss the particular role that local governments may play in climate change adaptation and mitigation and how development partners may assist this. The reviews are foremost based on three key documents:

- Local Governance and Climate Change – a draft paper (March 2010) by UNCDF, UNDP and UNEP,
- OECD 2009: Policy Guidance on Integrating Climate Change Adaptation into Development and Development Co-operation – Joint high-level meeting of the OECD Development Assistance Committee (DAC) and the Environment Policy Committee (EPOC).
- Satterthwaite, David 2008: Climate Change and Urbanisation: Effects and Implications for urban governance

7.2 The role of local governments

Climate Change issues have often been broken into two basic categories – those related to mitigation and those related to adaptation. Mitigation refers to efforts to reduce or stabilise emissions; adaptation is about coping and dealing with the consequences of climate change. However, there is increasing recognition that there is a continuum that exists between these two areas of work, and that more integrated approaches are needed (see box from UNCDF 2010 below).

Box 6: How local Governments may interface with climate change issues

Broadly put, LGs can interface with climate change issues in 2 principal ways:

1. Mitigation – whereby efforts are made to reduce emissions of greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, fluorinated gases), which are the principal anthropogenic cause of climate change. GHGs are emitted through energy consumption (burning of fossil fuels, solid waste, wood, etc.) and through industrial and agricultural processes.
2. Adaptation – whereby efforts are made to adapt to the many (often highly localised) direct and indirect consequences of climate change, such as temperature increases, sea-level increases, drought, more frequent heavy rainfall events (leading to greater risks of flooding), greater weather extremes, more bushfires, the spread of vector-borne diseases, and the like.

Although there are grounds for assuming that the major challenge facing most LGs in developing countries is adaptation (rather than mitigation), this needs to be nuanced. The UN recognises that a combination of both approaches is most likely to lead to local development. For example, local policies to promote energy efficiency can (i) reduce the reliance on imported fossil fuels, and (ii) increase the likelihood of attracting newly available sources of financing for adaptation and risk insurance or through the carbon market.

¹⁸ An obviously contested issue – see e.g. <http://www.iied.org/pubs/display.php?o=11501IIED>

Local governments have mainly two key instruments to deal with climate change issues:

- Local planning and regulation, for instance: (a) Land-use planning and zoning that avoids high-risk areas (such as low-lying, floodprone areas or steep slopes) and shifts activities (such as housing or service facilities) away from them, (b) Strategic planning that examines various hypotheses/ scenario about climate change consequences and then develops contingent, appropriate and variable responses; (c) incentives for tree planting (d) revising building and infrastructure standards, to make them as energy efficient and climate-proof as possible (e) preparation of disaster management plans
- Local provision of services and goods; this may include proving infrastructure that better can handle flooding or other climate change related risks, improve services for e.g. reduction of water or energy use, facilitation of livelihoods adaption e.g. through crop diversification, soil and water conservation, rain water harvesting etc¹⁹,

In principle local governments also have a third instrument: local fiscal revenues. In theory local governments can use their own source revenues as instruments for rewarding or penalising behaviours related to climate change – as it have been done in e.g. Western Europe. However, to date no practical examples are identified in developing countries as most LGs are constrained by weak instruments for own revenue generation and as the types of behaviours one would typically reward – e.g. individual investments in improved housing and energy consumption will tend to penalise the poorest (UNCDF 2010).

7.3 Key Issues and Challenges for Donor Interventions

Climate change has until recently been discussed primarily as a global policy issue where its implications for local development to many local development practitioners has been a new and occasionally rather perplexing issue. However, relevant local government interventions are, as discussed above, closely related to core local government planning and service delivery. It is therefore important not to treat Climate Change adaption and mitigation as something entirely new by e.g. inventing new “Climate Change Adaption Funds” etc.

OECD 2009 therefore recommends governments to support local governments in climate change adaption by:

(i) Collection and provision of information for climate change adaptation relevant for local government planner; (ii) provide human, financial, technical resources and services to support local adaptation; (iii) provide social protection ; and (iv) ensure a supportive policy and institutional framework. The report also identifies priority actions for donors. These include: (i) review sectoral priorities in light of climate change; (ii) explore different options for channelling funds and engage stakeholders in building local adaptive capacity; (iii) support decentralisation processes that transfer

¹⁹ For further examples see UNCDF 2010, for an example of a specific guideline to LGs for Climate Change Adaption see the excellent guide by the Australian Government: Climate Change for Adaption Actions for Local Governments.

authority to elected local governments; (iv) enhance local government capacity to take up the responsibilities afforded by decentralisation.

8. SUMMARY CONCLUSIONS AND RECOMMENDATIONS

This chapter summarises the conclusions and related recommendations from previous chapters and also discuss how a development partner like Danida through various interventions may best support systems for decentralised environmental management in partner countries.

While decentralisation can take many forms, there is an increasing trend towards some form of devolution (decentralisation to local governments) for environmental sectors in many countries. This form of decentralisation is the most radical with the most significant potential benefits but also with the greatest challenges to the sector and therefore the focus of this paper. It can be concluded that decentralisation by devolution of environmental management is rather superficially analysed in the general literature. Emphasis of most of the literature is on various forms for community decentralisation without systematic analysis of experiences with decentralisation to local governments. The major collection by Ribot (2004) is one of the few analyses that explicitly address the role of local governments in natural resource managements in a wider comparative perspective but concludes that empirical evidence for impact of decentralisation is missing. A major weakness of much of the literature is that they discuss "decentralisation" as a common phenomenon. In this paper we apply an alternative approach and discuss how five specific key dimensions of decentralisation is addressed in the NRM sector with some tentative suggestions of "good practices". Section 8.1 below summarise the issues for each of the five key dimensions and section 8.2 summarises specific key recommendations for development agencies/donors.

8.1 Five Pillars for Environmental Decentralisation

The impact of decentralisation is not mutual for all countries and depends on the specific features of decentralisation. Five key pillars can be identified as critical for successful decentralisation of environmental management:

- Pillar one: a clear and appropriate assignment of functions to the decentralised units. The literature indicates that NRM functions most frequently are assigned in a very partial manner. Although there is no consensus on what functions should be devolved, then there is significant agreement on the advantages of having functions clarified as un-clarity typically leads to conflict, lack of enforcement and capacity problems. However, the NRM sector is typically characterised by multiple sub-sector community based approaches that frequently are poorly integrated in the wider local government systems. Thus the overall legal framework for NRM devolution generally requires further attention in most countries. For urban environmental management this is not a similar problem.
- Pillar two: appropriate financing modalities for decentralised environmental management: LGs often collect NR based local revenue in a manner that may

have social and environmental negative impact. There is a need for further analysis and reform in this area. Payment for Environmental Service (PES) including carbon trading is a promising but yet rather unexplored area for of LG revenue. Donor funding for environmental services and investments are increasingly being integrated into local government grant systems. This is a good practice that supports the establishment of more sustainable institutional arrangements. Such arrangement may however not be feasible for more capital-intensive urban environmental investments. Financing of recurrent expenses (including salaries) are rarely included in donor funded projects and national governments' sector earmarked recurrent finances are not as common as for other sectors – thus there are often unfunded mandates e.g. for environmental regulations transferred to local governments – mandates that subsequently are poorly performing.

- Pillar three: Human Resource Management – HRM in local governments is frequently problematic and efforts for building such systems are urgently required but can probably not be separated from building the wider capacity of HRM in local governments. It is to a large extent an ignored aspect of environmental decentralisation reforms – probably because more fundamental aspects related to the assignment of functions so often are in need of clarification. However, it is critical that sector staff and development partners ensure that NRM staff issues receive adequate attention, initially by documentation and analysis.
- Pillar four: Local Accountability Structures – different forms of decentralisation lead to different forms for local accountability. It is important to avoid duplication and overlaps that leads to unclear lines of accountability. There is some evidence that decentralisation by devolution not necessary leads to greater community involvement in the environment sector. Separate community based structures are therefore frequently established for NRM sub-sectors. However, without proper linkages between these structures and the overall local government structures, this can easily lead to duplication and overlaps. A few cases have been identified where NRM management at community level is successfully integrated in local government structures, but in most countries there is significant scope for further institutional reforms.
- Pillar five: Central institutions for reform coordination and oversight – when the sector is decentralized by devolution there is a need for working with a much wider group of central institutions than in more traditionally centrally managed sector programmes.

8.2 Role of Development Agencies/Donors

The preferred aid modality for Danida is currently some form of Sector Budget Support. This is particular challenging in the environmental sector, where coherent national programmes and institutional arrangements for comprehensive environmental management are rare. A promising approach adopted in several new programmes has been combined support at lower local government levels through funding for LG grants combined with capacity building and support for national policy development.

It is important that external support to the extent possible include relevant activities for each of all the five above-mentioned “pillars of successful decentralisation” – a key challenge is to find ways whereby all five pillars are supported in a mutually strengthening manner.

Donors may contribute to a more conducive policy context for decentralised management of natural resources and local governance institutions, by supporting government’s policies and legislation for decentralisation of environmental management. Encouraging policy alignment and harmonisation for example through the linking of decentralisation policy with natural resource management, environmental protection and land administration. This includes the encouragement of ministries and departments to work in partnership with local governments and local governance institution. Improving the quality of policy implementation may require occasional support to pilot activities to promote the testing of new approaches on institutional solutions to natural resource-related problems in different contexts for which development agencies may be well-placed. These must be well designed (truly policy pilots rather than simple area based approaches) and accompanied by monitoring, analysis, documentation and communication to ensure that policy lessons are drawn and reach policy-makers.

The climate change challenges and related significant levels of potential additional development funding may in many countries be provided for local level implementation through local governments. Importantly this should be done without creation of new parallel financing instruments but to the extent possible through existing systems such as discretionary grant modalities supported by relevant capacity building. Another future challenge for donor support to environment through local governments is how to link PES including carbon trading to financing of environmental services through local governments.

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Key Resources on the web about environmental sector decentralisation

For websites dealing with general decentralisation issues – see the “Good Practice Paper on Decentralisation”. Several of those sites will have some documents dealing with environmental issues.

Several websites are dedicated to discussion of broader environmental issues or specific environmental subsectors, while few websites focus on solely on local governance and environment. The below mentioned websites from the World Bank provides good starting points.

World Bank

Introduction to the WB Groups Environment Strategy
<http://go.worldbank.org/F6QOYGIJT0>

Devolution in Natural Resource Management and the Poor
<http://go.worldbank.org/IMMIWPUG80>

Urban and Local Government Strategy
<http://www.wburbanstrategy.org/urbanstrategy/>

ANNEX: INSTITUTIONAL CHOICE – ASKING THE RIGHT QUESTIONS²⁰

<p>Practitioners, donors, policy makers, and activists need to ask some straightforward questions in order to evaluate whether the institutions being chosen to receive decentralized powers are likely to provide the</p>	<p>equity, efficiency, development, and environment benefits that decentralization promises. These questions include the following:</p>
<p>1. What kinds of institutions are receiving powers in the name of decentralization? Are they elected local government bodies, local administrative bodies, local branches of line ministries, traditional authorities, NGOs, private voluntary organizations, communitybased organizations, associations, appointed committees, elected committees, etc.?</p> <p>2. If the local institutions are elected, do the electoral rules help make them representative?</p> <p><i>a. How long in advance are elections announced?</i></p> <p><i>b. Is suffrage universal? Is it based on residency?</i></p> <p><i>c. How are candidates are chosen? Do electoral laws admit independent candidates?</i></p> <p><i>d. What are term lengths?</i></p> <p><i>e. Are there means for recalling elected officials?</i></p> <p>3. To whom are the local institutions accountable with respect to the exercise of the transferred powers?</p> <p><i>a. Through what mechanisms are the local institutions accountable?</i></p> <p><i>b. Are there multiple mechanisms of accountability?</i></p> <p>4. How do the sources of the institutions' funding or</p>	<p><i>c. Is inclusion interest-based (such as by profession or cause)?</i></p> <p><i>d. Is inclusion narrow and interest-based like stakeholder approaches or broad-based, as in representative systems?</i></p> <p>9. Are the institutions favorable toward marginal and poor populations?</p> <p><i>a. Do marginal and poor populations have influence over and voice in the institutions?</i></p> <p><i>b. Do the institutions provide mechanisms to ensure the inclusion of marginal and poor populations in decision making and benefits?</i></p> <p>10. Whose interests are ultimately served by the institutions?</p> <p><i>a. Are the institutions serving the patronage interests of central actors?</i></p> <p><i>b. Are they serving only the interests of their members?</i></p> <p><i>c. Are the institutions serving only a subsector or fraction of the population?</i></p> <p><i>d. Are they serving the population as a whole?</i></p> <p>11. Can multiple institutions freely function in the local arena?</p> <p><i>a. Do citizens have rights to organize?</i></p> <p><i>b. Do citizens and local organizations have rights to lobby government?</i></p> <p><i>c. Can groups and organizations easily</i></p>

²⁰ Ribot 2004, page 45.

<p>powers affect their accountability?</p> <p><i>a. Can the institutions raise revenues locally?</i></p> <p><i>b. Are the institutions dependent on grants and funding from outside agents?</i></p> <p>5. How do the mechanisms through which resources are transferred affect the institutions' accountability?</p> <p><i>a. Are the powers the institutions receive transferred as secure rights?</i></p> <p><i>b. Are they transferred as privileges that can be taken away?</i></p> <p>6. Are the institutions integrative across sectors?</p> <p><i>a. Are the institutions single-sector or multi-sector oriented?</i></p> <p><i>Are they single-purpose or multi-purpose?</i></p> <p><i>b. Do the institutions play a mediating role among sectors?</i></p> <p><i>c. Are the institutions involved in allocation of resources among sectors?</i></p> <p>7. Do the institutions favor procedural matters of democracy or a specific set of instrumental objectives?</p> <p>8. What basis of inclusion do the institutions use?</p> <p><i>a. Is inclusion residency-based?</i></p> <p><i>b. Is belonging identity-based (as in ethnicity, race, religion, lineage)</i></p>	<p><i>attain legal recognition and status?</i></p> <p>12. Are lines of accountability over public decisions mediated through representative authorities?</p> <p><i>a. When non-representative institutions are given public decision-making powers, are they accountable to representative authorities concerning the exercise of these powers?</i></p> <p><i>b. Do these institutions compete with and undermine representative authorities, or do they strengthen representative authorities?</i></p> <p>13. What are the long-term implications of the choice of these institutions for justice, sustainability, scalability, and the formation of citizenship?</p> <p><i>a. Do these institutions encourage broad-based involvement of local people?</i></p> <p><i>b. Do they enfranchise people as citizens?</i></p> <p><i>c. Do they give local people voice and agency?</i></p> <p><i>d. Do they enable long-term stability?</i></p> <p><i>e. Are they replicable across territories?</i></p>
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