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Sector Programme Support
in Decentralised Government Systems:
- a Contextual Donor Challenge

by

Henrik A. Nielsen

The findings, interpretations and conclusions expressed in this paper are entirely those of the author. They do not necessarily reflect the views of Danida.

Preface

This Danida Discussion Paper is the second in a series of papers issued by Danida. The aim of these Discussion Papers is to contribute to the debate in the Danish public as well as in developing countries and the international community on issues of key importance to development assistance in general and Danish development assistance in particular. The papers are supposed to be short, thought provoking and possible to read also for people without a specific technical background. The opinions expressed are those of the author and do not necessarily reflect the views of Danida.

About the author of this paper:

Henrik A. Nielsen is a political scientist (M.A.) and Technical Adviser on institutional development in Ministry of Foreign Affairs, Copenhagen.

Correspondence regarding this publication can be send to:

Henrik A. Nielsen, Ministry of Foreign Affairs, Asiatisk Plads 2, DK 1448 Copenhagen K, Denmark; e-mail: heniel@um.dk

Index

Abstract

1. Introduction	1
2. Why Decentralise Governments?	1
3. Decentralisation: Many Different Versions of Changing Government Systems	3
4. Issues and Risks of Sector Programme Support in Local Government Systems	6
5. Decentralisation and Danida Practices	8
6. Implications for Sector Programme Support	10
7. Different Roles for Central and Local Governments	11
8. Specific Considerations for SPS in Decentralised Systems	13
9. Combination of SPS and Decentralisation Support?	16
Literature	18
Annex 1: National Decentralisation Policies during the 1990s in the Danida Partner Countries	20
Annex 2: Danida Support to National Decentralisation Policies	21

Abstract

During the 1990s donor assistance has to an increasing extent been prepared and delivered as sector investment programmes, within sector-wide approaches, or as termed by Danida in its 1994 Strategy as sector support programmes (SPS). This implies inter alia, concentration of the bilateral assistance in each programme country to a few, selected sectors like health, agriculture or natural resource management.

Meanwhile, however, the national government system is changing in many of the Danida programme countries from mainly highly centralised administration systems towards different models of decentralised local government systems, often including devolution of powers and responsibility of all sector planning, budgeting and implementation to elected local councils.

This Discussion Paper attempts to discuss the challenge presented by this changed national context for the preparation of SPS. First, the emergence of the present national decentralisation tendencies in the Danida partner countries is analysed; secondly, the implications of the changed context – the issues, options and problems it contains – are focused upon; and finally, it is considered how best the sector programme support in practice can be prepared to address the aims and challenges the decentralisation processes pose. Specifically, a range of considerations, based upon experiences gained mainly from Uganda and Nepal are presented to illustrate how the SPS could be better prepared for operation in decentralised government systems.

The Paper concludes, not by reintroducing the local area integrated project approach of the 1970s, but by suggesting how the sector support programmes gradually could be developed and combined with the national processes of devolution at the local area levels.

1. Introduction

The approval by the Danish Parliament in 1994 of the Strategy for Danish Development Policy Towards the Year 2000, implied that Danida formally joined the increased emphasis by donors on delivering development assistance primarily as sector investment programmes, within sector-wide approaches or, as termed by Danida, as sector programme support (SPS). Consequently, during the last five years, processes of planning, preparation and making the bilateral support to about 65 sector programmes operational in Denmark's 20 developing partner countries in mainly Sub-Saharan Africa, South Asia and Latin America have been on-going. Currently, about half of the sector support programmes have been approved and are at the initial stage of implementation.

However, as the national context of the public sector at the same time is changing during these years in most of the partner countries from rather highly centralised systems of governance and administration towards different models of decentralised local governance systems, including strengthening or introduction of democratically elected local governments, there is an urgent need for Danida and other donors to take this changed context into account when preparing the sector programme support.

It is the intention of this paper to discuss the background of the emergence of the present varied decentralisation tendencies in our partner countries, to focus on the implications of the changed context – the issues, options and problems - and to suggest ways to improve the preparation and practices of the sector programme support in view to address the aims and challenges the decentralisation processes pose. As a general starting point it should be noted, however, that no standard of generally applicable mechanisms or guidelines are offered: all sector programme support has to be placed in the specific national context, including the respective decentralisation policy with its positive and negative elements.

2. Why Decentralise Governments?

On the theoretical level, decentralisation of the powers, functions and resources from central governments to local governments or administrations may be initiated for many reasons. The positive classical arguments are among others that the planning and implementation of services are *best performed* by those concerned with the delivery of the services; that a *better quality* will be achieved, if the producers and consumers of the services are close to each other; that decision-making will be *more participatory or democratic*, if elected officials and their electors are in close contact; and that *more efficient and cheaper* service delivery will be the result of local supply, since the local authorities know better the actual needs and the costs of the production. Finally, the process of decentralisation can provide an opportunity for the institutionalisation of *gender concerns* at the local level and create spaces at the local level for women as political actors.

However, on the other hand it may be argued, that decentralisation processes may *enhance the inequalities* between richer and poorer regions of a country; that it could *undermine the national unity* and trigger off political or ethnic conflicts; and if gender concerns are not taken into account women's interest run the risk of being *marginalised* at the level of the local government. Local government may as well as central government be *misused* or corrupt, and turn into regimes of local dictatorship or *elites*. Obviously, it is essential to analyse carefully the motives behind any process

of decentralisation and its actual implementation in a given national context to be able to assess whether the specific process at hand is a progressive development.

Moreover, the practical experiences of the '1st wave' of decentralisation, in particular from Africa, have not been encouraging. From the late 60s up to mid-70s, administrative reforms as part of the integrated development planning efforts were tried in many newly independent countries (Göran Hydén, 1990; Harry Blair, 1998). However, the actual impact was very limited: participation was not increased; local administrative performance and capacity had not been enhanced; and distribution of wealth, status and power had not been altered. In short, decentralisation had failed in Africa (Dennis Rondinelli et al., 1984; James S. Wunsch, 1991).

But it is important to realise *why* 'decentralisation' was not successful. It was not decentralisation *per se*, but the variant of decentralisation labelled *deconcentration*, where functions and powers were transferred to central government field offices. Furthermore, the implementation was poor, including lack of clear objectives, inadequate resources, shortage of skilled manpower, and general resistance from senior bureaucrats (Cheema & Rondinelli, 1983; Diana Conyers, 1986; Harry Blair, 1998). Decentralisation failed mainly because it did not decentralise *enough*. It was not sufficiently participatory and it lacked accountability towards the local civil society.

By the beginning of the 90s, a '2nd wave' of decentralisation is globally observed in an increasing number of developing countries. Although warning has been raised against believing that decentralisation should be seen as a magic spell that would cure all evils of society, and rather could well turn into a neo-liberal cul-de-sac for the poor in the Third World (Frans Schuurmann, 1997), the current substantial movements of decentralisation in the variant of *devolution*, i.e. transfer of powers to elected local governments, can not be easily dismissed as the latest 'global fad'. Even if assessed as currently a fragile process, as claimed by the Ugandan Minister of Education, Apolo Nsibambi, decentralisation is likely to be irreversible, as the local governments now have tasted powers, they will resist any attempts to reverse the process (Apolo Nsibambi, 1998).

For the donors, the issue is not as much a question of whether or not to support the process of decentralisation. Rather, how to do it in the best way. As expressed by the DAC Expert Group on Aid Evaluation:

“In most developing countries, decentralisation is an important political issue, and most countries have adopted strategies for decentralisation. It is usually not a question whether decentralisation should be undertaken or not, rather, it is a question of how to decentralise, and what to decentralise. What powers can be allocated to local governments? Which functions can be delegated to local institutions; what expenditures and taxes can be decentralised; what subsidy or transfer programmes can and should be developed; and what kind of administration and co-ordinating mechanisms can be utilised? How can decentralisation be co-ordinated with other reform programmes?” (DAC Expert Group on Aid Evaluation, 1996, p.3)

The relationship to other intervention strategies and reform programmes is crucial, and the motives and background of the donor agencies may also differ. Decentralisation has in some cases been part of the general civil service reforms or of the structural adjustment programmes to reduce the central government administration and make it more effective. Transfer of expenditures and political responsibility to the local authorities may be supported to alleviate the burdens of the central governments. It may also be a means of more revenue generation by mobilising more local resources. Or, as seen since the beginning of the 1990s, the global donor pressure to make

governments and public administrations more democratic, transparent and accountable to their constituents has increasingly also included the local levels.

It may in particular be contemplated, why this '2nd wave' of decentralisation since the beginning of the 1990s is surfacing right now. Several explanations may be offered: - Is it a logical extension of the *democratisation* of the central government administration into the local administrations, often based upon certain general clauses of the newly adopted democratic constitutions promising a local governments system? - Maybe in a number of cases, combined with a certain disappointment of the limited *development effects* of the new national political changes (e.g. new constitutions and democratically elected regimes), at the state levels? - Or, is it mainly a result of the external pressures to improve the local *administrative capacity* through public sector reforms?

In any case, the decentralisation processes are visible in most of e.g. the Danish partner countries, and the response to these challenges by the donors could have a decisive effect. Decentralisation processes may simply provide positive development and democratisation options which a centralised governmental system does not offer. Thus, this paper also aims to discuss the donor options for supporting the decentralisation processes per se, to analyse the implications for sector programme support planning in decentralised government systems, and to suggest ways and means to improve the preparation and practical implementation of the donor-support.

3. Decentralisation: Many Different Versions of Changing Government Systems

Since the beginning of the 1990, transfers of powers, functions and resources from the central government level to local governments (districts, provinces, communes) has been an on-going national process which increasingly is evolving in most of the 20 Danish partner countries. Presently, at least 15 of the countries, in which the Strategy for Danish Development Policy towards the Year 2000 is now being implemented, have already enacted various local government systems or are in the very process of preparing the legal and administrative framework for decentralising the responsibilities for the planning and implementation of the development efforts e.g. within education, health, infrastructure, etc. from the centre to the local area and population (see **Annex 1**: Decentralisation Policies during the 1990s in the Danida Partner Countries).

As noted, the term 'decentralisation' may be used to describe a variety of institutional structures and arrangements. It is, however, common to distinguish between four major forms of decentralisation (NORAD, 1997, p.19-20):

- **deconcentration**: involves the transfer of selected functions within the central government hierarchy to *field offices*; the local deconcentrated staff will still be accountable to their mother line ministries,
- **delegation**: involves the transfer of responsibility for sectoral duties to *regional* or *functional agencies*, that often operate relatively independent of central government control; delegation usually occurs in sectors with a sound income-generating basis,
- **devolution**: involves the transfer of discretionary authority to legally constituted and democratically *elected local governments* for a wide range of operations, encompassing more

than one sector; the role of the central government is limited to overseeing and national policy guiding; the local level sector staff will be responsible to the local elected council rather than to line ministries;

- economic deregulation/privatisation: the final transfer of functions, in particular for certain economic activities, from the public sector as such to *private*, semi-private or community *organisations*.

The specific decentralisation policies in most cases will be combinations of the 'pure models', as is particular the case in francophone Africa, where deconcentration and gradual devolution are often parallel processes. It may be more useful, as suggested by Diana Conyers (1986), to analyse the specific *forms of decentralisation design* by studying:

- Which functional activities are decentralised? All functions (except defense and foreign policy)? Or, some selected functions like education, agriculture, health, etc.; and within the activities, which types of functions, like primary, secondary, vocational, adult education services, and day-to-day administration, location of new schools, curriculum design, teacher training, etc.;
- What powers over each activity are decentralised? Policy-making (i.e. law-making, executive powers)? Financial resources (sources of own revenues, expenditure approval powers, conformity between functions and finances)? Personnel matters (conditions, establishment of positions, appointment, transfer, termination)?
- To what level are powers decentralised? Size of the local units (in terms of area and population)? Accessibility for staff, leaders and citizens? Is a community constituted? How is the administrative capability?
- To whom are powers decentralised? To individuals (citizens, electors, clients)? To collective groups, agencies or organisations(composition, area, structure)? Or to political or administrative bodies (composition, structure, powers)?
- How are powers decentralised? By legislation (constitutional or ordinary acts)? By administrative measures ?

The responses to these analytical questions will determine the actual features of the respective decentralisation version. To understand the specific national context, it is essential to realise that decentralisation is a *political process*, the width, depth and time-horizon of which is dependent upon the configuration of the political powers involved. Is it a top-down process by an intellectual or bureaucratic elite? Or, is it related to a larger, rural base, which may over time grow into a national consensus? The dimensions of the process are interrelated, and decentralisation of some functions without others will limit the impact of the change process. The key factors will, as shown in many cases, be to what degree the financial and manpower resources needed are actually allocated to the local level institutions.

Moreover, it has to be stressed that effective *decentralisation process takes time* - maybe 10-20

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years of preparation, enactment, initial implementation and adjustments¹. Thus, when analysing an on-going or future process of decentralisation, the end result is not given. Although the ‘design’ of the decentralisation programme as outlined above is essential and may be carefully planned, the organisation of the implementation process and the capacity to implement it are also important, and crucial for achieving the objectives. The organisation of the process poses questions like: - Is a ‘plan of operation’ available, specifying the steps and responsibilities of the process? – Is there a need for a special machinery like a Decentralisation Reform Secretariat or Cabinet Steering Committee? – What timing or length of the process has been foreseen? – Is the capacity to implement the process of decentralisation sufficient, i.e. the political commitment of the Government and its constituents as well as the administrative ability of the civil service to change and adapt to new policies available?

Part of the problem is that implications of the process are often only realised when implementation has started, and opposing central forces, fearing negative effects, may be mobilised before the positive effects for the local communities are visible. Re-centralisation is always a potential risk, as observed during the ‘1st wave’ of decentralisation. Another part is that most opposition arises from those that are to relinquish power and resources at the central level e.g. from line ministries. As such, somewhat self-contradictory, strong central governments may be in a better position to implement decentralisation processes, at least until new actors like local government associations are able to assert themselves..

This is why the *position of the donors*, main sponsors of the sector investment programmes in most developing countries, is so crucial. They are in a key position to influence the processes of decentralisation, and their adaptability to the new national public sector policies will become a major factor of whether the decentralisation strategies will fail or prevail. As stressed by the DAC Expert Group on Aid Evaluation:

“Donors should be aware that by channelling funds directly to the strengthening of state institutions, they inevitably take on a more political role. Projects aiming at institution building will by definition seek to improve the capacity of institutions, which in this case means the capacity of the state. With donors providing a substantial proportion of government funds in many countries, their support may be decisive in determining the outcome of internal political struggles. Much of the current aid programmes actually seems to have a *centralisation effect* on the developing countries, especially in those countries where donor funds make up a large part of the investment budgets. Aid programmes historically seem to have strengthened central governments in the recipients countries, and oriented their accountability towards the external donor community, while implicitly weakened the accountability towards the national and local political constituencies.” (DAC Expert Group on Aid Evaluation, 1996, p.23)

Before turning to discuss how the donors could avoid this dysfunctional or negative effects on the national policies, the major issues and problems arising from the cross-field of sector programmes within decentralised or local government systems are presented:

4. Issues and Risks of Sector Programme Support in Local Government Systems

The basic issue of course, is how the *horizontal* local area development planning and decision-

¹ In Denmark, having a local government history since the democratic constitution of 1849, the implementation of the most recent comprehensive local government reform took about 10 years (1970-80).

making can be combined with the *vertical* sector investment programmes. Priorities of local governments have to be made across sector boundaries of education, health and feeder roads, while the central line ministries are limited in their investment planning or guidance to only be concerned with their own sector. Furthermore, while the perspective of the local government is one of totality, including all aspects of general administration, financial management and accountability, planning, etc., the perspective of the line agency and its donor sponsors often is partial and focused upon the administrative and financial aspects of only the relevant sector programme or department, or even a single project within the sector. Strengthening of the capacity of a single sector like e.g. water sanitation therefore may distort the general financial management and planning capacity. Accountability and transparency within one sector may be achieved by adding better trained accountancy staff to one department, however, overall accountability is only achieved if all departments contribute towards the improvement of the finance office of the local government as a whole, and the responsible local political leadership is involved

Further, moving from a centralised planning and decision-making to a decentralised local government responsibility implies an *increase*, not only in the number of decision-makers, and the levels involved, but also, which is often overlooked, *in the number of partners* with which the centre is obliged to be in dialogue, and a change in the mode of communication *from direction to guidance*. Instead e.g. of issuing one directive to all District Education Officers, previously being their own staff, the Ministry of Education in Uganda now have to guide and assist autonomous 45 district councils and 63 municipalities in their planning process . According to the Local Government Act (1997), the line ministries have to agree with each of the concerned local governments on the size and modalities of the Conditional Grants (the earmarked transfers from the central government to the local governments). Up to now, however, experience has shown that the central governments have not been able to cope with this increased number of partners, and has chosen either to be ignore the requirements, or only at a very late stage comply formally by requesting the districts to sign standard letters of agreements. There is clearly a need to establish new mechanisms for the bargaining between the central and local levels. In Uganda, the introduction of medium-term (3-years) comprehensive budget frameworks at the local government-level and the increase of Conditional Grants as share of all central government transfers (for 1999/2000 growing to 80 %), has added to this need. In this context, national or regional local authorities associations could be a useful intermediary means for articulation and aggregation of demands of the local governments.

In reality, a major issue is who is to *define the policies* and *set the priorities* within a given sector of a local area. Should the national standards be prevailing in any case, or should local interests and special circumstances be determining factors? And where is the borderline between ‘national guidance’ and actual decision-making or concrete investments or projects? If the donor-sponsored investment aims to reach the poorest of the population, should the target-group and criteria of access be defined centrally by the donor and the line ministry at the capital level, or should it be left to discretionary, but local democratic decision-making at the district levels? There is no easy, general answer, but more confidence should be placed in and more leeway should be availed to the new local leaderships, and in particular more time should be allowed for the civil society and the electorate to define their own levels of political tolerance. In Uganda, it has thus been encouraging to observe the effective change of 70-80 % of the local leaders by the electorate during April 1998, by observers seen as a healthy reaction to the perceived need for political accountability.

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However, the risks of *local misuse of funds or corruption* are also evident as more funds and more powers are devolved to a new, untrained local leadership and a local administration with limited capacity of e.g. financial management. If more funds are channelled to local governments through sector support programmes, the risks of ‘decentralisation of the corruption’ are of course latent, although they may be exaggerated. Even though funds misappropriated could be insignificant compared with the far larger central misuse, the examples of a very limited overdraft of an account or an outright theft from the coffers of a local government is often much more visible to the general public than a complicated kick-back or fraud at the ministerial level, and is easily utilised in the debate – in particular from the line ministries - to substantiate the need for more central control on local activities, although it could also be seen as evidence of the well-functioning public monitoring on local government administrations. So-far, the few available studies on misuse of funds e.g. in Uganda have shown, that the key areas of corruption are within public revenue management, public enterprise reform and privatisation programmes, all of which are national areas, while wide-scale systematic petty corruption is also found within primary education, health, police, judiciary and local administration (World Bank, 1998; CIET, 1998; Rachel Flanary & David Watt, 1999). That is why much emphasis should be put on developing the *general* financial management capacity of local governments and administrations and enhance the overall financial accountability and auditing, and not only focus on individual departmental sector-wise capacity.

Decentralisation as defined as devolution involves transfer of powers to a *local, representative government* (commune, district, province). Line ministries have for many years by-passed local authorities through implementation of donor-sponsored programmes, because they were found too bureaucratic, passive or not sufficiently poverty oriented. Instead, so-called *community-based organisations* or *non-governmental organisations* have been used as vehicles for implementation of spot-wise project activities. By doing so, they further contributed to the undermining of the legitimacy of the local authorities. Within a sustainable sector-programme approach, covering all the area of a local government and reaching towards e.g. all segments of the poorest population, the need for co-operation with strengthened local governments and implementation through the ordinary departments becomes evident. Even if a current political leadership may be elitist or a one-man regime, in the long run, the fairly democratically elected local government probably will be more representative of the wishes and interests of the people than a few, self-appointed NGOs with no clear mandate or membership, other than linkages to one or more donors.

Finally, the most crucial decentralisation issue is the *financial decentralisation*. The local revenue base is generally low, and the central government frequently fails to come up with the necessary funding for activities for which the local governments have been assigned responsibility. Decentralisation of functions and tasks to local authorities without securing the necessary funding is common. Line ministries often retain the funding but relinquish the functions. Sector programme support will have an important effect within this very political context, and could often be decisive in many developing countries. The structure and volume of financial decentralisation, its modalities, budgeting and medium-term reliability, details of procedures and regulations, accountability, timeliness –all are crucial aspects and details to be developed, and to which the sector support programmes could make substantive contributions.

5. Decentralisation and Danida Practices

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The guiding principles for Danida in relation to the decentralisation processes are closely linked to its overall poverty alleviation strategy. Poverty orientation constitutes a fundamental principle of Danish development assistance and of the Strategy for Danish Development Policy Towards the Year 2000. Apart from promoting sustainable economic growth, and developing the social sectors, the third element of the poverty alleviation strategy is described as

- promoting popular participation in the development process, building a community founded on the rule of law and good administration practices as prerequisites for stability in economic, social and political development.

The latter part of the poverty reduction strategy is therefore essentially to contribute to creating the *preconditions for popular participation* in the development process. Such preconditions encompass observing respect for civil and political human rights and free elections, where also local and district councils are held responsible at regular intervals for the policies they pursue. Popular participation will only be realised fully when the public sector also at local level works in accordance with the principles of good governance, where there is openness and transparency in the decision making process, and where resources are employed effectively. Increased assistance to capacity building of central and local institutions responsible for planning, administration and control of the development activities is to be seen as an improved means of *empowering the local population*, including the creation of new roles for the women.

In particular, there is a range of ways in which transfer of power to local governments might benefit *women*. First, it can provide an opportunity for the institutionalisation of gender concerns at the local level, e.g. in subcommittees of the local government. Secondly, decentralisation can increase accountability because of greater transparency at local level with more scope for women to hold local governments accountable to their specific needs. Thirdly, decentralisation can also create new space at the local level for women as political actors. In Uganda, the last Local Government Act (1997) stipulated that 1/3 of all councillors should be women.

Decentralisation of the public sector can promote popular participation in the development process by stressing the *democratic* elements. By moving the decision making process closer to the people, participatory opportunities can be increased and local authorities can become more accountable to their electors. Supporting national processes of transfer of powers, functions and resources from the central government administrations to local democratically elected governments is thus increasingly seen as a more effective and sustainable approach to achieve the overall objectives of *institutional development* and enhancement of *national ownership*.

Although no specific Danida policy or strategy as regards the on-going decentralisation reforms has been adopted, the implications of the principles of national ownership and institutional development are clear. Under the heading '*Local Responsibility and Decentralisation*', the Danida Strategy paper states that it is a major precondition for the sustainability of both sector support as well as other types of support that the responsibility for the assistance intervention is clearly placed. It is stressed that

..“Increased responsibility and influence as a precondition for a sustainable assistance implies that an increased emphasis in Danish development policy is put on *decentralisation of functions and powers of decision-making*. As far

as possible, a direct co-operation is to be established with the *recipients* of Danish supported activities *at the local levels*, and local interests will be pursued through the sector dialogue with the central authorities. The recipients of the assistance, thus will include both central ministries, *districts and municipalities* as well as parts of the private sector. Within the concerned fields, emphasis will be put on increased participation and responsibility of the recipients.” (Danida, 1994, p.18, translation an emphasis by author)

In the Poverty Alleviation Guidelines, following the Danida’s Poverty Evaluation (1996), the decentralisation aspects as part of the popular participation was further elaborated.....

However, as mentioned, no specific Danish policy towards the on-going national decentralisation reforms has been drafted. This could be somewhat surprising as Denmark actually, due to its history of local government development, is in a special position to assist the decentralisation processes of the developing countries. Although rarely noticed, according to the UNDP Human Development Report, 1993, Denmark as per financial criteria (local government expenditure as a percentage of total government expenditure, less defence and debt service) is the *most decentralised country in the world* (51 % indicated as the 1988 decentralisation expenditure ratio)(UNDP, 1993, table 4.2). This has recently been sustained by the World Bank’s World Development Report 1999/2000 (World Bank, 1999, table A.1), indicating 54.8 % in 1997. The specific figures may be disputed, but it is without doubt that the level and magnitude of political and financial responsibilities of local governments in the Nordic countries (Denmark, Sweden, Norway and Finland) are at the top end, and e.g. quite larger than in Great Britain (31 %) or France (19 %) on which the administrative systems of the developing countries most often are modelled. Moreover, the local government expenditures of the developing countries themselves is only very slowly raising from the levels of less than 5 % in Benin, Burkina Faso, etc. (UNDP, 1993) to e.g. Uganda’s 17 % (ULAA, 1998).

As such, the principle and practices of local self-governance in the Nordic countries is a long-rooted part of the democratic tradition and political culture, taking as granted by most Danes and accordingly not necessarily defined as a specific policy, but often neglecting that this is not the case in many other industrialised or developing countries. But even without a detailed policy, the Danish and Nordic long history of experiences from local governance and a well equipped resource base of local civil servants, associations and functioning local governments has meant that assistance to planning and implementation of local development quite naturally has comprised support to the current decentralisation processes of our partner countries. Some minor Danida-funded *support programmes directly to the democratic decentralisation processes per se* – at national level, or frequently combined with institutional and capacity building support on a pilot basis to a few local governments - are on-going , or under preparation, in many of the partner countries (e.g. in Benin, Bolivia, Burkina Faso, Ghana, Nepal, Nicaragua, Tanzania, and Uganda (see **Annex 2**: Danida Assistance to Decentralisation Processes). In its support to processes of decentralisation, the Danida support in practice has been aimed at three major purposes:

- (1) to strengthen and deepen local democracy by bringing the services and decision making closer to the people concerned, including enhancement of women's participation in public life;
- (2) to improve local administrative capacity by improving the accountability and transparency of all the decisions and expenditures of the local governments;
- (3) to enhance the effectiveness and efficiency of local service delivery to the poorer segments of the population.

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As the national decentralisation processes and the related support programmes are quite recent, studies on their effects are scarce. However, from the evidence available (Danida, Rakai Reviews, 1998 & 1999; Thomas Bredgaard, 1999; Katarobo et al., 1997), a certain pattern emerges. While on the whole devolution appears in many cases 1) to promote democratisation and popular participation, not least a more transparent governance, monitored by an active electorate, results with regards 2) to enhanced administrative capacity or 3) to an improved service delivery have been more mixed or delayed. To some extent this may be explained by a lack of sufficient political will at the central level to actually transfer powers and resources to the local governments, a larger need than anticipated for training at the local levels to enable the elected leaders and civil servants to fulfil their new roles, and not least the need to develop new systems and capacity e.g. within financial management and auditing. Accordingly, these areas are also seen by many donors as focus areas.

However, apart from the direct support to the reform efforts, the most important implications of the national changed local government context for the donor assistance will *affect all sector programme support in the countries concerned*. And as shown, these national processes of change to decentralised governmental systems are under way in most of the Danish partner countries.

6. Implications for Sector Programme Support

The point of departure for Sector Programme Support in a decentralised government system - or in a system in the process of being decentralised – is, that the *strategy of change towards increased local governance is a legitimate one* made by national Parliaments or Governments, and that choice must be respected by external donors as well as national actors. This implies that in countries, where national decentralisation reforms are under way, sector programme support must be planned and implemented according to the national legal and administrative framework relating to local government, and direct co-operation with and strengthening the capacity of the local government institutions will become an integral part of the Danida-programme support. It should be noted, that if care is not taken to ensure the strengthening of the local level institutions, then the sector programme support as a built-in central level approach will run the general risk of further centralising the national powers. Donor sector support may support the legitimacy and capacity of local administrations, - but may also be subversive and contra-productive to national decentralisation strategies².

This calls for an increased *need for specific study and analysis of the national decentralisation strategies*, including the policies, administrative and legal framework, rules and procedures, set-up of decision-making, distribution of powers and functions between the various levels, etc, as a general part of the preparation of all sector support programmes, whenever relevant for a specific partner country, and irrespective whether the sector at hand is a social sector or infrastructure. Although it may initially be a cumbersome process, cross-sector country task forces within the donor agencies may ease the burden, assisted by local resource persons, researchers, etc.

² Examples from e.g. donor support to the health sectors of Ghana and Uganda, assisting the set-up of a separate Health Service or Health Centres conflicting with the local government reforms, illustrates the issue.

Further, a *shift in the communication approach* is also needed. While obviously most of the co-operation dialogue and overall sector strategy planning will still be a process which will take place at the centre with the line ministries and other national institutions, the process of more specific preparation and management of the various programme components will need to involve the local institutions, which are to sustain the results of the supported sector programmes, i.e. primarily the local governments and their administrative departments. As these institutions are to be seen as autonomous to a varying degree within their administrative boundaries, and governed by locally elected popular representatives, to enhance their legitimacy and democratic mandate (if any), it is necessary to involve the local governments in the dialogue and *conclude an agreement with the concerned local council or councils* on the modalities of the purpose and operation of the specific components included in the sector programme support. The parties to such agreements could be the Ministry of Finance, the relevant line ministry and the respective local government. To by-pass these rather fragile democratic institutions is to continue empowering the central bureaucracies.

As it would be difficult for most donor agencies and line ministries to negotiate directly with a vast number of local governments (e.g. in Nepal with 75 District Development Committees, scattered over extremely difficult accessible hills- and mountain areas), the *need for a dialogue through federations or associations of local authorities* is clear. This can become advantageous for all parties: it is easier for the agencies at the centre, and it offers the local authorities a focal spokesman of their interests. It has been experienced that within a few years, the situation of a common recognition is established. However, the donors through their planning and financing of the sector support programmes may delay or promote this process.

As discussed, to understand the specific national context, a *more in-depth socio-economic analysis of the decentralisation situation* is needed. It is important to seriously understand the specific national, political context for such reforms: Who are the stakeholders and who are driving the reform process? Who will benefit and who will lose as a result of the reforms (how will it influence the role of women in decision-making processes, e.g.?) Are reforms a result of pressure from local groups - in which case they are much more likely to play a successful role in the democratisation process - or is it only a result of retrenchment operations at the central level of government, where decentralised functions are those which could not be financed following the public sector reform? Is it in reality a transfer of responsibilities to the local governments without the corresponding transfer of funds, thereby creating the future scenario of a rolling-back of the reform process since "the local governments did not have the political and administrative capacity" to perform, as often claimed at the central level? Such analysis is vital to undertake before any reform processes are supported.

7. Different Roles for Central and Local Governments

Decentralisation is often planned and implemented parallel with other public sector reforms of the country concerned, e.g. civil service reform, privatisation, public revenue reforms, land reform, etc. Whether sufficient co-ordination is achieved, is not necessarily the case (see e.g. Francis Lubanga, 1996). Simultaneous decentralisation of political powers and authority, financial resources and the building of political and administrative capacity at local levels is an optimal ideal, which may only be achieved in the long-term. Frequent regulations on changed distribution of powers, tasks and functions between central government and local governments thus are to be expected as part of the

on-going process. However, some general patterns of the distribution of their different roles may be discussed:

The *role of the central government* could be to concentrate on formulation of overall policies and sector strategies (in particular with the support of donors within a long-term SPS), programming, impact monitoring and advising the local level, whereas the local governments would be responsible for the planning within the national framework, making priorities of, implementing and monitoring the local projects and programmes. The exact distribution of powers between the various levels may of course vary according to the national decisions, but it is crucial to the reform success, that the delimitation of the vertical responsibilities (guidance, regulation, planning, implementation, etc.) is clear-cut. Restructuring of central level ministries and agencies is a logic part of the public sector reform, and the donors can play an important role if restructuring is well co-ordinated with the objectives of the decentralisation process.

Decentralisation reforms should aim at creating incentives for local resource mobilisation to sustain the autonomy of the local governments. But as richer regions have better opportunities for resource mobilisation, the central government, supported by the donors, should also establish systems and funding which promotes *equity between the regions and districts*. Donor supported sector programmes should keep this aspect in mind, e.g. when selecting specific local areas of interventions.

The *local authorities* on the other hand should ensure the horizontal co-ordination of all activities in the district or municipality, including the activities of the line ministries and the non-governmental organisations. Local representatives of the line ministries should be accountable to the locally democratically elected political leaders. Ideally, the line ministry employees shall from the outset become part of the local administration (or become redundant) as an essential element of the decentralisation process; however, the process of transition may take longer time. For the NGOs (often more powerful than the local authorities, in particular when they are donor-sponsored), the challenge is to accept the overall responsibility and need of the local governments for general information and planning, and accordingly assist them with data of the NGO-activities, e.g. of health services, location of activities, strategies of prevention of diseases, etc.

Finally, in designing and implementing support to sector programmes and decentralisation reforms the implications (options and advantages, versus the risks and potential disadvantages) of *focused sector support within the various local government areas* should always be considered carefully. The relationship between the local elite and other stakeholders in the development process at the local level needs e.g. to be analysed in terms of gender, socio-economic background, ethnicity, etc. Decentralisation should promote the broadening and deepening of the democratic and popular participation at the local level, not function as a means to strengthen local elites. A focused scholarship programme supporting education of vulnerable girls from local communities could e.g. be part of a sector support programme in one or more districts. However, the design and choice of selection criteria should be discussed and approved by the respective local government to strengthen the acceptance and implementation of the programme. The active involvement of the local authorities in the preparation and implementation of the sector support programmes should in general add the advantages of bringing them closer to the users, the poor, the women, and imply a more cost-effective implementation, and a better governance system.

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8. Specific Considerations for Sector Programme Support in Decentralised Systems

More specifically, based upon the experiences gained so-far from the programme countries of Danida, in particular from Uganda since 1991 and from Nepal since 1994, considerations on how the *vertical sector support* programme intervention could be combined with the *horizontal local government* co-ordination and capacity-building needs are discussed in the following. It is stressed, that general conclusions are premature, and that further analysis by the involved partners (central governments, local governments and their associations, and the donor community) is needed. However, the major areas of experiences gathered and for further study sofar focus on:

- 1. Need for Analysis of the National Local Government Context

As a departure point, it is important in the process of analysing the national sector context also to study the relevant local government system: the legal framework of local governments, the distribution of powers, functions and resources between the various institutional levels (centre/region/district), how it affects gender issues at the local levels, and the present political initiatives for further reforms of decentralisation. In particular, the actual or intended transfer of financial resources and personnel management to the local governments are critical issues in any national analysis. Although the current scenario may be difficult to assess, the speed and comprehensiveness of the political changes as of to-morrow can be quite substantial, and information from a broad range of national actors is important to analyse. In general, it is decisive to grasp whether the changes over time may imply a structure of *deconcentration*, or of *devolution*, or - as often seen in francophone West Africa - a combination of both models.

- 2. Participatory Involvement in the Planning Process

The practical difficulties of implementing a planning process in a participatory way increases when dealing with a multiple number of local autonomous governments, ideally to be handled each with a separate agenda. If the scope of the planned sector programme or component support is nation-wide, e.g. aiming at improving the specific capacity of the health departments of 56 districts, the participatory obstacles are nearly insurmountable. In such a case, the need for an *intermediary institution* like a Local Government Association which may negotiate on behalf of the districts is clearly felt. Other approaches like regional workshops or letters of intent may be appropriate. The essential point is, that the autonomy of the concerned local bodies is respected, and that they are involved in the planning process right from the start.

- 3. Political Leadership and Administrative Implementation

The distinction between the roles and functions of the local political leaders and the administrative heads of departments is important to maintain. In devolved systems, the local governments through their elected bodies (councils/committees) should be overall responsible for approval of agreements, plans and budgets, while the civil servants are to administer and report on the implementation to the elected bodies and their chairmen. *Consensus with the local line ministry*

officers or district heads of department on the sector planning *is thus not sufficient* for inclusion of the local activities in the programme. Only by respecting the division of tasks and the supremacy of the elected body in the sector support planning will the public and political accountability of the elected leaders towards their local electors be addressed. A dialogue, first with the respective sector Sub-Committee of the council, and finally concluded with the local council, is essential for a successful sector support at the local level. Special training of the members of the concerned Sub-Committee in their roles may be appropriate.

- 4. Local Administrative Systems to be Sustained

As far as possible, to sustain the institutional development of the local governments, support for sector activities should be implemented through and integrated in *existing, normal local government administrative systems* and procedures for planning, implementation, monitoring, budgeting and accounting. The set-up of ad-hoc programme units and procedures (committees, management or co-ordination systems) should be avoided. Ordinary departmental and local council administrative and political routines should be utilised instead. If, because of very special reasons, ad-hoc programme implementation/support units are established, the modalities and timing of their phasing-out should be planned from the out-set, and agreed with the concerned central and local authorities.

- 5. Unbalanced Sector Capacity-building to be Discouraged

It is a delicate balance to *avoid an over-dimensioned or unbalanced separate capacity-building* of a selected sector, e.g. of a single district department, by a sector support programme. In many cases, the shared general functions of a local government will cover planning procedures, budgeting, accounting and auditing, personnel management, human resource development, and general administration, and the institutional support to e.g. district departments needs to be tailored to a common district-approach and not only the specific department of the sector at hand-wise. In particular, if several donor-supported programmes are operating within the same district, it is essential, that a joint approach is agreed upon. Part of the support may be rendered as a general capacity-building input to the administration, e.g. to the finance and accounting, planning, etc., and a plan of capacity development over a number of years for all the departments could be part of the joint venture for the involved donors.

- 6. Integration between Sector and Local Long-term Planning

Integration between the elements of a sector programme support in the local area and the local long term development planning should be aimed at. If the district has elaborated e.g. a district development plan, the sector support activities may take as its departure point the agreed priorities of the district council. *Respect for local priorities, procedures and time schedules* has to be shown in practice. This will enhance the chances of a successful outcome. But this approach also underlines the need to deal with each local government individually! Fortunately, in many countries the need for integration of a national and local rolling budget and planning framework -e.g. on a three-year basis- is increasingly realised, which could make sector programme co-ordination with local

governments' planning easier.

- 7. National Budget Cycles to be Followed

The *annual budget cycles and schedules* and the phasing of investment periods *are to be followed* and integrated with the sector support, both at the national level (e.g. the line ministry in question, the Ministry of Finance and the Ministry of Local Government), and at the local level with the local governments. It should be noted, that in some countries the periods of the local government financial year and the central government financial year do not coincide. The right sequencing and timing of the annual donor budget commitment (well ahead of the actual local budgeting decisions), and a regular and reliable channelling of funds is very important. Early pre-announcement of donor budget-frames is a necessity for effective local government budgeting, also on a sector-wide scale.

- 8. Donor Contributions to be Transparent

To enhance the transparency of the donor interventions and sector programme support, all financial contributions of the sector programme shall be *visible* in the affected local government budget, whether recurrent or development support. Channelling through the local government finance system is preferable for transparency and instructive reasons, but even if this is not the case, the contribution can be included in the budget as a supplementary information ('below-the-line') to properly inform the political leaders and the public of the availability and magnitude of donor funding.

- 9. Funding and Accountability as per Local Systems

Funding from sector support programmes to local governments could be delivered in various ways: as block grants, not specified for activities, or as earmarked support directly to the general account of the respective local government, or indirectly through the establishment of local development funds or by using existing financial institutions. In any case, procedures of accountability should follow the ordinary procedures of general accountability for government institutions, and not project ad-hoc accounting procedures. E.g. for Danida sector programme support delivered to local governments, the General Guidelines for Accounting would normally apply (Danida, General Guidelines for Accounting, 1996), and *not* the guidelines describing Danida's requirements of accounting procedures for projects, where Danida itself is the implementing agency (Danida, Decentralised Project Accounting, 1996)

- 10. Agreements with Concerned Local Governments to be Made

Two levels of agreement should be distinguished: the agreement between the donor and the concerned national government, either represented by the Ministry of Finance or a line Ministry. The contents or broad outlines of such Government-to-Government agreements should be disseminated to the concerned Local Governments, in particular as regards specific figures of investments, criteria of distribution of activities, resources, etc.

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The other level of agreement is the one between the central and local governments. If direct co-operation with specific local governments is envisaged as part of the sector support programme, an Agreement or Letter of Intent approved by the respective local government council should be made between the concerned individual local government (district/province/municipality), and the respective line ministry, or the Ministry of Finance as the case may be. Conveniently, it may be part of, or subsequent to, the programme Government-to-Government Agreement. The time period of the agreed support should be according to the local development plan-period, with an in-built review every year chaired by the concerned Council. It may be co-ordinated with other similar agreements by the Ministry of Local Government, and, in principle or as a standard format, assented to by the concerned donor. The agreement could contain elements especially in regard to:

- an overview of all donor contributions within the sector to the respective local government,
- work plans/activity plans according to the guidelines of the line ministry/Ministry of Local Government,
- work plans/activity plans of the local government, approved by the local council (with possible comments from the line ministry/donor),
- budget contributions by the line ministry/donor, primarily to be disbursed as block grants, if earmarked, the conditions should be clearly outlined, and all contributions should be included in the local government budget,
- accounting procedures to follow general rules, and specific contributions should be accounted for as per general rules,
- auditing to follow ordinary local government rules, with options for special (private, donor-sponsored) audits, if needed,
- options for suspension of funds disbursement by the line ministry/donor, if mismanagement of funds takes place, or schedules are not kept,
- reporting system, e.g. quarterly through the sector Sub-Committee to the local council, and with a following copy or summarised statement to the line ministry and the donor,
- channels of communication only from the local department via the local government Chief Executive to the line ministry or the donor,
- technical advisors, if attached to the local government, normally to act as catalysts, facilitators and advisors only – not managers or financial controllers; if they have to, their terms should clearly state these extraordinary tasks, and the terms should be known to those concerned,
- the overall objective of the sector support to the local government should be to strengthen the *long-term, institutional capacity-building of the local governments* involved.

9. Combination of Sector Programme and Decentralisation Support ?

As shown in this paper, in particular in Annex 1, and sustained by the documentation of UNDP and the World Bank, the decentralisation or more accurately, the devolutionary processes within the developing countries are probably to continue or accelerate in the future. Support from donors like Danida directly to the national decentralisation processes in several programme countries - e.g. as contribution to local government development funds, pilot institutional district support, support to national decentralisation secretariats, or assistance to national local authorities associations – will probably also continue to be an important component in many country programmes to come, albeit only as a minor supplement to the efforts of the national actors.

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However, the main contribution to support the devolutionary policies will have to be tested on the grounds of the local governments where the support to the sector programmes is fielded: - will it be feasible to combine local governance with centrally guided sector planning and donor-funded interventions? – or will the practices of donor-defined management and perceived financial control needs prevent the capacity-building of the local leadership, administration and people? It is to be expected that a gradual approach of gained experiences from the involved local governments and, not least, their constituents, a feed-back to the line-ministries and the supporting donors, and the public debate and political power struggle within the countries themselves will determine whether a successful combination will be feasible within the concerned country, whether a re-centralisation will occur, or whether e.g. national disintegration will be the outcome. It is also to be expected that the SPS-approach in each of the individual programme countries will gradually be adjusted according to the national decentralisation framework, based on the local experiences. During the on-going reviews of the various donor Country Strategies, such adjustments could gradually be introduced.

One way of gaining more specific experiences from the ‘battle ground’ of vertical and horizontal development efforts, is to try to combine the effects of each of the various sector support interventions within one or more local government areas (a district, a municipality) to obtain a synergetic effect, and, if available, with a special decentralisation support. In choosing the location of specific local support, overlapping of the sector and the decentralisation support, thus could be considered. For Danida, this has been aimed at e.g. in Nepal (Doti and Surkhet District Development Committees), in Uganda (Rakai District Council), in Ghana (Upper West and Volta Regions with their total 17 District Assemblies) and in Burkina Faso (Séno and Yagha Provincial Councils), where Danida is supporting specific local governments with capacity building, while at the same time supporting sector programmes within natural resource management, health, water and infrastructure (where applicable). This is in accordance with the current Danida SPS Guidelines (Danida, 1998, p.15). Together with the national decentralisation reform agencies and the local governments, information is gradually being gained on these experiences from the field, which eventually can add important lessons for the further process of devolution.

The development effects of these ‘combined sector-devolved supported’ experiments are yet to be gained. The conclusion, however, of this paper, is not a recommendation of the return to the approach of the integrated local area development of the 1970s, as may be suspected. As phrased by Nils Boesen:

“The decentralisation perspective and consequent emphasis on developing capacity in local political and administrative structures is what makes the difference to many earlier rural integrated programmes which were managed in parallel, unsustainable structures with no accountability towards a local constituency.” (Nils Boesen, 1999, p.6)

On the contrary, the suggestions of the paper, to conclude, have been to *show in practice* how the SPS Guidelines and sector support approach of to-day could be combined with the support to national decentralisation policies and their implementation.

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Annex 1

National Decentralisation Policies during the 1990s in the Danida Partner Countries

1. Nepal	- Report of Highlevel Decentralisation Committee Nov. 96 - Gvt. Ordinance April 97. Local Self-government Act Aug 98 - Election of District Development Committees / Village Development Committees, April 1997
2. Vietnam	- Pilot Provincial Projects (administrative reform)
3. Bhutan	- Municipal Development
4. India	- Panchayat Raj Act 1990 (Government of India) - Specific State Acts (e.g. Madhya Pradesh; devolution of functions) (Zilla Parishad / Gram Panchayat)
5. Bangladesh	- Decentralisation Reform Commission Report 1997 - Gram Parishad Act Sept. 1997 - Union Parishad elections held 1994; - Upazila Parishad elections expected 1999
6. Bolivia	- Act 1994, - Ministry of Local Gvt & Indigenous Affairs
7. Nicaragua	- Commission of 1995
8. Ghana	- Local Gvt. Law 1988, Constitution 1992 (Chapter 20) - Local Gvt. Act 462 of 1993, (District Assemblies / Area council)
9. Uganda	- Local Gvt. (Resistance Council) Statute 1993, Constitution 1995 - Local Gvt. Act 1997, (District Councils/Lower Local Gvt. Councils) - Election of Local Councils, December 1997- April 1998
10. Benin	- Decentralisation/Deconcentration Act July 1998 - Election of Communes/Departments expected end 1999
11. Malawi	- Decentralisation Act, November 1998 - Election of Local Councils planned for 1999
12. Burkina Faso	- Decentralisation Acts 1993, 2 nd stage 1998-2000 - National Decentralisation Commission (1993), (Communes) - Enactment of Local Councils, August 1998
13. Tanzania	- Commission of 1995
14. Niger	-
15. Kenya	-
16. Mozambique	- Constitutional Commission 1996 on Decentralisation
17. Egypt	-
18. Zimbabwe	- Rural District Council Act 1988, Gvt. Initiative July 1996
19. Zambia	- Administrative Reform
20. Eritrea	- Deconcentration Act
21. Countries of Transition: Gaza/Westbank	- Nominated municipality (1995)

Annex 2

Danida support to Decentralisation Policies

1. Nepal	-Human rights/ Good governance/ Decentralisation Programme, April/Aug. 1998 (1998-2003) (Parliament Secr., Election Commision, Decentralisation Secr., support to 2 Districts, District Association)
2. Vietnam	- Pilot province (Dak Lak)
3. Bhutan	- Support to Urban Development
4. India	- Local government training
5. Bangladesh	- Sector Program Support concentrated to 5 districts (Decentralisation Support under identification)
6. Bolivia	- Sector Programme Support to “Decentralisation and Indigenous Affairs” Sector (Secretariat/Pilot Distr./Communes)
7. Nicaragua	- Support to Communes and secretariat
8. Ghana	- Support Programme (17 districts in 2 regions (1998-2001), Ministry of local Gvt. Auditor-General, Local etc.
9. Uganda	- Support to Decentralisation, phase 2 (1997-2001) (Decentralisation secretariat / Ministry of Local Gvt /Local Authority Associations / Local Development Fund) - Rakai District Development Programme, Phase 2 (1995-1999)
10. Benin	- Fond de solitarité (under preparation) - Baseline studies
11. Malawi	- Decentralisation Implication Reviewed Sept. 1998
12. Burkina Faso	- Support to Decentralisation Programme (1998-2002) (Decentralisation Commission, Fund in 2 provinces)
13. Tanzania	- Part of sector support programs - Support to Decentralisation commission
14. Niger	-
15. Kenya	-
16. Mozambique	Sector Support Programs in 3 provinces
17. Egypt	-
18. Zimbabwe	- Part of Sector Support Programs
19. Zambia	- Part of Health Sector Support Program
20. Eritrea	(Requested)
21. Countries of Transition: Gaza/Westbank	- Municipality Support (1998-2000): (Infrastructure, training, technical assistance

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