

Global Forum on Local Development Report



Pursuing the MDGs through Local Government

global forum
on local development



Kampala, Uganda
October 4th to 6th, 2010

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Foreword by the Minister of Local Government of the Republic of Uganda

On behalf of the Government and the people of Uganda, I would like to appreciate the opportunity that was accorded to the country to host the first ever Global Forum on Local Development. The Forum gave an opportunity to world leaders, Local Government practitioners, academia, civil society actors, private sector agencies and technocrats to present, share, learn and adopt very interesting developments in the way Local Governments around the world are meeting the Millennium Development Goals (MDGs). It was by far the largest single event where delegates from over 81 countries met to discuss issues affecting the way Local Governments plan, manage and execute the delivery of public services to the needy populations, based on a variety of tested approaches and modalities.

What the Global Forum revealed is that, different countries are at varying levels of meeting the MDGs and that there is no single entity, be it Central Government, Local Government or business organization, that can work in isolation to meet the demands of service delivery to the population. The *Kampala Call to Action* attests to this and reaffirms the strategic importance of development policymakers and implementers working closely with Local Governments to address the needs of the populace in their localities. The challenge of the current and future generation of leaders is to capitalize on the new world order which has shifted its focus from the arms race and the cold war towards development oriented objectives to rid the world of poverty through global and local partnerships.

I wish to extend my sincere appreciation to the United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP), all development and business partners, civil society organizations and the entire local government fraternity around the world for successfully participating in the organization, management and deliberations of the Global Forum on Local Development in Kampala, Uganda.



It is our solemn responsibility as leaders in our respective countries to actualize the resolutions made at the Forum and make visible improvements in the lives of the people. This will be the legacy of the First Global Forum for posterity.



Adolf Mwesige
Minister of Local Government
The Republic of Uganda



Foreword by the UNCDF Executive Secretary

The Millennium Development Goals (MDGs) provide concrete, time-bound targets for tackling extreme poverty in its many dimensions. Ten years into the campaign, and with only five years left before the 2015 deadline, we can point to undeniable progress. Many countries are on track to meet some – if not all – of the MDGs.

Yet progress has not been evenly spread. Some countries are simply being left behind, and aggregate data can be misleading – “national averages” showing a country is “on track” often mask considerable internal disparities.

MDG efforts in many countries have until now been largely driven by national governments. National strategies and plans are of course crucial to achieving the MDGs. But centrally-led, top-down, policies have revealed their limitations, with large segments of populations not sharing in the benefits of economic growth. National policies aimed at specific sectors often fail to address complexities and interdependencies more easily seen from the local level.

This is why, in many developing countries, growing attention is being paid to the local knowledge, planning, monitoring and implementation – all in pursuit of the the MDGs.

The first Global Forum on Local Development – held by the UN Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP) and the Government of Uganda in Kampala in October 2010 – engaged a large and diverse range of stakeholders around the central question: Do local governments hold the key to faster MDG achievement?

Over 600 participants from 81 countries came to Kampala for three days of discussion and debate. The Forum took place at a critical crossroads: immediately after the September 2010 MDG Summit in New York, which focused on the need for acceleration strategies, and at the beginning of the final five year stretch to reach the Goals.

The message coming out of Kampala was clear: a new policy approach must place greater emphasis on the local arena, and the potential of



local authorities to tailor public policies to meet MDG targets by 2015. At a minimum this implies ensuring local governments have the means to help implement national MDG strategies. But many participants went even further: within national frameworks, local governments, with their greater understanding of local needs and trends, should be empowered to pursue their own MDG strategies. This would be a truly “bottom-up” approach to MDG acceleration.

The Kampala Call to Action, issued at the end of the Forum, calls on all development actors – National Governments and their Development Partners, Private Sector and Civil Society organizations, Local Governments and their Associations – to work more closely together to design local development strategies and to ensure they are properly funded.

The Global Forum on Local Development in Kampala highlighted how “localizing the MDGs” could be a key acceleration strategy for the MDGs, and who needs to take action to make this happen. We at UNCDF – together with the entire range of Global Forum partners – are committed to pursuing this agenda between now and 2015.



David Morrison
Executive Secretary
UN Capital Development Fund



Acknowledgements

This report and the Global Forum that it chronicles benefited from the advice, contributions and support of a great number of people. The Government of Uganda was a gracious and generous host, and we were honoured to have the President of Uganda, H.E. Yoweri Kaguta Museveni, open the event. The Honorable Adolf Mwesige, Minister of Local Government, and his entire team were true partners from the outset. Special thanks go to Patrick Mutabwire and the 13 Ugandan Sub-Committees for ensuring the first Global Forum could be such a success.

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The Global Forum would not have been possible without core financial support from the governments of Luxembourg and France. Further support came from a range of partners, and was instrumental in bringing a large and diverse group of participants to Kampala, including from the sub-national level. The European Commission, the UN Department of Economic and Social Affairs, the World Bank, InWent, the Swedish International Development Cooperation Agency, the Swedish International Center for Local Democracy, the Development Partners Working Group on Local Governance and Decentralization, among several others, provided such support.

At UNCDF, Christine Roth, Deputy Executive Secretary, and Kadmiel Wekwete, Director of the Local Development Practice Area, spearheaded the effort. Aladeen Shawa led on the programme, receiving advice and input from a wide range of partners, many of whom also helped to prepare the background papers (see below). Walter Mendonca-Filho and his team did a superb job with the myriad of operational and logistical details. Magnus Magnusson helped build the partnerships that were so critical to the Forum's success. Chiara Pace oversaw everything from the Forum website to the raft of printed materials to media relations. Jenifer Bukokhe Wakhugu and Hyewon Jung managed to tie everything together from Kampala. Fernando Zarauz oversaw technical arrangements at the Forum venue and Boaz Paldi (UNDP) produced a superb final video. UNCDF regional offices in Dakar, Johannesburg and Bangkok were instrumental in ensuring robust participation from the Least Developed Countries; UNCDF Technical Advisors provided valuable intellectual inputs and session summaries.

The Framing Paper “Localizing the MDGs: What Role for Local Governments?” for the Global Forum was prepared by Nicola Crosta (UNCDF), and benefited from helpful inputs by David Jackson (UNCDF) and Livio Valenti (FAO). Théofiel Baert (Belgian Fund for Food Security); Jamie Boex (The Urban Institute); Francisco Cos-Montiel (Senior Program Specialist, IDRC); Tim Campbell (Chairman, Urban Age Institute); Gabe Ferrazzi (Consultant); Kai Kaiser (Senior Economist, Public Sector Governance, World Bank); Daniel Platz (United Nations Department of Economic and Social Affairs); Jesse Ribot (Department of Geography, University of Illinois); Leonardo Romeo (Local Development International); Paul Smoke (Professor of Public Finance and Planning, New York University); Matthew S. Winters (Assistant Professor, University of Illinois at Urbana-Champaign); John Winkel (Consultant) helped to prepare session-specific background materials, as did a number of colleagues from UNIFEM and from the Poverty Group and the Democratic Governance Group in UNDP’s Bureau for Development Policy.

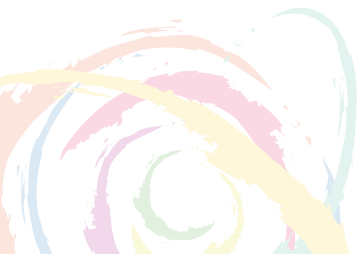
The contributions of Betsy Pisik (Consultant) and Chiara Pace (UNCDF) who drafted the final session notes and edited this report, are gratefully acknowledged.

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GLOBAL FORUM OVERVIEW





AFTER KAMPALA: REFLECTIONS ON THE GLOBAL FORUM



The central question of the first Global Forum on Local Development was if – and how – local governments are underexploited as engines for the achievement of the Millennium Development Goals (MDGs), and which concrete steps need to be taken to unleash their potential. This question brought together over 600 participants from 81 countries for three days of discussion and debate in Kampala, Uganda, convened by the UN Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP) and hosted by the Government of Uganda. Participants included heads of state and government ministers, mayors, representatives from local governments and their associations, civil society, academia, the private sector and the donor community.

Following on the heels of the Millennium Summit in New York, the aim of the Global Forum was to concretize the action agenda for MDG acceleration towards 2015 and to explore how the sub-national tiers of government can contribute to faster progress. While reviews of progress to date have underlined tremendous gains in terms of poverty reduction and better access to services for millions of people around the world, there also remains an urgent need for focused action in many countries and sub-regions within countries. National averages often hide pockets where deep poverty persists and traditional approaches have failed.

The conclusion after three days of animated debate between advocates of decentralized service delivery and proponents of sector-based approaches, as encapsulated in the *Kampala Call to Action*, is that local governments often have a comparative advantage in delivering the basic social services which MDG attainment depends on. These include health, education, water and sanitation, promoting local economic

development, adapting to climate change and managing natural resources, promoting gender equity, as well as contributing to peace and state-building in post-conflict situations. More specifically, three inter-connected themes resurfaced repeatedly as part of the rationale for “going local.”

1. Local level service delivery has the potential to be cost-efficient and sustainable, even where capacity is currently low.

In industrialized countries, the bulk of social services is delivered at the local level, either through devolution, by deconcentration, or sometimes by the private sector or non-governmental organizations. Evidence for these countries demonstrates that local level delivery is more cost-efficient and tends to yield higher quality services. This points to a link between economic development and public service delivery on one hand and decentralization on the other hand. The more developed a country is, the more likely it is to spend a greater share of public finances in a devolved manner. By contrast, in developing countries the argument for bypassing local authorities and delivering services through parallel structures such as NGOs is usually that capacity constraints among local authorities make engaging them prohibitively expensive and slow. Representatives from local governments made a strong case that not only do those approaches undermine the gradual growth of accountable local-level institutions, but they also tend to be unsustainable in the long run, since nobody is left behind to ensure continued service delivery or operation and maintenance of investments after the completion of the project.

2. Local knowledge gives local governments an edge in terms of coordinating and implementing holistic interventions that exploit inter-linkages across all MDGs.

Throughout the three days, policy-makers and panelists repeatedly stressed that effective MDG achievement hinges on understanding the inter-linkages between individual goals in different county contexts and designing appropriate interventions. It was stressed that local governments are ideally placed to identify the priority needs of the people in their localities and to design and coordinate the implementation of cross-cutting interventions which can drive progress across all of the MDGs. Some representatives of local governments also emphasized that their proximity to the ground gives them an advantage in terms of monitoring interventions and learning what is most effective.

3. Local governments' proximity to the people they are intended to serve fosters accountability, better governance and democratic learning.

The final motif common to many passionate arguments voiced in favor of decentralized service delivery is better accountability. Since elected local governments operate closer to and usually at the discretion of the communities that they serve, they tend to be more responsive and accountable for delivering public services. Local government officials and panelists alike stressed that a meaningful degree of local autonomy and effective mechanisms for accountability are a key precondition for a culture of civic engagement to take root. This was echoed by participants from states which are emerging from conflict, who argued that local governments are often the only avenue for the constructive expression of voice and that they have the potential to become important reference points for individuals in divided societies, thereby contributing to state and peace-building.

Unleashing the potential of local governments as engines of MDG acceleration

While much debate focused on the rationale for local-level action to accelerate progress towards the MDGs, many representatives from local governments and their associations eloquently argued that a series of bottlenecks preclude them from playing a more strategic role as drivers for local development. More specifically, three messages emerged from the discussion:

1. Local governments need meaningful levels of local autonomy to live up to their potential.

In many countries, the ability of local governments to foster local development and contribute to the MDGs is severely constrained by limited decentralization, inadequate central support and inappropriate oversight. Pleas were made for decentralization processes to go beyond the establishment of sub-national political and administrative structures to actually empower the local level with appropriate autonomy, putting local governments in a position where they can exercise leadership. If the local level is to become a real actor, decentralization reforms must be implemented fully to overcome bureaucratic resistances to the transfer of functions and resources. At the same time, central capacity needs to be developed to support and supervise autonomous local governments. Finally, effective intergovernmental relations between central, state or sub-national and local governments must ensure cooperation and policy coordination for localizing the MDGs. It was stressed that Local Government Associations have a key role to play in advocating for more effective decentralization and monitoring progress.

2. Local governments need adequate resources to deliver on the MDGs.

Forum participants called on central governments, but also on donor partners, to ensure that local governments receive adequate resources to deliver on their mandates. Local government representatives and donor partners emphasized the need to continue implementing the Accra Agenda for Action, involving local governments in preparing, implementing and monitoring national development policies to achieve the MDGs. Furthermore, donor partners were reminded to ensure that external country assistance strategies and programs are cognizant and supportive of national efforts to promote local development and involve local governments from the outset. Finally, and perhaps most importantly, donor partners were asked to ensure that aid modalities originally meant to align and harmonize external assistance with national sector policies do not reinforce centralizing tendencies and compromise the ability of local governments to exercise their mandates.

3. Gradual learning-by-doing is the only way to solve local-level capacity constraints.

One argument that skeptics of the local government approach emphasized, is that in many parts of the developing world local governments are simply too weak to be engaged effectively. Advocates of decentralized service delivery, on the other hand, countered that the *Local Development through Local Government* approach has been tested effectively in places with very weak capacity. Furthermore, the gradual empowerment of local governments is the only way to build up a system of sub-national service delivery which can reach underserved areas. Finally, it was again emphasized that individual citizens and civil society organizations have a key role to play in keeping local governments to account via various social auditing practices and that this is to most effective way to safeguard against weak capacity and corruption.

Moving forward: Partnerships for MDG acceleration

The closing session of the Global Forum on Local Development focused on the importance of partnerships to unleash the potential of local governments. The key closing message was that local governments are not the only actors in the local space and therefore partnerships must be established with all other MDG stakeholders including central government, state or sub-national level government, civil society, the private sector and development partners. The importance of partnerships with the private sector and civil society in particular are often overlooked. Achieving the MDGs will depend on engaging them in a constructive dialogue which defines a common agenda and brings their financial resources and human capacities to bear. Finally, legal and institutional frameworks must be developed further, and local governments must be endowed with the capacity and the financial incentives to both efficiently implement national policies and develop their own policies to achieve the MDGs, foster civic engagement and mobilize additional local resources.

In terms of carrying forward the messages of the Global Forum, the conveners committed to link up to ongoing intergovernmental processes including the next working session of the Donor Partner Working Group for Decentralization and Local Governance which will take place in Brussels in May 2011, the Fourth United Nations Conference on Least Developed Countries which will take place in the summer of 2011 and finally the Seoul High Level Forum on Aid Effectiveness which will take place in November of 2011. Alongside the intergovernmental agenda, the conveners also committed to intensifying the partnership and cooperation with local government associations and their networks, including the Commonwealth Local Government Forum (CLGF) and United Cities and Local Governments (UCLG).

The following chapters go into additional detail for each one of the Global Forum's sessions. The message that emerges is that local development and decentralization are by no means the silver bullet for the social, economic and environmental challenges we face today, but they are critical to give the many lagging regions of the world a shot at inclusive, equitable and sustainable development. Stronger local level institutions which are responsive and accountable to their people are key to functioning democracies. Where they take root, constructive levels of tension and checks and balances will ensure that public funds are well spent and that local governments realize their potential as agents for change and development.



KAMPALA CALL TO ACTION

Kampala, Uganda, October 6th 2010

At the first global forum on local development, convened by the UN Capital Development Fund (UNCDF) and the UN Development Programme (UNDP), and hosted by the Government of Uganda, over 600 delegates, including Heads of State, Government ministers, representatives of Local Governments and their associations, development partners, international organizations, academia, civil society and the private sector came together in Kampala on October 4–6th, 2010.

In the view of the conveners, Participants in the first Global Forum on Local Development:

REAFFIRMED their commitment to the achievement of the Millennium Development Goals (MDG) by the year 2015;

RECOGNIZED that in many countries progress towards the achievement of the MDG has been limited and/or is threatened by the effects of the global economic crisis and the challenges of climate change, with the least developed and fragile states facing particular vulnerabilities;

NOTED that a strong consensus is emerging in the international community on the critical role that governments could play in accelerating progress toward the MDGs;

RECOGNIZED the potential comparative advantages of local governments in delivering basic social services, such as health, education, water and sanitation, promoting local economic development, responding to climate change and managing natural resources, ensuring gender equity, and contributing to state-building in post-crisis situations, and the direct and strong impact that local government action in these areas could have on the achievement of the MDGs;

ACKNOWLEDGED local governments are not the only actors in the local space, and that partnerships must be established with all other MDG stakeholders including, central and state / sub-national-level government agencies, development partners, civil society and the private sector;

NOTED that local governments can play a strong orientation and coordination role vis a vis the multiple actors operating in the local

space and that they are ideally placed to facilitate the establishment of strategic partnerships for local development;

ACKNOWLEDGED the ability of local governments to foster local development and contribute to the achievement of the MDGs may be seriously constrained by limited decentralization, inadequate central support and inappropriate oversight, lack of financial and other incentives, and related low levels of local capacity;

RECOGNIZED the critical importance of meaningful levels of local autonomy in policy-making and implementation, to enable local governments to develop innovative responses to the challenge of achieving the MDGs, fighting poverty through locality-specific programs and projects to mobilize local community and private sector resources, and complement and leverage national and global resources and efforts.

Forum participants:

AGREED that Local Governments have a major role in the design and management of local development strategies that contribute to the achievement of the MDGs.

AGREED that localizing the MDGs will require:

1. Continuing to implement the 2008 Accra Agenda for Action, and involving local governments in preparing, implementing and monitoring the national development policies to achieve the MDGs, and;
2. Further developing the legal and institutional framework, the local capacity, and the financial incentives for local governments to both efficiently implement national policies in the localities and develop their own local policies to achieve the MDGs, foster civic engagement and mobilize additional local resources; and
3. Giving meaningful effect, at national, state and local level, to agreed international principles and standards on local democracy, good governance and decentralization, and monitoring their practical implementation.

Forum participants:

CALLED on national governments and their development partners, private sector and civil society organizations and local governments and their associations to accelerate the achievement of the MDGs by supporting, as appropriate to country contexts, “**Local Development through Local Government**” (LDLG) approach, which relies on the design and management by local governments, of local development strategies to achieve sustainable development.

CALLED on national political leaders and national governments to:

1. Recognize the need for national level local development policies to drive the decentralization reforms process, to make sure that the reforms are not limited to the establishment of sub-national political and administrative structures, but actually enable development-minded, democratic local government institutions.
2. Provide local governments with meaningful levels of autonomy, including, as appropriate, constitutional and legal recognition, to enable them to exercise leadership, innovate in addressing a wide range of local development challenges, mobilize additional local resources, stimulate the emergence of active citizenship and ultimately become better partners of the state in the fight against poverty.
3. Exercise the leadership required for a consistent implementation of decentralization reforms by all agencies of the central administration, overcoming bureaucratic resistances to the transfer of functions and resources and developing the central state capacity to support and supervise autonomous local governments and enhance their accountability to both their constituencies and the state.
4. Establish the necessary structures for effective intergovernmental relations between central, state and local government, designed to ensure close cooperation and consensus on localizing the MDGs.

CALLED on development partners to:

1. Ensure that external country assistance strategies and programs are cognizant and supportive of national efforts to promote local development and implement decentralization reforms, including by involving local governments in the design and implementation of the strategies.
2. Ensure that aid modalities originally meant to align and harmonize external assistance with national sector policies do not reinforce centralizing tendencies and do not compromise the ability of local governments to participate actively and to bring their comparative advantages to bear on the design and implementation of such policies.
3. Provide, wherever possible and appropriate, coordinated assistance to the development of national decentralization strategies and related implementation programs.
4. Support the building of local governments' capacity to develop and implement local development strategies that contribute to the achievement of the MDGs, increasingly through direct partnerships with local governments and their national, regional and global associations.

CALLED on private sector and civil society organizations to:

1. Work with both national and local governments to identify and make the most of unexploited potential and resources available locally, including human, financial and natural resources.
2. Maintain an open and constructive dialogue with national and local government towards the establishment of a business-enabling local environment.
3. Engage with local governments in the design of local development strategies and the definition of a common agenda, bringing their financial resources and human capacities to bear on the implementation of it.
4. Promote partnership and develop community-based and private sector solutions for delivery of basic services impacting the achievement of the MDGs, building partnerships with local governments for their effective implementation.
5. Advocate for the empowerment of local governments and keep them to account, developing appropriate institutions for social auditing of local governments' performance and encouraging transparency and inclusiveness.

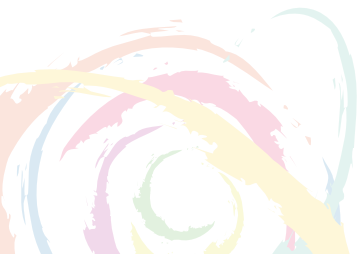
CALLED on local government associations to:

1. Embrace and advocate the developmental role of local governments, focusing on what needs to be done to promote genuine, pro-poor local development, beyond the establishment of sub-national structures and systems.
2. Advocate decentralization reforms that are driven by a national strategic commitment to local development, and provide the degree of local autonomy, which is critical for confident local governments to contribute to the achievement of the MDGs.
3. Raise the awareness and develop the capacities of local governments to realize their potential for local development and achieving the MDGs, focusing on local leadership and the adoption of strategic management practices.
4. Expand and deepen their interaction with development aid partners by systematically voicing local government's concerns and requirements, in national-level aid programs' formulation and negotiation processes and offering new and complementary channels for external aid to build local governments' capacity for local policy-making and development administration.
5. Work at the regional and international levels to disseminate and encourage good practices in local government and facilitate international local government partnerships and city-to-city links.

Finally

The conveners of the Global Forum and its participants **AGREED** that a 'local approach' may not be *the* solution to economic, social and environmental challenges but can certainly be *part of the solution*. Forum participants agreed that a future is possible where rural areas will thrive, cities act as hubs for development and the benefits of growth are shared across and within countries.

The conveners of the Global Forum, UNCDF and UNDP, will pursue the actions called for above through supporting the efforts of national governments, development partners, the private sector, civil society organizations and local governments and their associations, to further empower local governments and make sure they can fully realize their potential as key agents of change and development.



VOICES OF THE GLOBAL FORUM ON LOCAL DEVELOPMENT



"You have to create room for the people themselves to decide on their own future, on their own development. [...] You try a top-down approach to fight poverty and hunger, and it will not work. You have to involve people themselves and they'll give you the answer, and the only machinery I see is local governments."

H.E. Mizengo Kayanza Peter Pinda
Prime Minister of the Republic of Tanzania

"Without grassroots democracy, all development will not only be top-down, it will be almost exclusively reserved for the top, and the down will have no role in it whatsoever. We cannot get inclusive growth without inclusive governance."

Mani Shankar Aiyar
Former Minister of Panchayati Raj, The Republic of India



"We should not have local governments for its own sake, we should have local governments for what they can do [...] and the massive challenge of now is the urbanization of the poor of the world, not just in big cities, in small towns and so on, and you've got to be local to deal with it, because you have to deal with the people, and we should build the competence and the institutions around where the people are and how to deliver to them, rather than falling in love with the structures of local governments for their own sake."

Clare Short
Chair of the Cities Alliance Policy Advisory Board and former Secretary of State for International Development, United Kingdom

"Climate change is best dealt at the local level if also at the national and regional levels there are good institutions and processes in place, and the division of labour and management of information work well."

Irene Freudenschuss-Reichl,
Director General for Development Cooperation
Ministry of Foreign Affairs, The Republic of Austria





“A general consensus seems to be emerging that a new policy approach is needed, one that builds on local knowledge to tailor public policy to specific circumstances.”

Axel Threlfall

Lead Anchor, Reuters

“The international community must make sure that programmes and activities to achieve MDGs are nationally owned, and nationally driven.”

Tegegnetwork Gettu

Assistant Secretary-General & Director of the Regional Bureau for Africa
United Nations Development Programme (UNDP)



“Local governments and decentralized governments provide an appropriate conduit for causing lasting impact on the lives of our people.”

Adolf Mwesige

Minister of Local Government of the Republic of Uganda

“As a whole, the key is not just use the local governments as implementing arms but to help them enter into partnerships that allows development partners to help them to build capacity to implement projects, to strategize, to analyze and to plan.”

Leonardo Martinez-Diaz

Senior Advisor

United States Agency for International Development (USAID)



“Critical issues of bringing good governance closer to the population, enhancing representation, participation and transparency are linked to the local governments environment and performance.”

Nathalia Feinberg

Ambassador of the Kingdom of Denmark to the Republic of Uganda and
Chair of the Donor Partner Group on Public Service and Decentralization





"This conference provides a unique opportunity to reinvigorate the agenda of enhancing the role of local governments to achieve the MDGs and beyond."

"I am glad that this Forum has confirmed that decentralization is no longer in question anywhere, and that there is a strong political will of all states to move towards decentralization, understood as the capacitation of people to manage their own life."

Jean Pierre ELong-Mbassi

Secretary General for the United Cities and Local Governments of Africa (UCLGA)

"The progress towards achieving the MDGs is not a matter of concepts or statistics, it's about the life of people, of women, of children."

David Morrison

UN Capital Development Fund (UNCDF) Executive Secretary





LOCALIZING THE MDGs: WHAT ROLE FOR LOCAL GOVERNMENTS?



I. The context: significant but uneven progress towards the MDGs

The Millennium Declaration in 2000 was a milestone in international cooperation inspiring efforts that have improved the lives of hundreds of millions of people around the world.¹ Ten years later world leaders are reviewing progress to meet the MDGs by 2015. Evidence shows that important progress has been made on many fronts, despite significant setbacks due to the recent economic downturn, food and energy crises.² The developing world as a whole remains on track to achieve the poverty reduction target: the poverty rate is expected to fall to 15 per cent by 2015, which translates to approximately 900 million people living under the poverty line – half the number in 1990 (see Figure 1). Major advances have been made in various development areas. This has included getting millions of children into schools, success in HIV/AIDS prevention and treatment, malaria control, expanded access to clean water, reduced deforestation, and wider access to information and communication technology.

Modest progress in key areas and significant inequalities are a cause for concern. Progress towards the MDGs has been uneven within world's regions but also within countries. Evidence from the country level shows that growth and development have left many regions and individuals behind. Lack of progress towards the MDGs is often localized in specific regions

1 United Nations Department of Economic and Social Affairs, *The Millennium Development Goals Report*, New York, U.S.A (June 2010)

2 Estimates from the World Bank suggest that the recent crisis has left an additional 50 million people in extreme poverty in 2009 and will add some 64 million by the end of 2010 relative to a no crisis scenario.

and dependant on local circumstances.³ Despite remarkable achievements on an aggregate level in many developing countries, large differences in terms of access to services and performance against key MDGs delineate significant rural-urban divides. For example, disparities in urban and rural sanitation remain huge, especially in Southern Asia, sub-Saharan Africa and Oceania (see Figure 2); in all developing regions, children in rural areas are more likely to be underweight than children living in cities and towns (see Figure 3); only one in three rural women receive the recommended care during pregnancy (see Figure 4). Overall, inadequate finance, lack of focus and of targeted interventions has largely excluded the poorest groups from advances towards several MDGs.

II. The limits of top-down policies and the emergence of a 'localized' approach

In recent years, top-down policies have revealed their limitations in terms of promoting sustainable, equitable development. Many developing countries have enjoyed relatively high rates of growth during the last decade. These were largely driven by foreign direct investment, open markets, and development assistance. In many cases, public policies in this context remained territorially undifferentiated with relatively small importance given to local development and local governments.⁴ This development model has worked well at an aggregate level, but – as discussed above – it has been accompanied by widening individual

3 United Nations Development Program, *Beyond the Midpoint: Achieving the Millennium Development Goals*, New York, U.S.A (January 2010)

4 The term 'local governments,' as used in this paper, refers broadly to sub-national governments.

and territorial disparities: often times only a small part of the population has been able to take advantage of economic growth. As a result of these development dynamics, the economies of many developing countries remain concentrated in few urban centres,⁵ characterized by a narrow base and highly vulnerable to external shocks. The impact of the financial crisis in 2008–2009 has been severe on this system: in many countries delocalized factories started to close, construction shrank, tourism flows declined, exports became less competitive, remittances dwindled. What was working for only a part of the system before the crisis, was even less effective after the financial shock. These dynamics have strong spatial dimensions since different localities are hit in different ways. Also, international crises affect national public finances, which in turn impacts on the availability of fiscal resources for local governments. Once more, the impact is asymmetric and particularly severe on rural regions that are already struggling with the higher cost of delivering services to sparsely populated, remote areas.

These trends have called into question the effectiveness of top-down, sector-specific policies: as clearly evidenced by many experiences from both developed⁶ and developing countries,^{7,8} ‘spatially-blind’ policy approaches have often failed to develop balanced, diversified rural and urban economies. In this context, national governments are now considering moving past old-fashioned ‘command and control’ policies towards a smarter, ‘localized’ approach to development

5 Faith in ‘spatially blind’ policies is often accompanied by excessive emphasis on the potential benefits of urbanization. There is now ample evidence that diseconomies of agglomeration do exist and that ‘trickle-down’ effects often do not materialize.

6 Organization for Economic Cooperation and Development, *Investing for Growth: Building on Innovative Regions*, Paris, France (March 2009)

7 United Nations Development Program, *Beyond the Midpoint: Achieving the Millennium Development Goals*, New York, U.S.A (January 2010)

8 United Nations Capital Development Fund, *Local Development Outlook: Cambodia, Cambodia* (April 2010)

and MDGs acceleration. A strong consensus is emerging across both developed and developing countries, that a **new policy approach is needed, one that builds on local knowledge to tailor public policy to specific circumstances.** This should allow the provision of public goods, when they are needed and where they are needed, in an integrated fashion. This logic is behind increasing efforts to ‘localize the MDGs’, and attack poverty traps via deliberate, place-based strategies. This approach is also guiding local development strategies that seek to harness endogenous potential and exploit opportunities for economic diversification and development. Finally, a place-based approach is increasingly adopted to drive policy responses to climate change that has significant – and territorially asymmetric – impact across developing countries.

III. Local development and the MDGs: the key role of local governments

*Designing and implementing more effective and efficient local development policies implies a new role for both central and sub-national governments. On the one hand, national governments have a key role to play in terms of setting explicit local development objectives, building robust multi-level governance systems and providing ‘exogenous’ intervention (via e.g. conditional grants and incentives) that are critical to ‘unlock’ a particular constrain or opportunity.⁹ On the other hand, local governments need to assume increased responsibilities to foster local development and accelerate progress towards the MDGs. There are at least **6 key areas (see dedicated Global Forum Sessions)** in which local governments have a strong comparative advantage to deliver on both local and national objectives.*

9 This is particularly true in many Least Developed Countries (LDCs) where local elites often make it difficult to reverse path dependency of regions in the absence of a strong external intervention.



Figure 1. The global economic crisis has slowed progress, but the world is still on track to meet the poverty reduction target

Proportion of people living on less than \$1.25 a day, 1990 and 2005 (Percentage)

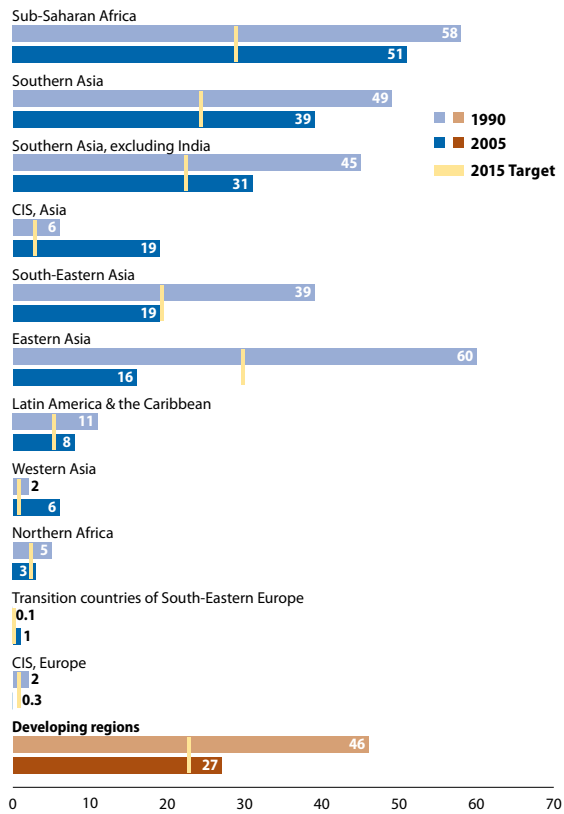


Figure 2. Disparities in urban and rural sanitation coverage remain daunting

Proportion of population using an improved sanitation facility in urban and rural areas, 2008 (Percentage)

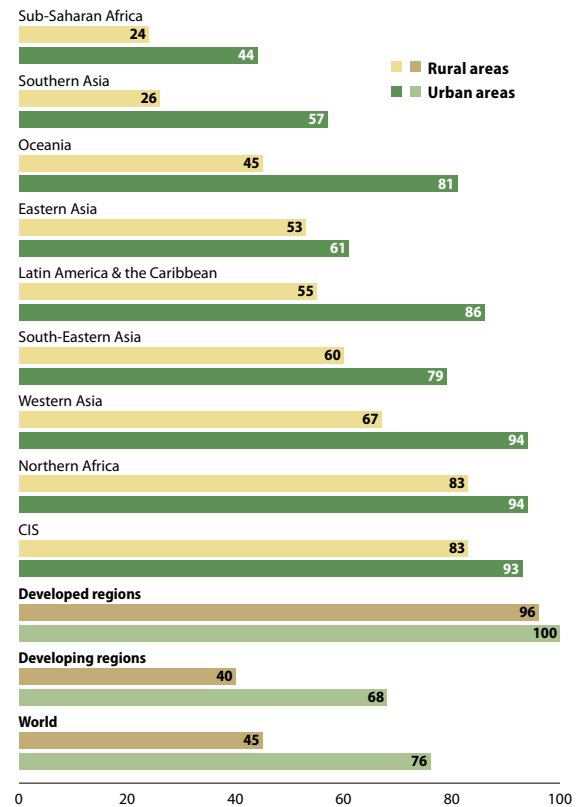


Figure 3. Children in rural areas are nearly twice as likely to be underweight as those in urban areas

Ratio between the proportion of under-five children who are underweight in rural areas and urban areas, 1990 and 2008

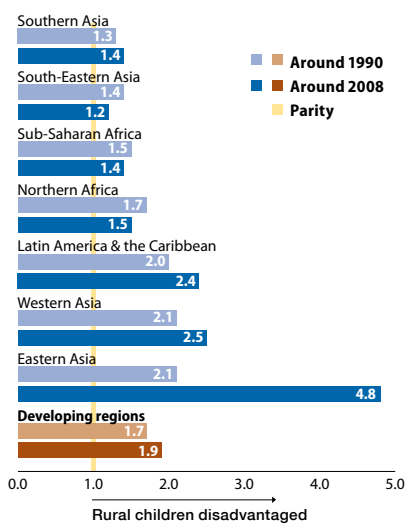
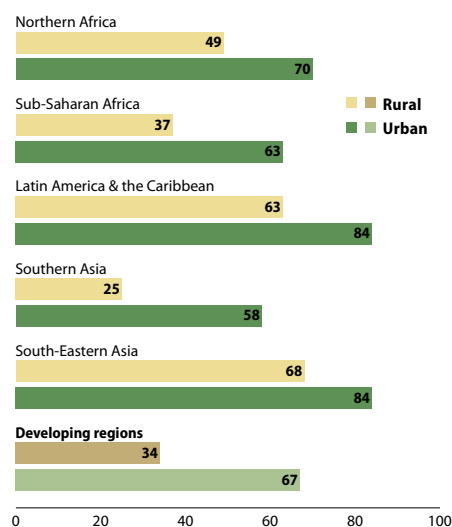


Figure 4. Only one in three rural women in developing regions receives the recommended care during pregnancy

Proportion of women attended four or more times during pregnancy by area of residence, 2003/2008 (Percentage)



Source: United Nations Department of Economic and Social Affairs (2010): The Millennium Development Goals Report 2010

1) Delivering services. In many countries, local governments are tasked with delivering services that are highly relevant to MDG progress. Figure 5 shows that there is substantial overlap between pro-poor public services, and functions that ought to be exercised at the local government level. Accelerating progress towards the MDGs will require increased and more effective public spending in key areas such as primary education, basic health services, access to potable water, agricultural extension, roads, and local economic infrastructure. In virtually all countries around the world, these public services are delivered at the local level, either through devolution (directly by elected local governments (LGs), such as district councils or municipalities), through delegation or agency arrangements between a central agency and local government, through deconcentrated entities (such as local administrative units of the national government), or sometimes even by the private sector or Non-Governmental Organizations (NGOs). Once more, the challenge of delivering services is significantly different from place to place and often depends on migration and mobility trends: rural areas often face difficulties related to lack of critical mass and dispersed settlements, while local governments in many urban areas face the challenge of rapid population growth.¹⁰

2) Fostering local economic development (LED). Economic development is essential to generate resources and jobs that can then support social outcomes and contribute to achieve the MDGs. As discussed above, most developing countries possess an enormous unexploited or underexploited economic development potential, often located just

¹⁰ As highlighted in the 2009 Human Development Report, migration, both within and beyond borders, has become an increasingly important factor impacting on local development and requiring local responses. The overwhelming majority of people who move do so inside their own country. Using a conservative definition, UNDP estimates that approximately 740 million people are internal migrants – almost four times as many as those who have moved internationally.

where poverty and exclusion are the greatest. This potential is linked to resources or know-how that is specific to certain places. Local governments can be key drivers in terms of design and implementation of local economic development strategies. In particular, local governments are in an advantaged position when it comes to identifying the right ‘mix of services’ that is needed to realize the potential of their territory, adapting public spending to specific circumstances and priorities. Also, local governments can partner with key actors and form public-private partnerships that are often essential to promote local development. Finally, local governments act as an interface between the state and citizens and can thus manage preferences in terms of development choices that imply trade-offs in terms of objectives and use of resources.

3) Building climate change resilience. Developing countries face 75–80 percent of the potential damage from climate change. They need support to prepare for droughts, floods, and rising sea levels. In order to reduce their vulnerability, they need new strategies for agricultural productivity, to contain malnutrition and disease, and to build climate resilient infrastructure.¹¹ Vulnerability is a function of exposure, sensitivity and adaptive capacity and varies greatly across localities and economic sectors. Different areas face different kinds of climate change impacts and consequently require different, contextually specific policy responses. Local governments can play a key role to foster climate change resilience, provided they have adequate resources and effective integration of climate change considerations into local planning, budgetary and investment cycles. At present, there are serious shortages in the capacity of national and sub-national governments as well as private actors to cope with climate change. First, sectoral approaches prevail: climate change is largely seen as related

¹¹ World Bank, *World Bank Development Report: Development and Climate Change*, D.C., U.S.A (March 2010)



Figure 5. Relationship between service delivery functions commonly assigned to the local government level and the MDGs

MDG	Primary education	Primary health	Agricultural extension	Water and sanitation	Roads	Solid waste mgmt.	Fire fighting and police	Land use planning*	Economic development*
1. Poverty and hunger	■ ■	■ ■	■ ■ ■ ■	■ ■	■ ■	■	■ ■	■ ■	■ ■
2. Primary education	■ ■ ■	■	■	■	■			■	
3. Gender equality	■ ■		■				■ ■		
4. Child mortality	■ ■	■ ■ ■	■	■ ■	■ ■	■ ■		■	
5. Maternal health	■	■ ■ ■	■ ■	■ ■	■ ■	■	■		
6. HIV/AIDS and Malaria	■	■ ■ ■	■	■ ■		■ ■		■	
7. Environmental protection	■	■	■	■ ■ ■	■ ■ ■	■ ■ ■	■	■ ■ ■	■
8. Partnership									■

Key: ■ ■ ■ direct provision ■ ■ indirect relationship ■ some relationship

Note: * In some cases, local governments can influence the MDGs negatively through poor governance.

Source: Based on *Improving Local Government: the Commonwealth vision*, Commonwealth Local Government Forum, 2009 (Box 2).

to natural resources, agriculture and disaster risk management, with limited progress towards mainstreaming across sectors and scales. Second, sub-national authorities largely lack the awareness, information, resources and capacity to exercise the role they could play in climate change adaptation and mitigation. Third, the role of the private sector and its relation with government action in adaptation and mitigation remains unclear. In this context, local governments can play a key role to enhance sub-national responsiveness to many of the challenges related to climate change, to foster integrated public-private action and greater accountability and transparency in the allocation of resources related to climate change adaptation and mitigation.

4) Achieving food security. Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe food that meets their dietary needs and preferences for an active and healthy life.¹² At the central level there is a wide variety of approaches in dealing with food security. Differences in national approaches are generally driven by the specific country contexts, the food security situation, the structure of the public sector and the resources available. Coordination between different central line ministries, particularly the Ministry of Agriculture and the Ministry

¹² The issue of food security is high on the political agenda as evidenced by the number of recent high-level summits, including the first ever G8 Agriculture Ministerial in April 2009 in which more than US\$22 billion were pledged by developed countries to boost food security. Much of the discussion is about the capacity of the agricultural sector to meet the rising demand for food.

of Commerce (or equivalent organizations) as well as local government authorities in dealing with food security issues is often problematic. Local governments are ideally placed – and usually mandated – to promote integrated action to address the variables which make up the food security equation: providing basic infrastructure that supports the production and distribution of food crops (including roads, wells, dams, markets, etc); dealing with land title disputes; providing a forum for community groups (including farmer cooperatives); monitoring of local food security; managing trade-offs between agriculture productivity and environmental sustainability.¹³ They are also the tier of government that is closest and directly in touch with smallholder farmers which are key to the implementation of any food security policy. Finally, the local level is also the tier of government most likely to understand local conditions affecting food security, including weather and crop planting patterns, local trade flows, as well as causes of chronic and transitory food insecurity.

5) Supporting State-building and democratization in post-conflict settings. Making headway on the MDGs in fragile and (post-) crisis states is a complex endeavor. There is no single local government approach that is successful in these contexts. Post-conflict responses fluctuate between attempts to centralize the public sector (in order to establish or retain state power and build the state administration) to highly decentralized approaches at stabilization and community-building. As a post-conflict environment seeks to return to normal, the large-scale presence of international NGOs and donor agencies can stand in the way of the public sector resuming its role as a provider of public services. In these cases, community-based organizations and local governments (or quasi-local governments) can play an important role in restarting the provision of public services

and facilitating the return of displaced persons. A common approach in many post-conflict countries has been the introduction of some type of local development fund or community development program. The absence of formal public sector institutions and the weakness of the country's social infrastructure has often required such interventions to reach to the community level. Local governments in a post-conflict environment can also play a key political, stabilizing role: decentralization and local governments are often a critical ingredient in the resolution of the political tensions that led to the conflict in the first place.

6) Promoting gender equality. Gender equality contributes substantially to development and social stability. In recent years, consensus has grown on the centrality of women's participation in local level decision-making¹⁴ and the need to remove the obstacles that are inhibiting women's effective participation.¹⁵ These obstacles often include: weak representation in local councils, male-dominated and insufficiently gender-sensitive planning, budgeting and resource allocation processes; cultural factors that discourage women from contributing to discussions; weak and ineffective institutions representing and supporting women; high rates of illiteracy (especially in rural areas). As a result, gender concerns are often not effectively incorporated into local council development plans and activities. Gender programmes have shown in recent years that local governments can be a platform for change and the inclusion of women in local decision-making processes. These programmes operate at two strategic levels: first, they strengthen local governments' institutional capacity to create a supportive environment where gender responsive policy

¹³ Organization for Economic Cooperation and Development, *Agriculture Outlook 2010–2019*, Paris, France (June 2010)

¹⁴ United Nations Capital Development Fund, *Annual Report 2009: Gender Equitable Local Development (GELD)*, New York, U.S.A. (July 2010)

¹⁵ United Nations Capital Development Fund, *Deliver the Goods: Building Local Government Capacity to Achieve the Millennium Development Goals*, New York, U.S.A (October 2005)



planning, budgeting and public expenditure is aligned with women's priorities; second, support is directed to training for women to allow them to better access, engage and influence their local governments' policy formulations, investment approaches, processes and outcomes to ensure that they accurately reflect their own priorities and concerns. Whether they are the targets or implementers of local gender programmes, local governments have a central role in local level action towards gender equality.

IV. Local development through local governments: policy and governance challenges

As discussed above, local governments have a key role to play to foster local development and progress towards the MDGs. However, several technical, political and institutional barriers continue to prevent them from fully realizing their potential. These include:

1) Lack of resources. The effectiveness of local governments and the quality of local government services – particularly in developing countries – are often constrained by the limited resources available to them and the degree of political and administrative autonomy granted by the center. Inadequacy of resources or autonomy can create a vicious cycle: no capacity, no responsibilities, no resources and, therefore, no capacity. It is thus clear that the relative capacity shortages at local level should not be seen as intrinsic to the structure of local governments but rather in many cases – as a result of this cycle. The resource imbalances (or unfunded mandates) faced by local governments are often quite considerable. For example, while it is not unusual for local governments to employ 75 to 80 percent of all public servants, the local level often receives no more than 15 to 25 percent of all public financial resources. In many cases, increased and more predictable resources are

thus a pre-condition to allow local governments to play a more prominent role in promoting local development and the MDGs.

2) Modest technical skills. Transforming more traditional, reactive local government entities into high-performing local government organizations is a difficult task. It requires not only reorienting local government officials toward greater responsiveness to the needs of local constituents but, in many developing countries, it also calls for building local technical expertise in key areas such as strategic planning, budgeting, procurement or building partnerships with non-state actors. Also, as functions are decentralized, local governments are called to assume responsibilities in new fields for which they do not always possess the necessary skills. These challenges require strong technical assistance from national governments and policies that help attract and retain skills where the weakest local governments are. In the absence of such policies local governments often remain unprepared to deal effectively and efficiently with increased responsibilities.

3) Lack of coherent, multi-level governance frameworks. A comprehensive approach to decentralized governance requires not only the strengthening of local governments themselves, but also a wide range of national level policy interventions: a sound decentralization policy; an enabling legislative and regulatory framework; an institutional framework for dealing with central-local relations; strengthening civil society and the private sector to engage with local government officials and hold them accountable. Local discretion and accountability must be appropriately balanced and coordinated as well. Finally, evidence from around the world shows that, even if financial resources and administrative systems are decentralized to the local level, the potential benefits of decentralization – including responsiveness and the efficient and accountable use of local

resources – may be compromised without real and effective political decentralization.¹⁶

4) Political and institutional obstacles. There are a number of political and institutional obstacles that frequently limit the role of local governments in the public sector and prevent nascent systems of decentralized governance from functioning effectively.¹⁷ These include:

First, the centralization of political space: the decentralization of power and resources among different government levels is by definition a highly political reform. As previously noted, political considerations in many countries limit the space that the centre will allow for local governments to develop into viable, well-resourced and effective governance units.¹⁸ For instance, in countries where competitive multi-party elections are yet to fully flourish, a national ruling party may prefer to restrict sub-national political competition in order to prevent the opposition from gaining a foothold. Yet without effective mechanisms to hold local officials accountable to their constituents, the benefits of decentralization may be compromised. Unlocking the potential of local governments to foster local development and accelerate the MDGs will require opening up the political, administrative and fiscal space for local governments.

Second, opposition from central bureaucracies. Within central line ministries, bureaucracies may resist decentralization in order to maintain power, prestige and command over resources. As a consequence, many decentralization reforms stall or fail to provide local government with

adequate discretion over local functions.¹⁹ It is not unusual for decentralization legislation to languish for years before line ministry officials proceed to enact it. Even then, central line ministries often retain control over key aspects of local service delivery, whether by retaining central control over local public services and staff, or by encumbering resource allocations with conditions requiring central government approval, or simply by retaining a large share of the financial resources necessary to deliver services.²⁰

*Third, in several countries, there is an institutional bias against decentralization within the international development community itself.*²¹ The international development community plays an important role in promoting decentralization reforms. However, in many cases – given that donor agencies and international financial institutions have their primary counterparts at the central government level – mutual institutional interest tends to favor the role of central governments in the implementation of development policies and projects. The implementation of decentralization reforms themselves may fall victim to this practice. This may account in part for the large number of projects that seek to promote decentralization reforms in a top-down manner, disproportionately empowering central institutions. Also, development partners' dynamics result in some cases in fragmented support to decentralization reforms. This

16 Serdar Yilmaz, *World Bank Report: Local Government Discretion and Accountability: Application of a Local Governance Framework No. 49059-GLB* (Washington, D.C., World Bank Group, June 2009)

17 Ed Connerley and others, *Making Decentralization Work: Democracy, Development, and Security* (Colorado, Lynne Rienner Publishers, 2010)

18 K. Eaton and others, *The Political Economy of Decentralization Reforms in Developing Countries: A Development Partner Perspective* (D.C., The World Bank, 2010)

19 For a stakeholder analysis of supporters and opponents of decentralization, see Bahl, Roy, 1999, 'Implementation Rules For Fiscal Decentralization,' Working Paper 99-01, International Studies Program Working Paper Series, Andrew Young School of Policy Studies, Georgia State University, Atlanta, 2010.

20 Another way for central officials to retain bureaucratic control over local service delivery is by assigning certain functions (such as urban water provision) to local boards that are controlled by the line ministry rather than by the local government authority.

21 Jamie Boex, *Fiscal Decentralization and Intergovernmental Finance Reform as an International Development Strategy*, IDG Working Paper No. 2009-06 (D.C., The Urban Institute, 2009)

doesn't allow realizing possible synergies across geographical areas or across policy sectors and often results in increased transaction costs for governments at both national and sub-national levels.

5) Lack of explicit national policies for local development and MDGs localization. The discussion on territorial disparities, the need for diversification of local economies and for localized efforts towards the MDGs is well present in the public discourse across developing countries. However, in many cases governments have not developed an explicit policy focus to target places or 'types of areas' (rural, urban, remote, mountain, coastal etc.) to address these challenges.^{22,23} For instance, the rural-urban gap, often mentioned as a key problem in policy documents, is not addressed via integrated strategies for rural development. Similarly, urban development is often not the object of an explicit, long-term government strategy. In this framework, MDG acceleration strategies are often not translated into localized, integrated actions that envisage a clear role for local governments.

V. The way forward: fostering local development and achieving the MDGs

What can be done to foster local development and a more active and effective role of local governments in accelerating progress towards the MDGs? Territorial disparities and a high degree of spatial heterogeneity in development dynamics call for a strategic approach to local development and flexible policies, tailored to the characteristics of different places. Evidence

²² The design and implementation of national policies for regional/local development is often hampered – in both developed and developing countries – by the lack of political will to allow greater transparency in the allocation of public and private investment across the territory. Barca (2009), *An Agenda for a Reformed Cohesion Policy*.

²³ Fabrizio Barca, *An Agenda for a Reformed Cohesion Policy* (Belgium, European Commission, 2009)

from around the world shows that action is needed on **at least two fronts**:

First and foremost, decentralization reforms should continue to progress. Although local governments are well positioned to play a key role in implementing localized strategies to advance the MDGs, technical obstacles as well as political and institutional factors prevent them from fulfilling their potential. These obstacles should be addressed. Central government policymakers need to expand the political, administrative and fiscal space for decentralized local governments to play a more responsive and innovative role in achieving the MDGs. Decentralization reforms can provide the necessary 'governance infrastructure' to empower local actors as agents of change and development. Decentralization offers the opportunity for an effective and efficient distribution of responsibilities and resources²⁴ across levels of government according to the subsidiarity principle (see Box 1). This includes introducing contractual relations and incentive schemes that clarify the function and stimulate the performance of each level of government.

Second, comprehensive policies for local development are needed at national level. Decentralization is not a substitute for a local development policy. A deliberate national policy for local development needs to spell out national objectives, strategies and resources to foster balanced development across rural and urban areas. It needs to make the connection between decentralization reforms and national development priorities and thus provide a framework for sub-national planning. This must be based on robust analysis of local development trends, which in turn requires the capacity to collect and process disaggregated data. A modern national policy for local development is very different than top-down planning: it implies

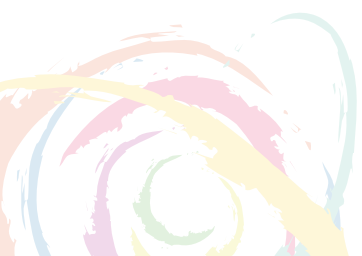
²⁴ Local governments are not only recipient of National resources but can play a key role in implementing equitable and efficient tax systems that secure domestic funding for development and help ward off aid dependence.

adopting a strategic approach to the different parts of the country with shared responsibilities between national and sub-national actors. This includes – for instance – strengthening the government’s capacity to adapt (or ‘proof’) its sectoral policies to the specific context of rural areas, urban, cross-border or coastal areas.

Realizing local development potential is not just a matter for local governments to act. On the contrary, all sectors of society have a role to play in promoting local development and the achievement of the MDGs. This requires a new focus on governance (not just government), meaning a fruitful interaction of public and private actors, financial institutions and civil society at large, at all levels (see Figure 6). The private sector and financial institutions have a critical role to play to ensure local economic development opportunities are seized. Local government associations can serve as powerful advocates for the interests of local governments and their regional/global

umbrella organizations can do much to promote decentralization reforms and strengthen local governments through global advocacy, sharing of best practices, twinning arrangements and other initiatives. Academic institutions can play an important role in helping to fill knowledge and technical gaps. Finally, development partners can do more and better to make sure their support is flexible and strategically targeted.

Evidence from around the world shows that a ‘local approach’ may not be *the* solution to economic, social and environmental challenges but can certainly be *part* of the solution. A future is possible where rural areas will thrive, cities act as hubs for development and the benefits of growth are shared across and within countries. If this is the objective, key actors need to act strategically and deliberately from the *global* to the *local* level.



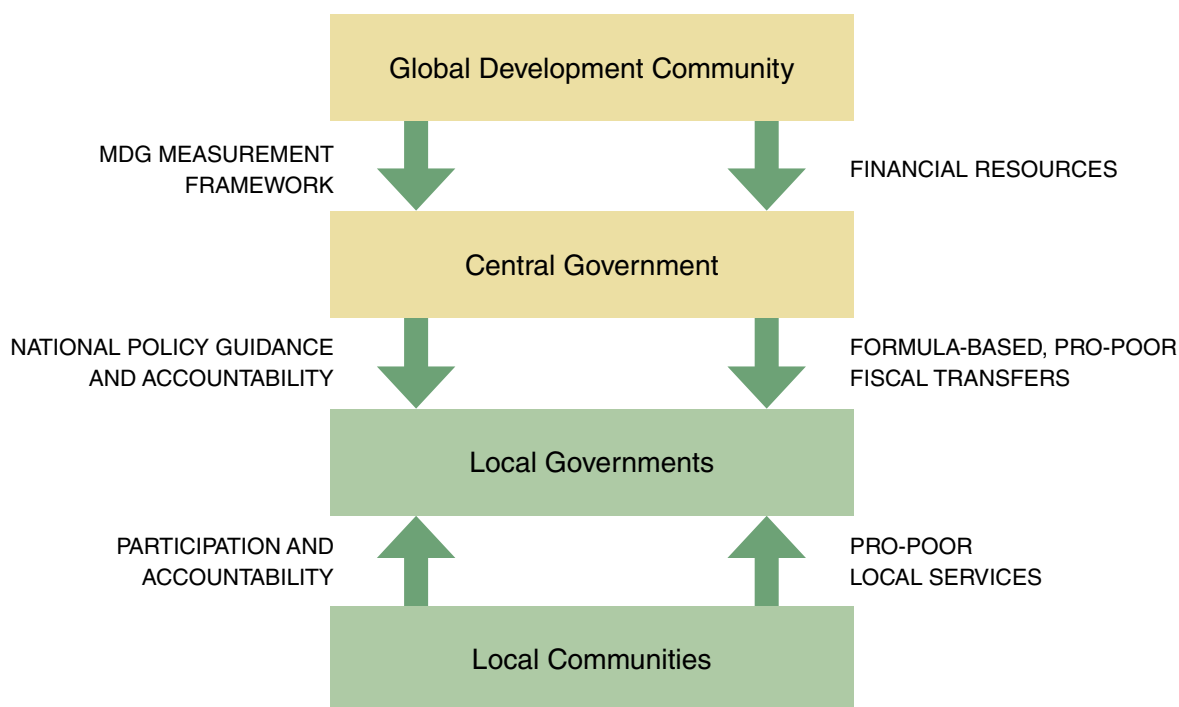
BOX 1: Decentralization and subsidiarity: key concepts

Most countries in the world are organized in a decentralized manner, with important public services being delivered at the subnational (regional or local) level. Most countries apply the subsidiarity principle to determine which public services are delivered subnationally. The subsidiarity principle, however, does not indicate whether either devolution (assigning public service delivery responsibilities to elected local governments), delegation (the delivery of specified services and the performance of specific functions by a local government under agency arrangements with a central agency) or deconcentration (assigning greater responsibility and discretion to local administrative units of the national government) is the preferred approach to localize the MDGs. Experience from developed and developing countries confirms that various configurations of all three modalities are needed depending on the functions, central and local capacities, economy and efficiency of delivery. Irrespective of a country's administrative structure or its governance architecture, in developing countries that are successfully localizing the MDGs:

- The public sector dedicates an increasing share of national financial resources to the delivery of pro-poor public services such as education and basic health services, most often delivered by local facilities (such as schools and clinics);
- Central authorities ensure that public resources (financial and human) are distributed in an effective, pro-poor manner across the national territory, so that areas that lag in human, social, and economic development indicators receive a greater share of public resources;
- Countries adopt local governance mechanisms and local administrative arrangements that ensure that local resources are used in an efficient, responsive and accountable manner;
- The developmental role played by local governments is expanded to include responsibility for coordinating and guiding the delivery of inputs.

Different approaches may be appropriate for different sectors and different functions, and options may evolve in accordance with economic conditions. For example, in countries with limited experience with democratic processes and weak civil society organizations, it may be difficult for local constituents to hold elected local officials accountable. In such cases, at least in the short run, deconcentrated subnational administrative units may be in a better position than elected local governments to deliver public services and reduce poverty. Delegation would be considered in contexts where a local government system is evolving, or where specialized central control and/or supervision is required to ensure quality. Conversely, devolution can serve as an instrument for poverty reduction in countries where elected local governments are already assigned significant expenditure responsibilities and are generally capable of efficient service delivery.

Figure 6. Localizing the MDGs: Stakeholders, resources, and accountability



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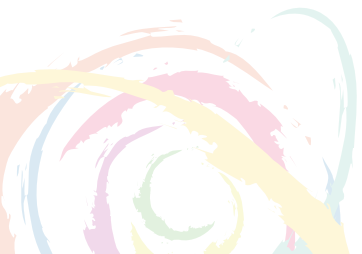
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GLOBAL FORUM SESSIONS







DO LOCAL GOVERNMENTS HAVE A COMPARATIVE ADVANTAGE IN SERVICE DELIVERY?

Can local governments deliver better quality and cheaper services? If so, in what sectors is their advantage most apparent? How can local governments' potential be optimized? Can sector and local government approaches co-exist?

Moderator: Axel Threlfall, Lead Anchor, Reuters

Framing Remarks: Julian Baskin, Senior Urban Specialist, Cities Alliance

Discussants:

Iman Icar, Deputy Mayor, Mogadishu, Somalia

Made Suwandi, Director of Functional Assignments, Ministry of Internal Affairs, The Republic of Indonesia

Melanie Walker, Senior Programme Officer, Bill & Melinda Gates Foundation

Session Summary

LOCAL GOVERNMENTS WITH AN INCLUSIVE PLANNING PROCESS DO HAVE A UNIQUE ADVANTAGE IN DELIVERING VITAL SERVICES, BUT ONLY IF THEY ARE GENUINELY ACCOUNTABLE TO CITIZENS AND ALIGN LOCAL PROGRAMS WITH NATIONAL POLICIES.

National governments have in recent years become more willing to share with local counterparts the responsibility for the delivery of services to their people. In the best cases, they have adopted a variety of arrangements to increase accountability and responsiveness. Because there is no single solution to best divide and provide, authorities at all levels have experimented with different forms of decentralization to bring services closer to the people.

It is rarely an easy process.

People often cite political will as the most important engine for a national government to decentralize the distribution of development assistance and services.

However, intention alone is not enough to navigate the contradictory rules and regulations that often act as an internal brake on the decentralization process. Many systemic obstacles remain to be tackled in a majority of developing countries, which limits the progress and effectiveness of a decentralized system of governance. Therefore decentralization cannot take place alone and needs to occur in hand with other reforms in relevant sectors (e.g. education, health, agriculture), as well as the electoral system and the civil service.

Harmonizing government legislation both horizontally and vertically requires a great effort, one that leaders at all levels sometimes do not fully understand. Decentralization – essentially, power sharing agreements – implies winners and losers, which can ignite new friction between players.

The challenge is to design easily understood win-win arrangements for devolution and self-governance which focus on the comparative advantages of the different agencies at each level.

Many commentators say local government cannot compete without resources and capacity. Others note that even local governments with adequate supplies of both can still fail to meet the needs of their populations. It is important to determine the reasons why local leaders sometimes fail to provide the support that would allow their constituents to live with dignity.

Clearly, panelists said, reaching the MDGs requires more than unblocking institutional bottlenecks and changing the political culture: it needs substantial financial resources and commitment.

Without adequate investments and budgets for the operation and maintenance of public services, very little sustainable development can be achieved. But the solution is not just to allocate more money. Funds must be spent more efficiently, especially in areas that can facilitate genuine pro-poor growth and development. In principle, local governments are in a good position to coordinate this, given their proximity to the beneficiaries and the local knowledge they possess. Some of the limitations identified here include the degree of local fiscal discretion, informed decision-making and transparency.

The international community vigorously advocates community participation in local planning and implementation. However, said Julian Baskin, Senior Urban Specialist at the Cities Alliance, local participation is infrequently found in countries where authorities view resources in terms of control and limitation rather than flexibility and public benefit.

Additionally, international development partners and NGOs often bypass local governments in favor of direct community investment, projects which are frequently not sustainable because they lack government buy-in and support. Panelists said these efforts should be avoided even when local government has little capacity.

Inman Icar, Deputy Mayor of war-ravaged Mogadishu, reiterated the need to work with local government, even when it is weak.

"We need to improve our [local government] service delivery capacity to reach our MDG targets, we have said that we cannot do it alone, but don't do it for us – help us do it ourselves," he said. To take on this type of challenge, the international community and central governments will all need to take controlled risks to build local capacity, he added.

Participants stressed the need to link supply and demand of public services, and increase accountability from the leaders who provide them (or fail to). The two most direct ways to ensure popular interest in and support for a project or service is to ask people to pay for it with taxes, or control it by voting. But both can be difficult in practice.

When people are assessed and pay their levies, they generally feel empowered to demand proper delivery of development assets and services, and demand information about their contracting and delivery. However, tax assessment is not universal, making it more difficult for people to question services they are not "paying" for.

Elections give citizens the opportunity to ask questions of officials seeking reelection, and demand accountability for their actions or inaction surrounding regional improvements and development assistance.

In conclusion, the participants in the session agreed that local governments have a comparative advantage in service delivery and can play a key role in the attainment of MDGs. However, local government as an institution cannot in itself facilitate these targets, especially without adequate funding, accountability and political will.

Background Note

Poverty takes many forms, and demands a corresponding breadth of responses. Making services accessible to the poor is integral to the effort to achieve the MDGs. Basic government services allow people to be productive

members of society; therefore, the provision of fundamentals like agricultural support and irrigation, roads, health, and primary education are essential for accelerating attainment of the MDGs. For citizens that face adversity, the provision of social protection is particularly important. Government services in the fields of economic development and culture, for instance, are also deemed to be 'public goods' that bring benefits to individuals and communities.

Substantial improvements in the provision of public services are key to achieving most of the MDGs. For example, most child deaths in developing countries could be prevented through the implementation of effective and low-cost public health interventions, such as the provision of free vaccinations. As such, attaining the MDGs will require financial resources, although the solution is not just about allocating more money. Effective delivery is situation-specific and requires tailored delivery arrangements that fuse the efforts of state and non-state actors. Each of these actors also needs to better assess their challenges and determine suitable and sustainable service delivery responses. Additionally, effective delivery requires good governance and performance management, so that funds are directed quickly to the most urgent needs, and incentives enable service providers to make good use of available resources.

What are the main actors involved in public service delivery?

The national government is not the sole actor in public service delivery. The private sector, communities and civil society should all play important roles in shaping demand, developing state policies, and delivering services. The relationship amongst these actors shifts as the state consolidates or weakens, democracy finds roots, and citizens become more assertive.

In recent decades, national governments have increasingly shared the responsibility for service provision with the local governments, in a variety of intergovernmental public arrangements that aim to increase the accountability and responsiveness of service delivery. In a developing country context, governments have experimented with different forms of decentralization to bring service delivery closer to the people. They have been assisted by a variety of development partners, including the main multilateral and bilateral agencies. Some decentralization reforms include approaches that increase the supply and quality of local government services, while others stimulate the demand for—and community oversight of—local government services. Several of these reforms are proving promising.

How can local governments contribute to effective public service delivery?

Around the world, developing and developed countries alike have observed that decentralized service delivery can result in quicker gains than with centralized systems. It is important to note that the national governments have several options in this regard. In many countries, central government ministries responsible for service delivery have created field offices and delegated more decisions and resources to their local staff—a process referred to as **deconcentration**. In principle, a well-deconcentrated government system is able to increase the total amount of resources available for pro-poor public services and can allocate these resources across the national stage in accordance with where local needs are greatest. Yet while deconcentrated units are potentially able to adopt more efficient management practices and link more closely with local stakeholders, they are unable to achieve the same degree of responsiveness and downward accountability that is possible in a public sector where public services are delivered by elected local governments.

The strongest form of decentralization is achieved by employing **devolution**, in which elected local governments are empowered, either by the acknowledgement of general competences in certain policy areas, or by the transfer of specific service delivery functions. The global trend has been toward the development of elected forms of local government that have, in addition to their vertical accountability, a strong public service delivery role and direct accountability to its citizens. Where devolution is the chosen mode, central authorities typically retain some involvement over the functions assigned to the local level (for instance, by setting national service delivery standards, supervising and providing support), but still grant the local governments the main responsibility of providing the public service.

The weight of public service responsibilities and the degree of autonomy acquired by local government varies greatly from country to country. There is widespread acknowledgment that local governments are well-situated, but need to be more empowered to make a contribution to the achievement of the MDGs. Local governments that are large, urban, well-established and have a productive economic base are in the forefront of this effort. Conversely, new, small and poorly supported local governments struggle to take on meaningful service functions.

Why haven't local governments realized their potential to enhance public service delivery?

In some cases, national governments find it difficult to develop and implement a coherent approach to decentralizing the delivery of public services. The ministry championing local government reform may be able to guide decentralization initiatives though legislative hurdles, but it is not unusual for sectoral ministries to resist or reject the reforms. The result is conflicting legislation and

inconsistent implementation across sectors. The lag in the implementation of sound sectoral decentralization reforms often contributes to service outcomes that are far from what is expected.

Even when the national level government is consistent and supportive, the introduction of a sound local governance system meets with other daunting challenges. Elected officials or the executive officers of local governments may lack experience, or they may be tied to certain groups and interests, and therefore fail to act in the public interest. The advantage of proximity to the people may be neutralized by the absence of mechanisms for involving citizens, communities and community-based organizations.

Typically, local governments also struggle to have their challenges placed on the national agenda. In many countries, meager resources are provided to the local governments, and there are wide variations of resources and capacities among the local communities. These elements present considerable obstacles to the effective analysis of common challenges, and make it difficult to mount effective communication and advocacy initiatives for the national policy and programming changes that could serve to strengthen local governments in their service provision roles.

Decentralization has not proven to be an easy route to the improvement of public services. This is a consequence of the partial steps taken, but also speaks of the complex factors that influence the quality and reach of services. Despite this reality, some notable successes indicate that progress can be made, particularly when the supply and demand sides are addressed simultaneously. Nationally-driven schemes have included performance-based granting to local governments, which have spurred improvements in governance processes (particularly in public financial management) with an expectation of more effective service delivery. Another more direct, but more centralized, way of ensuring



service improvement at the local level is based on reimbursing verified “results” (so, for instance, a local government would be reimbursed for the cost of developing a clean water system seen as effective).

Locally driven efforts have included the re-engineering of business processes for services, particularly those relating to business or construction permits, which sometimes radically reduces the waiting periods for documentation. Some local governments have invited civil society organizations to the service delivery policy-making discussion table, and in cases have established genuine co-management arrangements. Local governments have supported, or accepted, other initiatives that ensure greater local accountability. Tools such as Participatory Budgeting and Expenditure Tracking (PBET), Public Expenditure Tracking Surveys (PETS), and Citizen Report Cards (CRC) have increased citizen scrutiny of local operations. Local governments have worked with citizens to prepare charters that specify the service expectations of users and of the community in general. These documents are social contracts that enable local officials to publicly commit to locally agreed-upon standards, the provision of information, grievance redress, performance indicators, courtesy and value for money.

How can the potential of local government in enhancing service delivery be unlocked?

When properly positioned, local governments are often more successful in gaining the people’s trust than national governments. The legitimacy that comes from operating in a more visible, accessible and accountable way is an important form of social capital. It is crucial then that local governments share their successes widely, to inspire other local governments—and national policy makers—that are as yet unsure of where the local level fits in the range of service improvement options available.

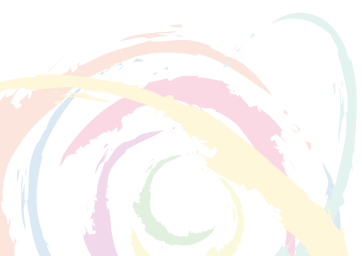
As circumstances and challenges evolve, local governments need to be empowered in ways that enable them to adapt and continue to innovate, even as they remain responsive to the public in the range and quality of services, and in the way citizens are engaged in service-related decisions. There is evidence that national frameworks are important in fostering dynamism at the local level; national involvement, if poorly handled, can also stifle local potential. Donors and supporters must keep in mind that capacity for decentralized service delivery needs to be directed at both national and local levels.

Increasingly, local governments need to be given mandates that recognize their diversity and maximize the possibilities of self-government. Carefully combining local responsibilities and obligations with local discretion (for instance, through gradually more permissive legislative frameworks) will allow local officials to be flexible and responsive. When local governments are given the freedom to increase local taxes (at least, at the margin), this not only allows them to fund local services, but it also promotes the empowerment of people over the public sector, since it enhances citizen scrutiny over (local) public spending. Matching local service delivery competencies with adequate funding, through a combination of intergovernmental fiscal transfers and local taxing powers, will ensure that public service provision is adequately funded while it adheres to budget constraints and shows fiscal discipline.

Discussion Questions:

Some questions that need to be addressed in order to further strengthen the role played by local governments in public service delivery and accelerating the progress toward the MDGs include:

1. To what degree are local governments seen as key players in pursuing the MDGs?
2. What successful pro-poor service delivery innovations have been led by local governments? Or are local governments largely the implementers of centrally and donor-led pro-poor service delivery?
3. Is the choice of decentralizing services to local governments attractive to national actors in view of other options under the broad rubric of decentralization, such as deconcentration, special operating agencies, working through community organizations, or contracting with the private sector? Under what conditions does the track record and prospects of local governments warrant a greater emphasis on greater devolution of responsibilities to local governments?
4. Do local governments need to be more self-governing to address service issues with greater creativity and appropriateness, and how should this greater sense of local autonomy be created, in terms of their structure, functions, finances, and administration?
5. It is best to view local governments as focused on efficient provider of local services or to recognize its democratic character – with implications for how service delivery is undertaken (e.g. with a redistributive aim, or using procurement power to achieve social ends) and the scope of local government action (beyond services)?
6. What accountability mechanisms, particularly toward citizens, would be needed in allowing local governments more room to define the scope of its service provision and how it engages with third parties in service delivery?



CAN STRENGTHENING LOCAL GOVERNMENTS BE AN EFFECTIVE STRATEGY FOR STATE-BUILDING AND DEMOCRATIZATION IN POST-CONFLICT SETTINGS?



In post-conflict settings, tensions can emerge between the need to deliver assistance swiftly and the desire to empower nascent local institutions. How can these tensions be reconciled? Can strengthening local governments accelerate state-building?

Moderator and Framers: Junaid Ahmad, Sector Manager, Urban Development, Africa Region, The World Bank

Discussants:

Mani Shankar Aiyar, former Minister of Panchayati Raj, The Republic of India

Clare Lockhart, Founder and CEO, Institute for State Effectiveness

Mac Maharaj, Special Advisor to the President of the Republic of South Africa

Wusu Sannoh, Mayor of Bo, The Republic of Sierra Leone

Clare Short, Chair of the Cities Alliance Policy Advisory Board and former Secretary of State for International Development, United Kingdom

Session Summary

DONORS AND CENTRAL GOVERNMENT ITSELF CAN STRENGTHEN THE LEGITIMACY AND AUTHORITY OF AN ELECTED LOCAL GOVERNMENT BY ROUTING AID AND DEVELOPMENT ASSISTANCE THROUGH OFFICIAL CHANNELS.

Violent conflicts of any nature are often rooted in, or exacerbated by, poverty and need.

When faced with the inaccessibility of basic services, populations can voice their discontent. Violence can also be triggered when people are deprived of a voice in local governance and the allocation of resources.

Given the potential of local authorities to provoke at least conflict, it is intriguing that

authorities can also take steps to solidify the calm that ends it. But this is only true if the national government has significantly empowered sub-national leaders, or is willing to support their decisions.

“It is very important to get the entire government, from the head of state, committed to the business going to the local [government],” said Wusu Sannoh, Mayor of Bo, Sierra Leone. *“The community sees you every day and brings you problems, ‘where’s the electricity,’ then you have to negotiate this with the central government and it’s not pretty.”*

But even at the local level, participants disagreed on where the post-conflict emphasis should lie.

Some advocated shoring up local governments and institutions, with an eye towards long-term stability and legitimacy. Others focused on the importance of distributing goods and services as quickly as possible to prevent a recurrence of fighting, even if means bypassing the local authorities to receive aid from NGOs and foreign governments.

Some participants argued that the local governments are the best option to provide services, in part because they are, potentially, best positioned to coordinate development activities among NGOs, national and international agencies. Not coincidentally, this casts legitimacy on the government, and would likely increase its credibility among citizens.

But local government is not the only conduit for post conflict assistance, particularly if it is weak, lacks capacity, or driven by political in-fighting. A more community-based, horizontal approach could be more effective in the short run, participants heard, because it will accelerate delivery of services instead of formalizing the politics behind it. National, foreign or non-governmental organizations can sometimes deliver services in a more effective and efficient manner.

Several participants noted that local authorities must coordinate with any outside organizations doing relief or development work in their region, or risk losing credibility at a time when that attribute is fragile.

Either way, participants agreed, development assistance must be carefully and transparently managed, or authorities risk sparking new tensions over the inequitable distribution of scarce resources.

In post-conflict South Africa, the immediate threat was not a violent civil war, but a crisis of the nation-state. In this instance, the marginalized majority turned away from a distant central government to focus on

building a more effective, representative local government. Naturally occurring “communities of cohesion” – groups banding together out of shared concerns or identities – formed the basis of much of this work.

Mac Maharaj, Special Advisor to the President of the Republic of South Africa, counseled caution when rebel leaders become civil servants, noting that the two jobs require different training.

Rebels find they need a different skill set when they go from opposing a government to trying to run one. *“The rebel begins to think he has all the skills, but it’s not true. You still need highly technical skills, you must draw experts in”* and take their advice.

Regardless of the politics, participants agreed, the transition to stability is harder to maintain without an effective and credible local government.

Background Note

Since the adoption of the MDGs at the threshold of the new millennium, the road to achieving the goals set out for 2015 has been complicated by the global recession, by challenges brought about by climate change and natural disasters, and by instances of regional instability and insecurity. Of these, making headway on the MDGs in fragile and (post-) crisis states may in fact be the toughest development challenge of our era.

Not surprisingly, conflict, crisis, fragility and poverty are strongly interlinked. Fragile states consistently lag behind other countries in progress toward the MDGs, as the absence of strong public sector institutions and state legitimacy sharply reduce the effectiveness of the government sector and development agency interventions. Despite considerable financial resources from the military and the international

development community, the lack of progress in terms of economic development and public service delivery in places like Afghanistan, Pakistan, and Yemen is perpetuating a cycle of under-development, instability and violence.

What is meant by fragile and post-conflict states?

Different terms are used by international development organizations and financial institutions to describe inherently unstable states with extremely high poverty levels and sustained vulnerability to crisis and conflict. Over the last two decades, the terms “fragile states”, “conflict-affected states” and “post-conflict states” have emerged as the preeminent descriptors for the thirty or so countries that are deeply affected by conflict and fragility. The distinguishing characteristics of fragile and post-conflict states are fairly consistent: weak public sector institutions, a low gross domestic product (GDP), and limited state capacity and/or legitimacy. In the absence of a strong central authority and strong central institutions, local governments become potential alternative agents for fighting poverty and delivering key public services.

Who are the main actors involved in fragile and post-conflict states?

In the absence of strong state institutions and state legitimacy, insecurity is often a serious constraint on development interventions in fragile and post-conflict countries. This means that, in addition to the usual mix of international financial institutions and bi-lateral/multi-lateral development agencies, direct military involvement in development efforts and civil-military cooperation (CIMIC) activities are not uncommon. In addition, it is not unusual for specialized UN agencies and NGOs to be operating in fragile and post-conflict environments, particularly when humanitarian

assistance or public services need to be delivered to refugees or internally displaced persons.

How can local governments contribute to state-building, public service delivery and the MDGs in fragile and post-conflict countries?

Achieving progress on the MDGs in fragile and post-conflict states requires highly targeted solutions. The development community in fragile countries faces the usual challenges of poverty and weakened state capacity, but it must do so within a fragile and often insecure environment. Although it is apparent that democratically-elected local governments can play a role even under such difficult circumstances, there are clear limitations on what local governments can accomplish in a fragile or post-conflict environment.

Indeed, while relatively limited research is available on the topic, it does not appear that there is a single local government approach that has proven successful across different conflict contexts. Unsurprisingly, Iraq is substantially different from Afghanistan; Kosovo is not Sierra Leone, and Northern Uganda is not Timor-Leste. Indeed, post-conflict responses oscillate between attempts to centralize the public sector (in order to establish or retain state power and build the state administration) and highly decentralized approaches at stabilization and community-building. Sometimes centralization and decentralization responses are pursued at the same time. Nonetheless, international experiences can teach us something about the range of roles that local authorities can play in fragile or post-conflict situations.

For instance, in the immediate aftermath of a conflict or crisis, a specialized aid agency or international NGO is typically in a better position than a public sector organization to provide a crisis response and humanitarian assistance. However, as a post-conflict

environment seeks to return to normal, the large-scale presence of international NGOs and donor agencies can actually interfere with the public sector's resumption of its role as public service provider. In this case, community-based organizations and local governments (or quasi-local governments) can play an important role in restarting the provision of public services and facilitating the return of displaced persons.

A common approach in many afflicted countries has been the introduction of some type of local or community-based development fund or program. The absence of formal public sector institutions and the weakness of a country's social infrastructure have often required that such interventions engage at the community level in order to be participatory, accountable and effective. Indeed, the experiences of the Commune Development Fund in Cambodia, the National Solidarity Program in Afghanistan and other similar funds in post-conflict environments suggest that proximity to the community is an important prerequisite for success. This means that such post-conflict arrangements are better suited for the delivery of small-scale infrastructure projects rather than operations that have important recurrent implications, such as basic education and primary health services. Moreover, as a fragile or post-conflict economy improves over time, its local governance structures often have to be consolidated or reformed to accommodate the increased capacity of larger-scale local government jurisdictions to deliver public services in a more stable environment.

Furthermore, decentralization and local governments are often crucial to the resolution of the political tensions that produced the conflict environment in the first place. For instance, decentralization reforms were key to counteracting the centrifugal forces during Russia's transition, and during Indonesia's political crisis following the collapse of the Suharto regime. The restructuring of local governments was an equally important element of South Africa's post-apartheid reforms, the

end to Mozambique's civil war, and Kenya's newly adopted constitutional arrangements.

Why haven't local governments realized their potential in fragile and post-conflict countries?

One of the main reasons why local or quasi-local governments often do not realize their potential in a fragile or post-conflict environment is because even though they have the greatest potential for being effective, they are the furthest removed from the central authorities and the donor community. Often, in the wake of conflict or crisis, the public sector has to start from scratch, with all government levels facing damaged infrastructure, an absence of qualified personnel, and a weak or non-existent capacity for the delivery of services.

In addition, local governments must frequently contend with a weak and insecure central government, one with limited control at the periphery of the state (which often operates without a coherent vision of the intergovernmental systems that are in play). The post-conflict political and institutional dynamics may further amplify the usual intergovernmental struggle over resources and institutional powers, with local governments often ending up on the short end of the stick.

How can the potential of local government be unlocked in fragile and post-conflict countries?

Across the highly diverse fragile and post-conflict environments that exist around the world, a handful of elements seem to apply generally when it comes to unlocking the potential of local governments to support effective local development and the promotion of the MDGs.

First off, central authorities need to recognize the importance of local governments and community organizations in the reconstruction

process, and lay out their long-term vision for intergovernmental relations and local governance. Even if it's only a tentative plan, an agreed-upon vision for the future role of decentralized local governments will provide domestic and international stakeholders with a clear idea of the importance of local-level governments and other actors.

Secondly, rather than providing basic public services through international agencies and domestic NGOs, international development agencies should be ready to work through local authorities whenever feasible. This approach is consistent with the Paris Declaration and the Accra Agenda of Action, but more importantly, funneling international efforts through local authorities and communities starts building sustainable social capital and state legitimacy in

a way that is impossible to achieve with parallel systems.

Lastly, a fragile or post-conflict environment imposes different conditions than are usually present when agencies support decentralized local governance. As a result, the "appropriate" intergovernmental systems for a fragile or post-conflict environment may be substantially different, potentially less efficient, or more limited than those implemented in a non-conflict environment. Therefore, it would be inappropriate to compare the effectiveness of local governments in a fragile state environment and those in a stable development environment. Instead, the performance of local governments in fragile and post-conflict states should be compared against the effectiveness (or ineffectiveness) of central state institutions in the same environment.

Discussion Questions:

1. What role can local governments play in crisis, post crisis and vulnerable settings and what are the limitations of their role?
2. Can strengthening local governments be an effective strategy for supporting poverty reduction and the MDGs in a fragile or post-conflict situation?
3. What considerations need to be taken into account when seeking to localize development interventions in a fragile and post-crisis context?
4. Are these development interventions at the local level consistent with an effective long-run system of intergovernmental relations?
5. What role have local governments played in long-term processes of state-building? What are the factors that enabled them to play such a role? At what stage of development does this important role come into play, and when is it recognized and supported by the state?



ACHIEVING FOOD SECURITY: DO LOCAL GOVERNMENTS HAVE A COMPARATIVE ADVANTAGE?

In today's food crisis hotspots, achieving food security hinges on creating the right support structures for smallholder farmers. Can local governments play that role effectively? How can they contribute to raising agricultural productivity, linking farmers to markets and reducing risk and vulnerability?

Moderator: Christine Roth, Deputy Executive Secretary, UNCDF

Framing Remarks: Théofiel Baert, Chief, Belgian Fund for Food Security

Discussants:

Muriel Gerkens, Representative, Green Party, Federal Parliament, Belgium & Member, Belgian Fund for Food Security Monitoring Group

Hallassy Sidibe, Expert in Institutional Development, MDG Center for Western and Central Africa (Centre OMD Afrique de l'Ouest et du Centre)

Session Summary

CENTRAL GOVERNMENTS HAVE THE UNIQUE AUTHORITY TO SET NATIONAL POLICY, DRAFT LONG-TERM STRATEGIES AND ENGAGE GLOBAL MARKETS. BUT MUNICIPALITIES KNOW BEST HOW TO OVERCOME LOCAL CHALLENGES AND ADAPT GOOD PRACTICES TO DELIVER THE MOST FUNDAMENTAL OF HUMAN RIGHTS.

Food is the fundamental element of development, not to mention a basic human right. The reliable delivery of basic provisions is especially important in times of economic crisis. It is also considered one of the most important MDGs, an integral component of health regardless of culture.

Ensuring adequate food supplies for all people requires careful cooperation among authorities at every level of government. Although the

municipalities will know their own regions best, only a national government can effectively engage with the global marketplace.

Therefore, governments at every level must consider the strategic, political, institutional and socio-economic dimensions of food accessibility in the context of a sustainable development policy. But the sub-national authorities will best understand the local needs and capabilities, which will of course vary from agricultural to urban environments.

The cornerstone of a country's security strategy must include broad long-term planning by national governments, as well as the strategic organization and implementation by local authorities to ensure reliable access to affordable food. Participants said authorities must quickly take steps to shore up or improve physical and economic access.

It won't be easy: Countries combating food insecurity will probably have to overcome historic problems and oversights. These might include scant sector investment, poor coordination between key actors, such as authorities and NGOs, and limited capacities to transport food and related commodities. All these constraints can curtail farming and grazing, food production, and transportation.

At the country level, good governance can counter persistent scarcity with sound long-term development policies, investment in the farming and agriculture sectors, coordination between key actors in the food chain, and capacity building. The cornerstone of a holistic national food security strategy is to ensure the physical and economic access to food regardless of market volatility.

The national legislature will have to pass laws limiting speculation on finances and land, and create monitoring bodies for price and availability of staples. They will also have to remain alert to the activities to pressure groups, such as lobbyists for oil and agribusiness.

Local and national authorities must use their capacities to adapt to climate change and ensure producers have access to markets. Governments at all levels must develop or improve infrastructure for food production, such as facilities processing and storage. These include such far-flung public assets as roads, water, markets, land and electricity. Opportunities to sell vegetables, meat, seeds, grains and other staples remain vital by spreading the availability of food, and generating cash to maintain or expand a farmer or herder's activities.

Municipal authorities must hold at the center of their decision-making the welfare of the most vulnerable populations, participants agreed, especially with targeted investments. They also place a crucial role in mobilizing and training local actors, prioritizing food security-related investments during the planning process, and

providing advocacy and support for civil society initiatives.

Panelists urged national and international strategists to reposition municipalities at the heart of food security strategies, noting their mandate within their communities, and their proximity to local needs and abilities.

Women must have a role at every level of the process, discussants agreed. Because they are so often responsible for their family's wellbeing, their perspectives are crucial.

Background Note

Recent food riots in Maputo, Mozambique serve as a stark reminder that increases in food prices often have an immediate and devastating impact on the poor. Since the beginning of 2010, wheat prices have surged nearly 70 percent and the FAO's Food Price Index reached a two-year high. In fact, we may be on the brink of a second global food crisis, a mere three years after violence swept across more than 40 countries that rely heavily on food imports. There is broad consensus that achieving food security hinges on creating effective support structures for the smallholder farmers that produce 80 percent of the food consumed in the developing world.

Although the aftermath of the 2007-08 food crisis saw increased pledges to boost agricultural financing in the world's most vulnerable places, little progress has been made in terms of translating financing into higher agricultural productivity. A high percentage of these funds needs to be spent at the local level to improve access to markets, inputs, credit and agricultural services. There is a consensus that the response to global food security must be country-led, but few national strategies have articulated governance structures which take into account the potential of the local government tier.

What is meant by food security?

Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. This is the most common definition of food security, and it is generally accepted by the majority of organizations working in this area. Following from this definition, there are four important dimensions to food security:

- **Availability**–The availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports (including food aid).
- **Access**–Access to adequate food resources appropriate to a nutritious diet.
- **Utilization**–Utilization, through adequate diet, clean water, sanitation and health care, to reach a state of nutritional well-being where all physiological needs are met.
- **Stability**–For stability, a population, household or individual must have access to adequate quantities of food at all times. There cannot be a risk of losing access to food as a consequence of sudden shocks (for instance, an economic or climatic crisis) or cyclical events (for instance, patterns that result in seasonal food insecurity).

Who are the main actors involved in food security?

World markets play an important role in food security and impact the livelihood and well-being of people both through the prices of food ultimately purchased by consumers, and the conditions of agricultural producers in developing economies. In addition to global market forces, food security is impacted by stakeholders at all different levels, from international organizations to central governments, local-level governments and community organizations.

A number of major international organizations deal with issues of global food security. These include several UN organizations (including FAO, IFAD, WFP, UNDP, and others), international financial institutions and bilateral development agencies, international NGOs and research institutions (including Oxfam and IFPRI, to name a few). The recent food crisis led to the establishment of a High Level Task Force on the Global Food Security Crisis (HLTF) which is comprised of UN organizations, the World Bank, IMF, ILO and others in the service of developing a Comprehensive Framework for Action (CFA) to coordinate all the actors involved in food security issues.

At the national level there are a wide variety of approaches, which are circumscribed by the specific country context, the food security situation, the structure of the public sector and food security resources available. Coordination between different central line ministries, particularly the Ministry of Agriculture and the Ministry of Commerce (or equivalent organizations) as well as local government authorities, should be a priority in dealing with food security issues.

How can local governments contribute to food security?

Local governments are ideally placed (and usually, mandated) to concentrate on several of the variables which figure into the food security equation. They provide basic infrastructure that supports the production and distribution of food crops (including roads, wells, dams, markets, etc); adjudicate land title disputes; provide a forum for community groups (including farmer cooperatives); and monitor local food security. Local government is closest and most directly accountable to smallholder farmers, and should therefore have the knowledge and incentives to address the issues of local food security.

The local government tier is also most likely to understand local variables such as weather and crop planting patterns, local trade flows,

and synergies as well as the causes of chronic and transitory food insecurity. Thus, local governments should be the ones acting to mitigate those effects of climate change that are expected to impact food security most significantly. Interventions such as reforestation, erosion control, terracing and groundcover replacement can all contribute to the mitigation effort and need to be enacted at the local level. Successful local interventions should be shared with other local governments and integrated into national development plans to build bottom-up food security development.

Why haven't local governments realized their potential to enhance food security?

The most problematic and endemic issues for local governments are a lack of funding, a lack of capacities and a lack of necessary personnel. This is especially acute in developing countries where local government offices are often small, understaffed and under-funded. Increasing revenue collection in the short term, and promoting local economic development in the long term, can help mitigate those issues. When it comes to food security, it is especially critical to reinforce the connection between local government programs and national strategies undertaken by ministries of agriculture and commerce. It is also important that as capacities are expanded, there is appropriate coordination with the national ministries to maintain coherence between districts.

What types of interventions have demonstrated impact?

Investments in smallholder agriculture have demonstrated success, especially where they were combined with policies that protect property rights, facilitate trading, reduce risk and support collective action. In Malawi, for instance, a "smart" subsidy investment of US\$ 258 million to around two million farm households was successful in increasing maize

production, reducing the poverty headcount ratio from 50 to 40 percent in only two years. In Indonesia, output price stability and subsidized inputs contributed to large reductions in absolute poverty in the 1980s and 1990s. In terms of poverty reduction, GDP growth generated by agriculture can be up to four times more effective than growth in other sectors.

Investments which support the establishment and operation of farmer and producer cooperatives have also demonstrated success, and can help to address the imbalance between smallholder farmers and other stakeholders in the value chain. Cooperatives or producer associations can facilitate the exchange of market information, improve access to credit and technology, or enhance water management and logistics.

How can the potential of local government in enhancing food security be unlocked?

Looking ahead, it is crucial to ensure that the role of local government authorities in enhancing food security is integrated into national development plans. Local authorities must also be given sufficient autonomy to address issues specific to their particular region. Through the development of infrastructure and markets, agricultural extension services, land and water rights, women's empowerment, and environmental protection, among other options, it is possible for local governments to be at the forefront of agricultural production and local economic growth. But in order to do this, local governments must be equipped with the capacity to identify appropriate projects, as well as the skills, personnel and funding to manage those projects from start to finish. There must be appropriate communication between ministries of local government, ministries of agriculture and commerce and the local government authorities.

It is equally important to ensure that local government authorities recognize the full spectrum of possible food security mechanisms available to them with which they can mitigate potential food insecurity. Typically, local authorities only conceptualize food insecurity

in terms of seasonal deficits or times of crisis. Adding variables such as nutrition, household income, land titles and infrastructure to the discussion of possible options can greatly expand the potential for local government authorities to have a meaningful impact on food security.

Discussion Questions:

1. The purpose of this session is to discuss how policy reforms can unlock the potential of local governments in promoting and supporting food security? Six core questions will be addressed by this panel:
2. How can local governments have a measurable impact on food security?
3. What are the potential connections that can be developed between local governments, national ministries and international organizations?
4. How can the capacities of local governments to deal with food security be enhanced?
5. What are the ways to ensure that local government interventions geared towards food security target the most vulnerable populations?
6. How can local government authorities incorporate all four elements of food security into their operations to combat food insecurity?
7. How can local governments ensure that food security actions are part of a program of both fiscal and environmental sustainability?



REDUCING POVERTY: HOW CAN LOCAL GOVERNMENTS BE CATALYSTS FOR PRO-POOR ECONOMIC DEVELOPMENT?



Poverty levels can remain stubbornly high even where Local Governments are delivering effective services. What role should Local Governments play in promoting economic development? How can they ensure the poor will benefit?

Moderator: Andres Rodriguez-Pose, Professor of Economic Geography, London School of Economics and Political Science (LSE)

Framing Remarks: Tim Campbell, Chairman of the Board, Urban Age Institute

Discussants:

Krishna Gyawali, Secretary of Ministry of Local Development, Nepal

Maggie Kigozi, Executive Director, Uganda Investment Authority

Richard Wakeford, Director General, Rural Futures, Scottish Government, The United Kingdom

Session Summary

APPROPRIATE AND WELL CONCEIVED DEVELOPMENT PROGRAMS WILL BE MORE BENEFICIAL WHEN STRATEGICALLY TARGETING PARTICULAR NEEDS, AND ADMINISTERED RESPONSIBLY.

Poverty rates can remain stubbornly high even when local governments are delivering effective economic development programs.

Successful programs must be tailored to a specific sector or goal, and adjusted for the size and characteristics of the region, constituents' needs and capabilities, and the general socio-economic level, panelists said.

When designing or implementing programs, officials should reach out beyond the standard partnerships. Urban-rural alliances can have potential, as do linkages along trade corridors, between cities, and even among regions and nations.

Decentralization is not the "silver bullet," but a system to empower local governments to better deliver targeted development assistance.

Effective local economic development directly addresses the MDG1 – the reduction of extreme poverty. Without this MDG, other goals are almost unattainable. A pro-poor, gender-sensitive approach is vital to drafting decent policies and legislation.

Local authorities cannot sustain valuable programs without the proper technical expertise and sufficient capital. They must also be prepared for political challenge by opposition parties. Strategies should also emphasize participation by permanent civil servants, rather than elected leaders who may be voted out.

Generally there are three ways to fund economic development programs: with allocated revenues from the central government; with taxes imposed on local individuals or enterprises; or donor contributions. Panelists stressed the

need to generate revenue while balancing the danger of creating bureaucracy, corruption, and dis-incentivizing fees.

Authorities should constantly appraise programs to evaluate their effectiveness. The local government must also remain flexible in its approach, soliciting input from the community about how resources are being used, or whether measures need to be adjusted.

To do this they must first decide whether the goals of the economic development scheme are to benefit as many people as possible, or to generate the largest results.

It is essential, panelists agreed, for strategies to focus on aiding the poor and making lasting progress towards the MDGs.

There is little agreement on who, exactly, should be targeted by the pro-poor programs.

One participant asked why the poorest of the poor were not included in the development about economic discussion. A panelist responded that economic development should focus on the “least poor among the poor,” and allow social safety nets and food-for-work programs to assist the most destitute.

In any case, panelists stressed, the most successful programs have broad buy-in from the community.

Background Note

The last three decades have been characterized by impressive gains in living standards in most of the developing world. However, there is another group of countries that have diverged from the majority and experienced a decline in living standards in absolute terms. The financial and economic crises which started in 2008—and the ensuing drop in global demand, commodity prices, foreign investment and aid—have

compounded the plight of many such least-developed countries (LDCs) and exacerbated their economic vulnerability. Persistent poverty and recurrent food crises have underlined the need to rethink approaches to promoting pro-poor growth and economic development. This need is becoming increasingly relevant in non-LDCs where regional and urban-rural (and intra-urban/intra-rural) inequalities have persisted (or deepened) as a result of global and regional economic, environmental/climatic and political events.

Economic development is an outcome which implies a positive, sustained and comprehensive change in the quality of people’s lives and a measurable improvement in their economic wellbeing. (In stricter terms, it refers to the way goods and services are produced and the equity with which economic returns are distributed.) Local economic development (LED) implies the application of these principles in a defined territory (region, province, city, district or town).²⁵ It also entails the effective utilization of a territory’s human, natural and capital resources, and the strategic deployment and continuous development of its comparative advantages. However, since territory-based economies are linked, any effort to stimulate economic development in any territory must be pursued in a manner that ensures economic integration with its surroundings.

In contrast, **economic growth** (national or local) refers to a quantitative increase in the amount of goods and services produced by an economy, and to the monetary value of the transactions²⁶ that take place within that economy. In a

²⁵ LED is pursued more strategically at a regional/provincial level which is more likely to encompass a more coherent and contiguous economic entity, as opposed to a city, district, town or a lower-level territorial configuration. Mega-cities or large-scale towns represent a specially concentrated territory with a high level of integrated economic activity, and could thus be treated as a coherent economic entity. However, viewing them as integral to the region within which they are located is critical to ensure urban-rural integration.

²⁶ Usually measured through the tracking of changes in the value of the Gross Domestic Product (GDP).

number of LDCs (and also in some middle income and industrialized economies where economic growth is achieved consistently), poverty continues to persist in parts of cities, towns and in rural and remote regions, and the divide between rich and poor continues to widen. Such realities can only be addressed in a territory through an integrated and inclusive approach to economic development which attempts a balance between economic growth, equity and environmental and social sustainability.

Local economic development has come to the forefront of discussions in many localities, as each explores new arenas opened by shifting arrangements in national and global relationships (including decentralization, globalization, and democratization). These transformational processes increase the importance of local governments in the economic development process. Indeed, many local governments, with national support, have taken advantage of new opportunities to launch, foster, or support local economic activity. At the same time, democratization means that local leaders—including mayors, elected officials, private sector, and local civic leaders—must play a more important role; they also need to respond to popular pressures to influence the direction of growth, and implement local development strategies to increase local employment and welfare.

Who plays a role in the promotion of LED, and what do they do?

LED is achieved through a process by which private and public sector actors work collectively to enhance the competitiveness, diversity and productivity of a defined territory's economy, and to ensure equitable access by its citizens to employment and economic opportunities. It is the outcome of actions of a host of actors, including national ministries, other governmental agencies, local governments and quasigovernmental and nongovernmental

agencies. Such entities usually perform LED regulatory, strategic guidance and/or facilitation functions towards the promotion of economic development. In some cases, these entities provide a range of support services, and sometimes intervene to create an enabling environment in which the private sector can function more effectively. Therefore, this category of actors plays the primary role in determining the quality of the business-enabling environment. Private sector actors (whether formal or informal, micro, small, medium or large enterprises) and the labour force perform an LED production function: These represent the primary drivers of economic activity. The quality of the performance of each member of these stakeholder categories determines the extent to which LED outcomes are achieved.

What role do local governments play for promoting local economic development?

Around the world, local governments increasingly perform a pivotal LED promotion role within their localities. In both developed and developing countries, local governments provide strategic guidance to LED promoters by actively coordinating and consolidating their actions towards achieving strategic local economic development objectives. They also intervene to enhance regulatory environments and invest strategically (directly or through innovative public-private partnerships) to address their economies' infrastructure and growth needs. Furthermore, local governments often promote responsive business development, financial services, communication and transportation services required by a locality's economic sectors, clusters and value chains. Occasionally, well-endowed local governments engage directly in the provision of selected strategic business development services and intervene to mitigate financial risk that is borne by local enterprises (or by the financial institutions that serve them). Some invest in Research and Development and

lobbying on behalf of their private sector at regional, national and global arenas.

However, in the majority of LDCs and in some developing countries, local governments are rarely able to contribute constructively to LED. In most cases, their LED promotion mandate and functional and resource assignment is not sufficiently defined in local government legislation, and is thus not recognized or reflected in the legal and regulatory frameworks of other relevant sectors (agriculture, industry, trade, or vocational education). Until such mandates are articulated, local governments are usually under-resourced. This reality has rendered most local governments irrelevant at best, and in extreme cases they are perceived as obstacles to the achievement of LED.

What are the challenges that local governments face in promoting local economic development?

Even when these policy and institutional issues are addressed, the path to successful LED is a challenging one that requires specialized capacity and a determined mindset. The main risk is that without adequate expertise and experience, local governments will spend resources on business ideas that have little or no chance of success, or those that may have a negative impact on their intended outcomes. Even if market potential is visible, local governments sometimes do not have the business expertise to develop the concept, manage the project or even communicate and cooperate with the local economic actors that do. Project experience is replete with local governments—in rich countries and poor—that have given away fiscal, tax, and other incentives needlessly to attract investors or to compete with neighboring jurisdictions. A common request from the private sector—that local governments “get out of the way”—stands in stark contrast to the eager but misguided local government trying to do too much of the

wrong thing. Instead, simplifying procedures, reducing red tape, eliminating transaction costs (including corrupt side payments) becomes the low hanging fruit for local governments that wish to stimulate LED.

What can be done to unleash the potential of local governments to promote local economic development?

Transparent and efficient local governments and strong local leadership are necessary for achieving successful local economic development, but strong local government is far from being a sufficient condition. Experience has shown that in order to unleash the local government’s potential in promoting local economic development; some issues that are outside the domain of the local government must be addressed.

What is needed at the National Policy level to enable local governments to contribute?

Although national policy has proven effective in directing resources to foster national economic development and pro-poor economic growth in many locations, few countries have managed to introduce an across-the-board program of coordinated decentralization and local economic development policies. Sometimes central governments take direct action at the local level and bypass local governments, and there is little evidence that national governments encourage local counterparts to take initiative and drive the LED process from below. This is due to several factors: the reluctance of central officials to share power; central government’s fiscal balance worries; and capacity limitations of local governments. An important issue in formulating a national policy framework for LED is finding the right balance between pro-growth and pro-poor, and also between national controls and local autonomy on the other.



What is needed in terms of statutory authority?

Though local governments usually have the legal mandate to pursue LED, in reality this legal authority is often limited in scope. When problems or complications arise, local governments do not always have the means to work through to solutions. Dedicated LED promotion capacity, however limited at the initial stage, is often cited as a key requirement to making the connections needed for success. The need for a dedicated team, with professional skills, may mean that smaller or financially strapped local governments either have to count on outside agents, such as provincial, national or international actors, or make do with the single-handed efforts of mayors or one or two department heads. In many cases, selecting the proper scale for LED efforts is critical.

What is needed in terms of finance?

Local economic development financing often requires special attention. From the standpoint of LED, a new perspective on finance might be in order where local and national governments

both have an interest in stimulating LED. In addition to increasing the availability of local government finances, specific LED-related financial tools could be useful for special-purpose funds (e.g. municipal finance and central government special funds) to help fill gaps in infrastructure or credit where clear payoff can be demonstrated.

What can be done by development partners?

It is critical that development partners directly engage local governments and support the development of their capacities as critical players in the effort to promote local economic development. It is also crucial that donor partners allocate financial resources to augment the limited allocations available to local governments for use in LED promotion initiatives. Development partners should be wary of the tendency to enter a local scene with an agenda that may not correspond with local needs (as defined by the community or local government itself). Forging ahead without due diligence risks engendering supply-side success simply because resources are tied to donor offers.

Discussion Questions:

1. What role should local governments play towards the promotion of local economic development? How would the scope of such a role be different in the case of under-developed local government system, an operational/evolving or an advanced one and in the case of a rural or urban setting?
2. What is needed to enable local governments to play an effective role in LED promotion? Specifically, what policies, legal and regulatory, institutional and capacity inputs as well as financing options will be needed and what are the challenges usually faced in securing them?
3. Where local governments have performed effectively towards the promotion of local economic development, what were the factors that facilitated their success? What were the factors that have contributed to ineffective performance of others?
4. What has been the contribution of sub-national economies to national economic growth? Is there correlation between level of autonomy (and other factors) on the one hand and performance and level of contribution to national income on the other?

BUILDING CLIMATE RESILIENCE: LOCAL GOVERNMENTS ON THE FRONTLINE?



Is climate change adaptation and mitigation best achieved at the local level? Should “climate proofing” become an integral part of the local government mandate?

Moderator: David Jackson, Senior Advisor, Local Development, UNCDF

Framing Remarks: Jesse Ribot, Associate Professor of Geography, University of Illinois

Discussants:

Pema Gyamtsho, Minister of Agriculture and Forests, The Kingdom of Bhutan

Bhawan Singh, Honorary Professor and Climatologist, University of Montreal

Irene Freudenschuss-Reichl, Director General for Development Cooperation, Ministry of Foreign Affairs, The Republic of Austria

Session Summary

MANAGING CLIMATE CHANGE REQUIRES STRATEGIC POLICY SETTING AND INTERNATIONAL ADVOCACY BY CENTRAL GOVERNMENTS AND TACTICAL PLANNING AND IMPLEMENTATION BY LOCAL GOVERNMENTS. THE INESCAPABLE INTERDEPENDENCE REQUIRES COORDINATION AND SUPPORT.

The global debate on climate change is not new: Communities around the world have always had to manage extreme environments. But global warming has sparked the imperative to manage climate change, by both slowing its magnitude and mitigating its impact. These two distinct needs require policy and coordinated action from the global, national and local authorities.

The debate has focused on policy at the international and country levels, but global warming’s impact is most keenly felt in the community. That is why sub-national planning is so important.

Municipalities’ input have been “fairly marginal” in managing the planning process, according to Jesse Ribot, an associate professor of geography at the University of Illinois. “Why is local government advantageous? It understands complexity and diversity in local environment,” and can best assess the needs of its constituencies. However, he added, the most successful authorities are flexible fairly representative of their communities.

Local governments must try to build systems, processes and tools to help communities adapt to their changing environment. Participants also noted the importance of determining what role local governments and institutions should appropriately play in adopting environmental measures.

Participants suggested that new patterns of thinking and programming focus on the smaller blocs, paying special attention to the women and children whose welfare is frequently overlooked in the planning stages. The welfare of these most vulnerable constituencies are at the heart of the MDGs.



Local governments often provide the best opportunity for integrated, multi-sectoral planning and responsible implementation. They offer regional expertise in planning sustainable programs for households and communities, even when the programs are part of a larger multi-stakeholder initiative.

In addition, regional authorities understand the diversity and complexity of local eco-systems and communities.

Local governments often provide the best opportunity for integrated, multi-sectoral planning and responsible implementation. They offer regional expertise in planning sustainable programs for households and communities, even when the programs are part of a larger multi-stakeholder initiative. In addition, municipalities understand diversity and complexity of local eco-systems and communities.

The most successful programs must be designed for credibility, accountability and sustainability, with a clear benefit to regional populations, participants said. One of the most effective ways to achieve this is to share lessons learned from earlier applications, and show the program's likely impact on local systems and practices.

People need to understand the scientific concept underpinning a program, and how that effort will impact their lives. Officials should try to increase credibility by incorporating indigenous practices and local wisdom into the program.

People must understand that climate change is not the cause of all vulnerability. Leaders or experts should explain how specific changes in farming or logging, for example, can improve their long-term resilience to the effects of global warming. Communities themselves should have suggestions to improve the sustainable use of forests, water, energy and so on.

And finally, funding must be regular and reliable.

Before an effective ecological strategy can be put into place, it is important to plot an

inclusive map of the area, incorporating women and children. The program must also consider unique micro-challenges and macro-policy.

Participants also agreed that local government and communities should be consulted throughout the process.

Background Note

The recent floods in Pakistan reveal the devastation that natural events can wreak on society, and the difficulty that governments can have in responding to such calamities. Of course, storms, floods, droughts, and extreme heat and cold are not new hazards. However, with climate change, the frequency and intensity of such threats is expected to increase. All scales of government worldwide have long had to cope with climate stresses. In many cases, preparations and responses have been insufficient, and vulnerability remains high. In others, government has helped to reduce vulnerability through responsive measures.

What are climate response measures?

Two different types of actions intended to reduce climate change-related risks are receiving great attention and significant funding. **Adaptation** actions reduce risks in the face of climate trends or events, while **mitigation** actions are taken to slow global warming. Adaptation involves measures to decrease vulnerability, such as reducing exposure and sensitivity or increasing resilience. Mitigation is primarily concerned with reducing greenhouse gas emissions by managing natural resources, from efforts to increase energy efficiency to those that reduce deforestation.

Local government, the level closest to the people directly affected by risk events, has several instruments for engaging in adaptation and mitigation action. To date, however, local

government roles in adaptation and mitigation responses have received inadequate attention.

Who are the main actors in climate change response?

Climate change is a very broad and complex global policy theme, and the resulting actions being taken at the international, national and subnational levels are difficult to sort out. Many international and bilateral organizations seek to reduce the impact of climate change and promote environmental sustainability and climate resilience. A number of developing countries have prepared National Adaptation Programmes of Action (NAPAs) as the basis for their climate adaptation responses. Proposals for multilateral climate-change response financing measures contained in these NAPAs have usually been drafted by national ministries with a mandate for environmental affairs.

These plans and proposals rarely consider the everyday, ongoing and practical adaptation and mitigation activities that local communities need or are already engaged in. Central environmental ministries or agencies often retain control of investments, while projects will be implemented by ministry officials, project implementation units, NGOs, customary authorities, and private bodies in the local arena instead of working with local government. By leaving out local government, NAPAs do not reflect knowledge, local needs and aspirations, and they miss opportunities to build on ongoing effective response activities.

How can local governments contribute to climate adaptation and mitigation?

Local governments have three main instruments for engaging in adaptation and mitigation action. These include:

- **local planning and regulation** to enable or constrain certain types of activities (such as preventing construction of residential housing in flood zones or restricting extractive forest use);

- **engaging in local public expenditures** to finance public goods and services in response to climate stresses (for instance, engaging in soil erosion control or forest management projects); and
- **increasing local fiscal revenues** from taxes, fees and charges to support such public expenditures.

With these instruments, local governments can provide infrastructure and services, disaster management, and livelihoods investments in response to climate variability and change stresses. Local governments may also gain status as agents of social change in the climate debate by adopting environmentally sound practices, thereby setting an example and motivating carbon reduction and other practices among their constituents.

What types of interventions have demonstrated impact?

Adaptation and mitigation measures provide opportunities for local governments to enhance the wellbeing of their local communities, and local governments in many industrialized countries already proactively engage in climate change activities. While local governments have motives to invest in both types of measures, they tend to gravitate more toward adaptation measures, since those most directly affect the wellbeing of their citizens. Examples of successful climate adaptation interventions include shore protection, projects to prevent soil erosion, and tree planting in urban areas. The local benefits of local adaptation activities include reduced vulnerability, reduced poverty, better education, and increased economic productivity. Many adaptation measures, such as energy efficiency or improved forestry practices, also have collateral mitigation effects.

Although mitigation activities may provide local employment opportunities or enhance the productivity of a community's natural resources, most of mitigation's returns accrue extremely slowly, and on too diffuse a scale.

Without great ancillary benefits or funding from the outside, local governments are unlikely to invest in mitigation efforts. There are some win-win measures, such as energy efficiency or forest conservation, where it would already be economically beneficial to do so. For most mitigation opportunities, however, external investments are needed. With the right natural resource endowments and with an entrepreneurial spirit, however, local governments might be able to generate revenues by engaging in carbon offset programs. Climate action funds are also an increasingly popular way to provide funding from the center (and from international donor partners) to fund both types of measures at the local level.

Why haven't local governments realized their potential to support climate change?

There are strong arguments for involving local governments in the global climate change response, but they have not realized their potential. One reason is that local governments lack influence in higher-level decision making and do not have access to significant funding – this is especially true of national climate planning processes and associated funds. While these funds present a significant opportunity for unlocking the contribution of the local level to the climate change agenda, central government officials are usually reluctant or unwilling to share these funds.

Another factor in limiting the role of local governments in sustainable environmental management and climate action is that local authorities are seldom assigned the mandate or stewardship over local natural resources like forests or public lands. Instead, this responsibility is often entrusted to a national agency and managed centrally from the national capital. This assignment of competencies often has more to do with political incentives than with the actual ability of local governments to perform these functions under the principles of sound decentralization. Even where laws

have transferred natural resource management functions to local government, line ministries have not allowed these transfers to take place.

A related concern is that climate-action resources would be mismanaged or used inefficiently at the local level. For instance, while adaptation and mitigation activities are often based on the improvement of an existing asset, service or process, most local assemblies, communities, development funding, and project resources tend to favor the installation of new assets or services – rather than recurrent costs. Strengthening of local processes and procedures may be required to ensure that resources are used to best achieve their intended purpose. Additional funding sources may also have to be identified to cover the operation and maintenance budgets for these activities.

How can the potential of local government in supporting climate change be unlocked?

Several developed economies have convincingly demonstrated that local governments can play an important role to the climate change agenda through adaptation and mitigation activities. An important step in unlocking the potential of local governments in support of climate changes is to give local-level governments a decisive role in the national climate planning process, and to increase their access to national climate change resources.

No single institution or organization can achieve success on its own in the realm of climate change. So to unlock the potential of local governments in this area, national and international organizations and institutions must play key supporting roles. Central governments, their line ministries, and national and international development agencies must provide support in a variety of ways (through resources, training, advising, equipment, infrastructure, social security systems) to help local governments better fight climate vulnerability and to enable adaptation and mitigation strategies.

Climate response risks and benefits

Risks and benefits of local government climate-action investments

LOCAL RESPONSES	Adaptation	Mitigation
Local Benefits	Reduced vulnerability, reduced poverty, education, increased economic productivity.	Improved resource productivity. Increased revenues.
Local Risks	Inefficient investments. Inequitable investments (poor, gender and minority biases).	Cost without remuneration (mitigation is thus an unlikely local government investment without other outcomes).

Risks and benefits associated with local climate-action funds

EXTERNAL FUNDING	Adaptation	Mitigation
Local Benefits	Reduced vulnerability.	Improved natural resource productivity.
Local Risks	Recentralization of risk management decision making. Inefficient investments. Inequitable investments. Unsustainable investments.	Recentralization of environmental decision making. Closing access to natural resources essential for local security (reducing adaptive capacity and increasing vulnerability).

Discussion Questions:

1. What are the limitations of the role that local governments can play in climate adaptation and mitigation?
2. How have central governments, their line ministries, national and international development agencies and professionals successfully supported local governments to play a decisive role in addressing climate vulnerability?
3. What kinds of support (resources, training, advice, equipment, infrastructure, social security systems) do local governments need from other institutions—government and non-government—to better fight vulnerability or to enable adaptation and increase basic wellbeing?
4. What kinds of analysis and research might enable local governments to fight vulnerability directly or through engagement with higher-level government and international institutions?

EMPOWERING WOMEN: HOW CAN THE LOCAL LEVEL BE HARNESSED TO PROMOTE GENDER EQUALITY?



Decentralization is meant to empower citizens, including traditionally marginalized groups. Have women gained greater 'voice' at the local level? Has their access to services and resources improved? Where are the bottlenecks?

Moderator: Axel Threlfall, Lead Anchor, Reuters

Framing Remarks: Francisco Cos-Montiel, Senior Programme Specialist, International Development Research Centre (IDRC), Canada

Discussants:

Cielo Krisel Lagman-Luistro, Mayor, Tabaco City, The Republic of the Philippines

Aminata Mbengue Ndiaye, Mayor of Louga, The Republic of Senegal

Hooria Mushoor, Vice-President of the Women National Committee, The Republic of Yemen

Session Summary

WOMEN'S RIGHTS MIGHT BE ENSHRINED IN THE NATIONAL CONSTITUTION, BUT OPPORTUNITY BEGINS AT HOME. WITHOUT THE FIRM SUPPORT AND PUBLIC ADVOCACY OF LOCAL GOVERNMENTS, WOMEN WILL NOT BE ABLE TO CONTRIBUTE TO THEIR COMMUNITIES BY OBTAINING AN EDUCATION, WORKING OUTSIDE THE HOME, OR SHARING THEIR EXPERTISE FOR DEVELOPMENT EFFORTS.

Sustainable development hinges on women's equality and empowerment, a long-term goal that can only be met with incremental steps by authorities at all levels – particularly local governments. *"I am certain that if we attain the MDG3, Promote gender equality and empower women, we will attain the rest of the MDGs,"* said Aminata Mbengue Ndiaye, Mayor of Louga in Senegal.

The necessary alterations are not just bureaucratic or political, but require sweeping changes, innovating everything from national laws to individual opinions. Men must expand their thinking, of course, but so do the women themselves. The idea of a fully capable, independent and responsible female is still new and even dangerous in many parts of the developing world. But without that perceptual adjustment, women will never be accepted as a lawmaker, professional, laborer or full partner in society.

Gender equality is MDG #3, but several participants cautioned that empowerment is the cornerstone on which many other goals depend.

Recognition of women's empowerment is vital throughout the political, legal, economic and social system. However, panelists pointed out, equality is often a grass roots issue, a movement that rises upward with popular demand rather than something imposed from above. Until the

people demand full participation, participants agreed, it is unlikely that local government, let alone national government, will take a genuine interest in addressing centuries of inequality.

Therefore, local governments have a uniquely important role when integrating gender into development programmes and processes. Authorities at all levels must ensure that women have a voice in making decisions that impact them directly. Local government associations and human rights advocates must also nudge the process along. Because most women's and human rights groups are located in the capitals, where they are better networked and resourced, the linkage of the women's movement from the central to local level is weak. This can leave vocal women isolated and vulnerable, sometimes perceived by their neighbors or communities as a threat.

Panelists said education is the easiest sector to mainstream because the technical and social indicators are relatively simple, compared to other areas. Conservative traditional and religious leaders who reject total independence often will not oppose girls' attending school. And educated female population will grow more confident to take incremental responsibility for themselves, their families and their communities, progressing on the path to achieve parity between the sexes.

Panelists from Uganda, Senegal and the Philippines said girls' enrollment was up by an average of 66 percent in their countries – but not all developing nations share this surge. Education helps to reduce harmful cultural practices such as early marriage, the preference for sons, a failure to educate girls, saddling daughters with heavy domestic work, and so on.

Participants agreed that government at all levels is not doing enough.

Even where there is a desire to include women in capacity building and the allocation of resources, local authorities may lack the technical expertise.

Often local governments do not lack political will, strictly speaking, but the data to justify a change in spending or programming.

In Tobacco City, said Mayor Cielo Krisel Lagman-Luistro, the development programmes do not reflect the needs of the local people. That is, in part, because lawmakers do not have data disaggregated by gender to provide evidence to prove that women are disadvantaged and marginalized. *"We need support in establishing gender disaggregated data to be able to make a case,"* Ms. Lagman-Luistro said. In the meantime, she has helped developed a community based monitoring system to track gender parity in all socio-economic plans and programs. She noted that women in the Philippines can speak most freely while their men are away at work.

Which is to say that legal inclusion does not always translate to de facto equality. In Uganda and many other nations, women's rights are enshrined in the Constitution but they still have difficulty getting local governments to listen to them when it comes to development, health and other issues of direct concern. In other countries, women are blocked by conservative cultures from even entering the mayor's office.

So even though women were working with the secular authorities, they were not effective because the traditional systems would not allow them to be.

Background Note

Development effectiveness is assessed based on the results achieved through government policies, services, measures and use of financial resources. The Millennium Development Goals identify a range of targets that need to be met by 2015. As of 2010, many indicators show positive progress for reaching those targets; however, a number of others are lagging. There is sufficient evidence to show that continued gender inequality is a key factor in preventing



progress towards achievement of the MDGs with regard to hunger, poverty, health, education, environmental sustainability, and combating HIV/AIDS and other diseases. A 2010 UNIFEM report states that “progress is slowest on the gender dimensions of these targets – from improving maternal health and access to decent work to eradicating hunger”.

Most of the MDGs are dependent on service provision and the elimination of factors that help obstruct those goals, especially those related to gender inequality and discrimination. Local governments are the key vehicles for formulating interventions, both to eliminate barriers to equitable outcomes in the local contexts, and to ensure equity and effectiveness in planning, budgeting, service provision and government oversight.

Women’s limited access to education and productive resources constrains their ability to contribute to local economic development. In addition, women’s care responsibilities often result in women spending a large portion of their time in unpaid care work especially when public services related to health, infrastructure, water provision and childcare are not available. Therefore, their ability to spend time in income-earning activities becomes limited. These gaps and biases impact women’s ability to generate income and contribute to economic growth as agents of development. In light of this, local government, in its effort to achieve local economic development, should ensure adequate investment that addresses those limitations. Women aren’t the only ones to feel the negative effects of a failure to invest in women; their children’s welfare and the goals of poverty reduction and economic growth are similarly affected.

Do decentralization policies empower local governments to advance gender equality and women’s rights?

It is assumed that decentralization leads to more positive development outcomes. In

many developing countries, decentralization processes are in a relatively nascent stage. In most contexts, institutional, policy and capacity requirements have not been adequately developed to enable local governments and representative bodies to function effectively. Evidence on how women are affected by those decentralization policies – and the extent to which they have been involved in shaping the implementation and results of those policies – indicates that women still face significant challenges at the local level. However, it is clear that unless decentralization policies include specific measures to mainstream gender, women’s participation in local development processes will remain minimal. Similarly, without such provisions, local plans, budgets and monitoring systems will not adequately reflect women’s interests or priorities. Women’s access to the services that allow them to fulfill their reproductive and productive roles will also remain constrained.

What factors facilitate local government’s contribution to the advancement of women’s rights at the local level?

National commitments to the achievement of gender equality commitments are made at the central government level through national plans for the advancement of women. However, implementation of these requires that necessary mechanisms and policies are established at local level. In Mozambique, the National Plan on the Advancement of Women includes an implementation strategy (in place since 2006) which assigns gender units and gender focal points in all sectors at central, provincial and district levels. Similarly, policies that establish quotas for women’s participation in policymaking can ensure that local government provides a space that ensures women’s active and effective presence in leadership roles within them” (IDRC, 2008). For instance, in Tanzania, the government has established a quota system that reserves 33 percent of council seats for

women. In 2009, the Government of Morocco instituted a quota that reserved for women 12% of the nearly 28,000 local council seats.

Another critical factor influencing the ability of local government to support gender equitable local development is the prevailing fiscal decentralization system. In some countries, there is often a mismatch between the responsibilities and functions delegated to local government and the transferred financial resources or revenue-raising authorities they require. Fiscal transfers from the central government and revenue-raising authority is often inadequate for local government to address needs at the local level. Funds received by local government are often earmarked towards specific programs or for operational costs, which leaves little room for funding much-needed community services.

Finally, decentralization that is pro-poor and gender-sensitive requires capacities for understanding and implementing planning, budgeting, service delivery, and monitoring. Local government often lacks the human resources necessary to perform the expected functions. A number of development organizations and UN agencies (such as the UNDP, UNCDF, UNDP, UN Habitat, the World Bank and Regional Development Banks and the Asia Foundation) have provided technical assistance interventions to support the capacity development of local governments and local stakeholders to improve local level planning and budgeting processes. However, it is important to examine the extent to which those interventions have integrated service provision and gender-related capacity approaches such as gender analysis.

What mechanisms can provide local governments with incentives to respond to women's needs and priorities? Are they effective?

Local governments with limited resources face multiple challenges and demands to respond to

competing needs. Measures aimed at improving the quality and effectiveness of local programmes may need to be accompanied by an incentive system within the public sector that rewards such efforts. Gender-responsive accountability systems require that gender equality is one of the standards against which the performance of decision-makers is assessed. In Uganda, local government performance assessments use gender equity as a criterion. According to this mechanism, if a district achieves a high score on the gender equity section of the assessment, it qualifies for additional allocation through unconditional grants.

In what ways can local government support gender equitable local development?

Decentralization policies set the regulatory frameworks that assign powers to local government tiers and govern central-local relations in decentralized contexts. Implementation of these powers is operationalized by local government through local planning and budgeting.

Local planning and budgeting processes need to pay close attention to persistent gender inequalities, gender biases and the different needs of men and women, boys and girls. For example, in the area of health, while males and females have similar needs with respect to influenza and malaria, women have different and greater needs than men in terms of reproductive health. In the area of agricultural services, women's lack of access to land, and the insecurity of their property rights, significantly hinders their access to the agricultural services (including credit) that require formalized ownership of land. Inadequate water provision can impose larger burdens on women than men, since water collection is a task mainly performed by women.

Local level gender-responsive budget initiatives attempt to ensure that gender-based inequalities are addressed and integrated



into Local Development Plans (LDPs). Gender-responsive budgeting requires government officials to think about finances in a new way, and consider how budgets address the needs of male and female citizens. There are a number of innovative programmes that attempt to strengthen the link between gender equality and decentralization, and to engender local-level planning and budgeting. In 2008, UNIFEM and UNCDF initiated the Gender Equitable Local Development programme in five African countries (Mozambique, Rwanda, Senegal, Sierra Leone and Tanzania). The programme seeks to improve women's access to resources and services at the local level by ensuring gender-responsive planning, programming and budgeting. The programme involves engaging local governments to design, plan and monitor budgets that ensure public funds and programmes reach those persons most in need.

How can local government identify interventions to ensure gender equitable outcomes?

Gender analysis is the basis for gender-equitable local development. Local governments should ensure that planning and budgeting decisions are based on an understanding of gender inequalities and women's needs. Such analysis can be carried out in collaboration with gender focal points and institutional support mechanisms. Establishing participatory processes for dialogue with women's groups at local level are also helpful to identify needs and priorities. The experiences on participatory budgeting from Latin America provide a wealth of good practices. Sex-disaggregated data is also useful in determining biases in access to services at local level. A records review of local service delivery outlets such as clinics, schools, agricultural extension services provides a valuable source on beneficiaries and gender gaps. In Pakistan, rural schools for girls showed very low enrollment rates because of a lack of accommodation for women teachers.

There are a range of tools that can be used to support such efforts. For example, the South African Local Government Association has developed a checklist that highlights some of the key issues and questions municipalities should consider to promote women's participation in municipal decision-making processes. The checklist can be used to inform municipalities' planning and budgeting decisions.

Who are the stakeholders that can support gender equitable local development, and how can they address the factors that undermine the ability of local governments to contribute to gender equity?

The effectiveness of local government in undertaking gender-responsive planning and budgeting and achieving gender-equitable local development depends on a range of stakeholders that contribute in different ways. Central government's role in regulating and overseeing local government needs to ensure that they have the necessary powers, human resources and budgets to deliver on their responsibilities. A key actor in the process is central women's machineries and related mechanisms at local and central levels. These can provide technical support and facilitate dialogue between local government and gender-equality advocates and women's organizations, and also assist local government in identifying priority areas. Donor and UN agencies can ensure that local governments are in a position to carry out these functions through ensuring gender-responsive financing and technical assistance.

Throughout the planning and budgeting processes, an environment of partnership, dialogue and joint accountability needs to be nurtured. The engagement of civil society, including women's organizations and local representatives, as partners in this process is critical to the success of these efforts.

Discussion Questions:

1. Could Local Governments play a role in promoting gender equity? If so, how can they become vehicles for gender equitable local development?
2. Does decentralization advance gender equality and women's rights?
3. How can local development be constituted and implemented such that it advances women's political and economic agency, empowerment and human rights?
4. Most importantly what are the consequences of *not* advancing women's political and economic agency, empowerment and human rights in local development?





WHAT MAKES DECENTRALIZATION WORK?

The local level cannot thrive unless the larger system of decentralized governance functions effectively. What can we learn from countries that have made it work? What are the likely obstacles to effective decentralization? The best strategies for overcoming them?

Moderator: Geraldine Fraser-Moleketi, Democratic Governance Practice Director, UNDP

Framing Remarks: Mani Shankar Aiyar, former Minister of Panchayati Raj, The Republic of India

Discussant:

Rashad Al-Alimi, Deputy Prime Minister for Defense and Security Affairs and Minister of Local Administration, The Republic of Yemen

Carlos Blanco, Visiting Professor of International Relations, Boston University

Sak Setha, Secretary of State, Ministry of Interior, The Kingdom of Cambodia

Sydney Mufamadi, Honorary Professor, Nelson Mandela Metropolitan University (NMMU), The Republic of South Africa

Session Summary

COUNTRIES THAT HAVE ACHIEVED A LEVEL OF DECENTRALIZATION WARN THAT THE PROCESS WILL NOT WORK WITHOUT THE FULL COOPERATION AND COORDINATION OF AUTHORITIES AT EVERY LEVEL.

Decentralization will boost the delivery of development services to the poor and abet progress on the MDGs by bringing accountable government closer to the people. But it is an inherently political process, depending on consent from every branch of the national government.

Effective decentralization requires national dialogue and popular agreement to ensure a coherent power-sharing plan.

No amount of planning will overcome flaws if the local authorities lack the political and technical expertise to receive these responsibilities.

Considerable effort is required to ensure basic institutions, systems, structures and infrastructure that will permit new local government entities to function effectively.

Representatives from Cambodia and Venezuela told the panel that the first step of the process was to build political compromise and agreement among all political parties and social sectors to craft a cogent plan. This is especially after elections, when dynamics shift between new administrations.

In Venezuela authorities used a process of public discussions to gauge popular opinion and build support for the reforms. This experience demonstrated the need for someone to take responsibility for promoting decentralization at the local level. Several countries have identified a critical need to ensure adequate communication with communities and citizens to ensure that there is a clear understanding of decentralization principles and processes at the grass roots level.

The South African experience has shown that it is necessary for the national government to remain committed to devolving power and decision making, and work through problems as they arise, Sydney Mufamadi, an honorary professor at South Africa's Nelson Mandela Metropolitan University, told participants.

A number of developing countries have created ministries to coordinate and streamline the complex range of institutions, including the judiciary, political parties, electoral systems and civil society participation. Incorporating decentralization into the national constitution can provide a strong basis of legitimacy for such reforms.

However, the experience in Cameroon suggests that it is important to involve citizens in framing and understanding constitutional changes to make these meaningful. Reforms must be successfully implemented and enforced. That requires all levels of government to coordinate and participate in the process.

Panelists agreed decentralization should be seen as part of a wider set of reorganizations to fundamentally improve the way government operates at all levels. In Cambodia, said Sak Setha, Cambodia's Secretary of State in the Interior Ministry, reforms were specifically linked to a series of other initiatives touching on key government areas such public finance management, public administration, civil service, among others.

A lasting devolution of power and responsibility will require vigilance, especially in countries emerging from sustained political clashes or conflict. A representative of southern Sudan – which is likely to succeed from Khartoum in a January 2011 referendum – warned that devolution of power will require a permanent vigilance by all concerned.

Conversely, the central government must be confident that states and municipalities have

the capacity to be effective. That means that local government must have in place the basic institutions, systems and structures necessary to function effectively. Some countries, such as Uganda, have created a national ministry of local governments to better coordinate the effort, including the shifting of resources and expertise to help them meet their new responsibilities. Seasoned technocrats can mentor local authorities short on experience.

In many least developed countries, or LDCs, non-governmental resources will be required to support the decentralization process. Funds that are not earmarked for specific purposes can be especially useful because they allow local governments make decisions for targeted needs and priorities.

Local governments must establish clear lines of accountability to their own citizens if decentralization is to be credible and successful. It is key, participants agreed, to create mechanisms for transparency and responsibility to achieve the fundamental objective of decentralization – bringing government closer to the people.

Background Note

The political economy of decentralization: Implications for approaching reform and empowering local governments

The purpose of this short note is to frame a discussion on how political economy and institutional dynamics tend to shape decentralization reforms and, to a great extent, determine the level of coherence of resultant local government systems and their effectiveness in contributing to local development and the achievement of the MDGs.

1. What is the significance of political and institutional dynamics for processes of decentralization reform, the development of local government systems and their ability to contribute to local development/MDGs?

Decentralization has been adopted in many developing countries, and it is a major focus of the considerable support that development partners provide for public sector reform. Yet its *record is mixed at best* in terms of effective implementation. The record is also unclear regarding the realization of many of the reform objectives (such as enabling more efficient service delivery, advancing democratic reform, and promoting economic development and poverty reduction) typically outlined in official policies.

Insufficient correspondence between official policy goals (also supported by some country actors and development partners) and the goals of various political and bureaucratic actors commonly results in a failure to meet stated reform objectives, and produces unintended consequences. The situation is complicated by the internal fragmentation of central governments; the goals and behaviors of the diverse central actors and their relative ability to shape policy often vary considerably. Development partners can influence reforms, but they also face diverse incentives and pursue priorities that may differ from those of government actors or other donors. Their behavior may serve to reinforce conflicts and exacerbate inconsistencies in decentralization reforms.

Substantial attention has been devoted to defining the institutional, fiscal and technical requirements for meeting common normative decentralization objectives. Much less consideration, however, has been given to identifying the *political and institutional incentives* that drive reform, or to assessing

how these incentives shift over time. Shaping decentralization requires appreciating its fundamental paradox:

What motivates the central government to give up powers and resources to subnational governments?

The underlying premise of this session is that *systematic analysis and a more nuanced understanding of political economy issues* can productively complement the technical diagnostic work and normatively guided actions carried out by governments and development partners as they undertake decentralization reforms and support the development of local government systems. A deeper understanding of the motives that drive politicians and bureaucrats to support or oppose reform and its practical implications will allow policymakers to take them into consideration when designing reform to empower local governments and devising inelegant approaches for its implementation. It is equally important to understand how the incentives of key actors may weaken, strengthen, or shift in response to circumstances that arise after reform begins.

2. What are the primary elements that shape the nature, pace and level of coherence of decentralization reforms and the evolution of a local government system?

At least *four major elements of the national and intergovernmental political economy* of decentralization are relevant in shaping how reform proceeds and performs.

Initial Context and Motivation

Decentralization reforms evolve in many contexts. In some cases, as in the Philippines or Indonesia, they spring from urgent political/economic crises that led to a dramatic turnover in leadership and perceived demand for change. In other cases, decentralization is used to strengthen the legitimacy of the

state (Bolivia, Colombia), sometimes in post-conflict environments (Cambodia, Rwanda, and Uganda). Some countries, including Brazil, South Africa, and Mexico, adopted decentralization as part of transition from authoritarian to democratic rule. In still other cases, decentralization, through explicit policy or tolerance of subnational discretion, has been part of a broader market transition or economic development strategy (Vietnam, China).

Understanding the initial conditions under which decentralization arose is a useful starting point for assessing the reasons for pursuing it, their likely implications for the shape and pace of reform, and the potential durability of resulting policies. For example, a country in crisis may decentralize too quickly and run into serious problems later, while reform in a country under little real pressure to decentralize may stall at early stages.

The *nature of the system* being decentralized is another critical piece of the puzzle. Countries with a long history of authoritarian rule face special challenges in promoting decentralization. Countries emerging from military rule, but with some history of democracy (especially in Latin America), seem to be able to make the transition more successfully. Institutional legacies, including the state structure (federal or unitary) and form of government (parliamentary or presidential), also shape decentralization. Cultural and colonial traditions of authority and administration may condition how reforms proceed, and this is not always recognized in designing normatively-inspired reforms.

Key Actors and Incentives

Whatever the starting context, those most responsible for decentralization—elected politicians and national-level bureaucrats—*face diverse incentives* to pursue, to appear to pursue, or to limit reform. Such incentives typically underlie important partnerships, debates and

conflicts about the nature, extent, and pace of decentralization.

At the *political level*, elected officials, parties, subnational governments, and civil society players, such as unions and business associations, act individually and/or collectively in ways that define how decentralization is initially conceived and implemented. Policies and outcomes are influenced by the relative strength of these actors and the extent to which some have common interests. At the *organizational level*, multiple government agencies become involved in decentralization with varying levels of interest and influence and diverse incentives, especially during detailed design and implementation.

Shifting Reform Dynamics

Decentralization is a process, not a one-time act, and the reform path is shaped by how the often-conflicting incentives of different actors are pursued. At the *initial design stage*, decentralization involves changes in legal frameworks, including executive decrees, new statutes, and constitutional reforms. Even if the framework is strong, however, its provisions may be subverted for political reasons in the detailed design decisions that follow.

In the *implementation phase*, the transfer of resources and responsibilities often sets in motion political struggles in the state bureaucracy, between and within agencies and across levels of government. These struggles can affect how far and how well implementation proceeds. Once the new division of authority has been detailed and implementation has begun, political dynamics within disparate subnational jurisdictions may powerfully shape the use of new governing prerogatives on the ground.

Different dimensions of decentralization can vary in importance at different stages. Administrative, fiscal, and political decentralization can be rolled out in different sequences on the basis



of politically motivated strategies, e.g. allowing local elections but limiting local governments' fiscal powers. Some decentralization reforms specifically or differentially target individual sectors (such as health, education, transport, and water). This can occur due to legitimate conceptual, technical, and pragmatic concerns about appropriate local government functions and autonomy, but it may also reflect powerful political and institutional dynamics that enhance or constrain reform possibilities.

Changing political and economic conditions, as well as emerging empirical evidence on the performance and unintended consequences of decentralization policies, can alter incentives and the reform trajectory. For example, alleviation of crises or emergence of new ones can change attitudes toward decentralization and lead to modifications in its form and function. Decentralization may not yield benefits quickly, and impatience with delays can lead to calls for modifying reforms. Diverging political incentives facing national and subnational politicians and bureaucrats influence how these actors respond to evidence that reform is not working as planned. Whereas local governments might interpret problems as evidence of the need to provide them with additional resources, national actors may view these same problems as an argument for recentralization.

Role and Incentives of Development Partners

The international development community has played a major role in promoting and supporting decentralization in developing countries, especially those heavily dependent on foreign assistance. *Yet development partners themselves face varying incentives*, which can at times lead them to act in ways that are not entirely consistent with country policies, with other donors' programs, or even with their own rhetoric. Individual agencies often have a

political need to distinguish the specific roles they play, and while donor competition is not necessarily undesirable, fragmented donor behavior can hinder even the best-intentioned reforms.

Some development partners are *large and complex*, with multiple departments that focus on different aspects of development, service delivery, and institutional reform, all of which affect decentralization. These departments may have different objectives and incentives that further complicate the role of donors in decentralization reform.

3. Operational Implications

More thorough consideration of the political and institutional context and dynamics underlying reform in a given country (and the endogenous role that development partners themselves often play) can provide a useful complement to the conventional technical work often conducted by decentralization policymakers and development partners. By *broadening conventional analysis* to incorporate these issues, much can be learned about the preferences, attitudes and likely behaviors of different political and bureaucratic actors in defining and implementing decentralization.

This type of analytical approach will certainly not erase the difficult problems caused by these complex dynamics, but it can help reform-minded nationals and interested development partners providing decentralization support to *conceive and implement more realistic and sustainable reforms*, even if they are less ambitious than or different from those originally intended. More carefully defined and pragmatic reforms should, in turn, improve the pursuit of national and local development goals and enhance aid effectiveness.

Discussion Questions:

Many questions about the value of and appropriate approach to understanding the political economy of decentralization could be posed, but the following merit special consideration:

1. How can a nuanced understanding of the political and institutional dynamics of decentralization be productively used to help shape decentralization in challenging environments, where some of the very actors (internal and external) engaged in such dynamics have important roles in defining, influencing or managing the implementation of such reforms and hold the keys to empowering local governments?
2. Which actors (governmental and nongovernmental, internal and external) could be appropriately and productively involved in conducting pragmatic political economy analysis of decentralization? What type of process should they be expected to follow? How could their work be reviewed by and disseminated to a broader base of interested/affected parties?
3. Given the frequent shifts in governments, civil servants, and development partner staff, and the effect this can have on decentralization policy, how can political economy analysis reveal feasible reforms that can be somewhat insulated from such turnover?
4. If political economy analysis reveals certain powerful actors who do not support decentralization when it is an official policy, what options might there be for advancing reforms? What role can internal and external actors who wish to promote reforms (even in such adverse environments) play in developing concrete steps to help overcome existing constraints and tackle difficult challenges?





WHAT CAN DEVELOPMENT PARTNERS DO?

What can development partners do to support the role of Local Governments as engines of MDG acceleration? What can local governments do to dispel concerns about channeling aid to the local level?

Moderator: Basil Morrison, Chairman Ex-officio, Commonwealth of Local Government Forum

Framing Remarks: Kai Kaiser, Senior Economist, Public Sector Group, World Bank

Discussants:

Gabin Hamann, Principal Administrator, Governance, Security, Human Rights and Gender Unit, EUROPAID

Vincent Maher, Senior Advisor, Belgian Technical Cooperation

Mathieu Ruguye Mbotwa, Advisor to the Minister of Decentralization, Democratic Republic of Congo

Leonardo Martinez-Diaz, Senior Advisor, United States Agency for International Development (USAID)

Session Summary

FOR DONORS, INTERNATIONAL ORGANIZATIONS AND TECHNICAL ADVISORY GROUPS TO BE EFFECTIVE, THEY MUST HARMONIZE THEIR EXPECTATIONS AND PRIORITIES WITH THE LOCAL GOVERNMENTS THEY ARE SUPPORTING.

Development partners are a vital resource for local governments, especially when the municipalities are expanding the scope and size of their development and social service programs. To maximize these partnerships, however, both sides must take care to align their priorities and objectives, keeping the MDGs as the ultimate objective.

Ten years ago, many donors and advisors looked at the trend toward democratization and decentralization as a silver bullet that would allow them to tackle many obstacles to growth in the developing world.

Yet, participants in this session lamented the fact that in many countries the movement

towards decentralization has, for now, lost momentum. The reasons of this are manifold.

The economic crisis has forced OECD countries to demand faster and greater results from its development assistance – even in sectors where gains are slow and hard won. Aid flows have become increasingly diverse and fragmented, making assistance more difficult to manage and maintain. And, of course, there is donor fatigue.

In addition, local authorities are often worried about the growing disparities between their own agendas and donors’ MDG-focused objectives. In fact, many officials say, the MDG efforts are becoming more centralized and donor-driven. Municipalities are having a harder time scaling up programs to achieve reliable impact in the community.

“By placing the emphasis on local governments, we are simply making them an instrument of donor delivery” instead of the senior partner, said Vincent Maher, a senior advisor to Belgian Technical Cooperation.

These concerns illustrate the importance of following the key principles of effective aid: mutual ownership of programs, alignment of goals, and harmonization of methods. For instance, donors can provide a certain degree of financing and can help local authorities leverage it to raise more capital. They can also help in providing frameworks (e.g. model laws), or certain tools that can be used by local governments. It is also important to understand that money is not enough, the process through which financing is disbursed and programmes are implemented is just as important as the funding.

Mathieu Ruguye Mbotwa, Advisor to the Minister of Decentralization in the Democratic Republic of Congo, said donors need to build the capacities of national, sub-national and local governments and respect national objectives. This can be particularly confusing in a country as vast and underdeveloped as the DRC, which is hungry for capacity building assistance. Still, he said, the lack of a national framework can hinder donors' involvement.

Government at all levels must be committed to its own reform and development, particularly to expand its capacity. Clear communication with development partners is a vital first step. But still, there is no clear answer. Different countries have their own unique issues and solutions.

One participant warned that central governments could write off as "donor sectors" areas where local governments have leaned too heavily on outside investment. Meanwhile, outside partners do not want to be part of the problem, nor do they want provinces to lean on them too heavily.

"Sustainability cannot be an afterthought, it has to be baked in from the beginning," said Leonardo Martinez-Diaz, from USAID. "If we don't plan today they [development gains] won't be around by the time that the MDGs are met. It's not just the money, is the process."

Partners need to help nascent governments strategize, develop and implement projects. Independence, many agreed, is the real skill that will help local governments to continue to help their own people after 2015 is past, and international interest has dwindled.

The type of financing can often be more important than the amount. Local governments should understand how long a partnership will last, and how their projects fit into the donors' long-term objectives. In addition, state authorities must be prepared for bureaucracies that can be demanding and strung-out, and come with steep accountability requirements.

The donors and NGOs, in turn, must be clear how their own programs align with national and regional strategies. They should conduct their own diligence to make sure their own goals are both compatible and attainable with the programs they chose to support.

Background Note

The purpose of this note is to frame a discussion on how development partner assistance to support decentralization and subnational governments in order to achieve the MDGs can be used more productively and become better aligned with official government policy and the activities of other development partners. It considers the prevailing evidence on actual practice in this area concerning development effectiveness with respect to the MDGs, and also as it pertains to the intersection of government and development partner actions across country contexts.

By contributing to improving local development outcomes, subnational governments can serve as critical building blocks for government legitimacy and institutional development. Yet development partners must recognize that decentralization is an inherently political

process (see note on The Political Economy of Decentralization). As does any process of institutional change, it requires a balance of medium-term results focus and a longer commitment to aiding capacity-building and institutional reform. At the same time, supporting decentralization implies engaging subnational entities with a range of capacities and accountability mechanisms to improve service delivery and meet the MDGs.

Since its inception in 2006, the Development Partners Working Group on Decentralization and Local Governance (DPWG-DLG) has worked to promote strategy coherence and harmonization to improve the effectiveness of local governance and decentralization operations. The group has developed a number of principles for engagement in this area, and sought to validate these based on a select number of case studies of country engagement. This note summarizes some of the initial findings for this process, and sets out several questions for discussion. It raises specific issues and spotlights tensions that are pertinent to the area of decentralization, local governance, MDGs, and considers the prospects for greater development partner harmonization to development effectiveness.

The Aid Effectiveness Agenda

Major international development assistance meetings of the past decade—the 2002 International Conference on Financing for Development in Monterrey; the 2003 Rome High Level Forum on Harmonization; the 2004 Marrakech Roundtable on Managing for Development Results; the 2005 Paris High Level Forum on Aid Effectiveness; and the 2008 Accra High Level Forum on Aid Effectiveness—have consistently emphasized a need for *country ownership, alignment and harmonization* to promote aid effectiveness.

In this context, *ownership* refers to country determination of development priorities and the coordination of aid for those goals.

Alignment involves development partner use of national strategies, institutions and procedures. *Harmonization* requires donors to work collectively in pursuit of national development goals. These principles are *interlinked* and mutually reinforcing. The higher the degree of ownership that countries exercise over development agendas, the easier it is for development partners to harmonize their aid and align with national goals. At the same time, if donors have already harmonized aid and aligned with country systems, it is easier for countries to assert ownership over the development process. Nevertheless, it is important to appreciate the country-specific capacity and political economy constraints that limit the positive effects of ownership.

The Logic of Ownership, Alignment and Harmonization

The rationale for pursuing ownership, alignment and harmonization, the contemporary principles of aid effectiveness, is based on the idea that *adherence to them will have a positive development impact*. The Paris Declaration on Aid Effectiveness (2005) specifically states that these principles, along with management focused on results and mutual accountability, “will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.”

This increased effectiveness is anticipated for three main reasons. First, harmonization and alignment would *reduce transaction costs*. Donor use of common arrangements for planning, funding, disbursing, monitoring and evaluation is expected to reduce the time spent by national governments on duplicate interactions with multiple donors, thus freeing up the human and capital resources that are currently expended on these activities.

Second, the use of country systems that results from alignment would *improve capacity* in those

systems. Reliance on external implementation, procurement, financial management, audit, monitoring and evaluation systems means that preexisting government bodies are being used less frequently, which impedes the development of technical skills within these agencies. Parallel donor-funded systems, in fact, can reduce the quality of a national bureaucracy by siphoning off qualified staff.

Third, harmonization among donors in the form of information-sharing, joint planning, joint policy dialogues with the government and joint reviews of operations should lead to *efficiency gains in aid and service delivery*. The goal is to ensure that donors plan support that will not overlap geographically or substantively or inadvertently overlook key needs. In addition, harmonization would reduce variability and uncertainty in aid flows. If donors can ensure that countries are not overwhelmed with or deprived of funding, the resulting stability would facilitate national planning and budgeting.

At the same time, many practitioners may question the value of focusing on harmonization as an end in itself. Mechanical harmonization may reduce innovation and detract partners from engaging in more risky innovations that promised to make a significant impact on later trajectories of institutional reform.

The Role of Development Partners in Decentralization Reform

These prevailing principles of aid effectiveness have become a focus of attention with respect to decentralization support. The DPWG-DLG has adopted these principles as part of its own agenda. At the same time, the *behavior of donors providing assistance to decentralization has lagged behind these statements of intent*. A number of issues are commonly observed.

Are Donor Partners Pushing Norms and Neglecting Context?

Development partner support is often framed around technical and normative issues, with

insufficient attention to political and institutional realities and national reform priorities. Individual donors sometimes must (or feel they must) support their own institutional policies, even when they are not fully consistent with official policy in the country they are supporting, or when they clash with other donor programs. In some cases, the reforms being promoted are inconsistent with country context. They may also require more change than the country can absorb, with little attention to a realistic implementation strategy.

Are Development Partners Privileging Their Own Needs Over Capacity-Building of Beneficiary Institutions and Systems?

In order to facilitate compliance with their own *management and accountability requirements*, development partners may insist that the government adopt their preferred procedures and modalities. In many cases, they continue to work through separate implementation units or other parallel or semi-parallel mechanisms. Inconsistent procedures and separate mechanisms may inhibit the development of a unified system and place a significant burden on national and subnational government counterparts.

Despite considerable rhetoric, the *immediate interests of development partners are not always aligned with institution- and capacity-building*. Such efforts are time-consuming and difficult, and they frequently delay disbursement of resources needed to justify funding requests for the following year. The pressure to follow disbursement schedules, however, may keep funds flowing even when they cannot be absorbed effectively or when the program may be undermining decentralization in the long term.

Is there Sufficient Development Partner Consultation and Coordination?

When a development partner has specific priorities and mandates, its *perspectives on decentralization may be incompatible with those of other donors*. If decentralization is

viewed through the lens of public financial management (PFM) or civil service reform, there may be a focus on central standards and control. A sectoral lens often frames reform as deconcentration or facility-based autonomy rather than local government roles. A local government perspective emphasizes local accountability/governance and fiscal autonomy. When targeting citizen empowerment through local democracy promotion or community-driven development, donor initiatives may, due to mistrust of formal government institutions, ignore or bypass elected and legally empowered local governments, undermining them. In any of these cases, donors may focus on specific reforms and target only certain subnational levels or individual jurisdictions, or alternatively, sidestep all levels of government.

These concerns are not exclusive to donor behavior. Some *individual agencies are also internally diverse*: departments of the same donor may be fragmented along dimensions similar to central bureaucracies of developing countries. They may support or undermine decentralization accordingly, their positioning based on agency departmental philosophy and mission rather than on country priorities or empirical evidence.

Do Donor Partner Actions Sometimes Reinforce Problematic Country Dynamics?

The perspectives and derivative actions between and among development partners can be consequential for decentralization. Different agencies or units of a large agency may *work in client countries with specific agencies that hold their own views on decentralization*. But these agencies often constitute only a portion of the diverse set of country actors involved in decentralization and local development. More than likely, they concentrate only on particular aspects of reform, and their views and approaches may be substantially at odds with those of other national agencies.

In other words, development partners, like national agencies in the countries they work

in, are driven by heterogeneous and sometimes incompatible objectives. In pursuing these objectives, they and/or their constituent departments may *reinforce tensions among these national agencies* by defining activities that are mutually beneficial to the two parties directly involved but incompatible with official government policy. Thus, one donor or department may provide support to PFM or civil service reform with a Ministry of Finance or Civil Service, but develop systems that differ from those defined under local government reforms supported by another donor (or his department) working with the Ministry of Local Government.

While other reforms are underway, a sectoral department of one or more donors may be promoting service delivery reform for a particular sectoral ministry using systems that do not coincide with those evolving under PFM, civil service or local government reforms. Sector-wide approaches (SWAs) coordinate donors working in the same sector, but rarely involve those working on other related reforms. The tendency of SWAs to centralize initiatives under a sectoral ministry may reinforce the centralizing tendencies of PFM or other reforms under different agencies. It is not uncommon for the *various reforms being undertaken at various ministries, with the support of different development partners, to push the development of institutions and procedures relevant for decentralization in inconsistent directions*, with potentially deleterious effects on outcomes, as illustrated by the background cases of DRC, Indonesia, and Uganda that this note considers.

The Potential Limits of Ownership, Alignment and Harmonization

Although it is clear that the lack of adherence to aid effectiveness principles can create problems for decentralization, it is less clear *how strictly these principles should be followed*. Harmonization and alignment may involve *tradeoffs*. Some tradeoffs are rooted in the complex motives of donors, such that bureaucratic, strategic and financial interests

may contend with their charge to promote development. If donors “do the right thing” in terms of harmonization, for example by providing support in a way that conflicts with their institutional mandates, they may jeopardize their funding.

Other tradeoffs are related to *political economy and capacity factors* in the countries receiving assistance, which may limit the effectiveness of principle-based interventions and even undermine developmental impact. If, for example, development partners try to align with

the formal decentralization framework where political/bureaucratic dynamics are at odds with official policy, aid effectiveness can be reduced. In countries where bureaucratic capacity is low, donors should not blindly embrace country systems any more than they should simply bypass them to achieve immediate results. Instead development partners must carefully design their use of country systems, both to build capacity and to ensure that concrete actions are taken to support development and poverty reduction. Many such tradeoffs will emerge in specific country cases.

Discussion Questions:

There are many possible questions about improving the quality and effects of aid for decentralization, but the following are particularly relevant for advancing the post-Accra process:

1. What can national governments do to help to ensure that development partner support to decentralization follows key principles of aid effectiveness (ownership, alignment and harmonization)? What can be done to facilitate a national consensus on decentralization and how to develop it? Is government coherence on the issues a pre-condition for effective harmonization?
2. How can development partners and governments individually and collectively assess tradeoffs involved in applying the prevailing aid effectiveness principles? Once specific decisions are made about how to proceed, what are the most effective mechanisms and procedures for managing and overseeing the process?
3. What mechanisms have development partners used to align and harmonize aid for decentralization? What are the advantages and disadvantages of each? Are certain mechanisms more effective in general or in particular situations? Is there any scope for new types of mechanisms, processes and agreements?
4. How can DFG support be mainstreamed into the PFM/PSM and sectoral reforms undertaken to achieve the MDGs?
5. Are there tensions between achieving MDGs and long-term institution-building at both the national and subnational level?



WHAT ROLE FOR THE PRIVATE SECTOR IN FINANCING LOCAL DEVELOPMENT?

Can the private sector play an increased role in helping local governments access investment financing? What is the potential of domestic capital markets? What kinds of local public-private partnerships will further the MDGs?

Moderator: Axel Threlfall, Lead Anchor, Reuters

Framing Remarks: Daniel Platz, Economic Affairs Officer, Financing for Development Office, United Nations Department for Economic and Social Affairs

Discussants:

Daniel Bond, Senior Advisor, Global Clearinghouse for Development Finance & Founder, INFRADEV

Om Prakash Mathur, Professor of Urban Economics and Finance, National Institute of Public Finance and Policy, The Republic of India

Maggie Kigozi, Executive Director, Uganda Investment Authority

Session Summary

LARGE SCALE DEVELOPMENT PROJECTS AND MAJOR INFRASTRUCTURE COSTS MORE MONEY THAN DONORS, TAXES OR A CENTRAL GOVERNMENT CAN POSSIBLY PROVIDE. BUT IT IS NOT EASY FOR A LOCAL GOVERNMENT TO PROVE ITS CREDIT-WORTHINESS TO THE PRIVATE SECTOR.

A meat processing plant would do more than put food into the community and change in herders' pockets. It would create jobs, generate revenue for the municipality, and even attract other business. A water filtration and bottling facility could be next. But either one would require roads and electricity, permits and real estate. Finally, large financial resources are also required.

A strategic investment can propel a teetering community firmly into the development cycle, and make a startling impact on citizens. But

most projects of this scale demand significant, fixed, upfront investment that needs to be covered early – the type of funding that can often come from the private sector.

How do you persuade a commercial business to invest a lot of money, at low interest, over a long period of time?

“Investors will only go where they are welcome,” said Maggie Kigozi, Executive Director of the Uganda Investment Authority, which recently set up satellite bureaus in key states to attract private firms with plenty of statistics, a clear guide to local rules and regulations, and a reassuring tour of Uganda's nascent e-government website. The offices can provide information about local labor practices, environmental restrictions, and more.

Grants from development partners and donor commitments are rarely sufficient to undertake the kind of crucial infrastructure a community requires to sustainably attain the MDGs. It is

crucial for municipalities to seek commercial loans to realize ambitious projects.

Some public infrastructure projects, such as toll roads, can be self-financed eventually. But they still need the jump start of early capital that would most likely come from loans or bonds.

So why not go to the private sector? Some local governments are constrained by legal or regulatory frameworks from going outside the official funding sources. Sometimes banks and institutional investors are reluctant to lend sums to local authorities lacking a credit history. Local authorities often lack the capacity to adopt financial management systems and practices to prove their credit worthiness.

Guarantees from the central government will often carry weight with banks because it likely already has a credit history. But the ministries are often reluctant to help sub-national governments go independent – in part to reduce competition.

And sometimes the municipality just lacks the technical capacity to explain what they are doing and how they plan to structure payments.

Daniel Bond, a senior advisor at the Global Clearinghouse for Development Finance, said banks will know how to evaluate a project as long as they are given material in the finance language they understand.

Mr. Bond suggests that local governments seek financing for big development projects from pension funds, rather than banks. Both are oriented towards a robust bottom line, but pension funds holders tend to invest their \$1.3 trillion USD for the long term, rather than market cycles.

By all accounts, local governments' access to capital is getting easier, and they will be borrowing from the private sector for a very long time.

"The ideal is for municipalities to be self-sufficient," said Daniel Platz, an economic affairs officer in the U.N Department for Economic and Social Affairs.

Background Note

The challenges in achieving the Millennium Development Goals are vast. Although local governments can play a critical role in localizing the MDGs, no single actor can do it alone. Every segment of society – central government, local governments, civil society, but also the private sector – needs to do its part in order to decisively accelerate progress towards the MDGs. To the extent that local governments are likely to play an increasingly important role in pursuing them, what role can private sector financing play in supporting local development?

What is meant by private sector financing of local development?

The three traditional sources of financing for the local government level include own source revenues (local taxes, charges and fees), grants (including intergovernmental fiscal transfers and grants from development agencies), and loans. In addition to these traditional modalities, local government activities can be funded through a number of creative financing arrangements that involve the private sector, particularly the domestic capital market (e.g., commercial banks, as well as institutional investors like insurance companies or pension funds).

How can private sector finance contribute to local development?

There are several modalities through which the private sector plays a direct role in the financing of development expenditures of local governments. One of them, **own source revenues**, is an often neglected modality

through which the private sector provides critical funds for local governments. Locally-collected own source revenues like business fees and taxes are not only a source of direct funding for local expenditures, but they also help generate the necessary revenues to pay off local government borrowing.

Another method the private sector can use to support financing is by lending to local government to finance bankable projects. This option is important since even in wealthy countries, the funds needed for local investments typically exceed current revenues. Public improvement projects (such as water supply or sewage systems or other similar infrastructure projects) usually have large fixed costs but generate revenue quite slowly. Therefore, local governments require large upfront amounts of capital with long maturities and affordable fixed interest rates.

Borrowing is only an option where there is a corresponding capacity at the local government to repay within the stipulated term. The ability for local governments to access domestic capital depends on their fiscal viability and the revenue potential of the project. The table below illustrates that improvements in revenue-generation and fiscal health of the local government can increase the range of loan instruments at their disposal. The table conveys that local governments in poor fiscal health can only access the market if they can generate a reliable and sufficient revenue stream.

Even with a reliable revenue stream, and unless they are protected by an external guarantee, it is unlikely that poor local governments lacking fiscal strength will attract private investors; more likely, some form of concessionary finance (e.g., publicly owned savings banks) will be the borrowing source. Local governments with strong fiscal indicators may have the ability to access public and private bank loans and possibly issue general obligation bonds (backed by the full taxing power of the municipality) or revenue bonds (backed by the revenue stream of the project).

Why hasn't private sector finance realized its potential to support local development?

Local government borrowing and other private sector financing mechanisms are not risk-free for the local government or for the private sector, and therefore, such risks should be carefully weighed. To the extent that local governments are ineffective, non-transparent, legally constrained, not creditworthy, or form an excessive credit risk, private sector financing of local development initiatives is unlikely to materialize.

This session will explore concrete policy options and initiatives that may help local governments overcome these constraints and tap private sector finance. The debate may explore the following questions:

Table 1: Fiscal health, revenue streams and municipal finance

Revenue-generating investment	Bank loans (mostly public)	Bank loans (public and private), general obligation bonds and revenue bonds
Social investment (small or no revenue)	Fiscal transfers/grants only	Bank loans (public and private), grants, general obligation bonds
	Poor fiscal health	Strong fiscal health

Discussion Questions:

1. How can central governments promote private sector finance at the local level?
 - What empowers municipalities financially?
 - What type of legal and regulatory framework promotes local borrowing?
 - What policies promote creditworthiness?
 - How can the central government help lower default risk?
2. How can donor countries promote private sector finance at the local level?
 - How could donors help develop bankable projects?
 - What type of guarantees could donors provide?
 - How could donors promote rating agencies?
3. What initiatives can the private sector take to take advantage of (and thus help promote) the municipal debt market?
 - How could the private sector generate more long-term capital?
 - How can the private sector function as an effective financial intermediary?
 - What does it take to formulate a mutually effective public-private partnership for the local government and the private sector?





WHAT IS NEEDED FROM LOCAL GOVERNMENT ASSOCIATIONS AND NETWORKS?

What more can local government associations and networks do to support MDG acceleration at the local level? What is the scope for enhanced North-South partnerships? For South-South partnerships?

Moderator: Jaques Jobin, Former Secretary General, International Union of Local Authorities (IULA)

Framing Remarks: Leonardo Romeo, Adjunct Professor of Development Planning, New York University

Discussants:

Paul Dixelius, Director for Strategic Development, SKL International, The Kingdom of Sweden

Rose Gamwera, Secretary General, Uganda Local Government Association

Carl Wright, Secretary-General, Commonwealth Local Government Forum

Kelmend Zajazi, Executive Director, Network of Associations of Local Authorities of South-East Europe (NALAS)

Session Summary

THE MOST EFFECTIVE LOCAL GOVERNMENT ASSOCIATIONS NOT ONLY ADVOCATE THEIR MEMBERS' POSITIONS BEFORE NATIONAL LAWMAKERS, THEY MUST SHARE INFORMATION VERTICALLY AND HORIZONTALLY TO IMPROVE THE DELIVERY OF MDG RELATED PROGRAMS AND POLICIES.

Local government associations, or LGAs, exist in at least 110 countries, and range from a century of experience to the newly formed. But all must strive to maintain their legitimacy, credibility and effectiveness – with the member authorities they represent and the central governments they try to inform and persuade.

A strong, non partisan network of local governments is a major asset, providing a conduit for information and ideas between national and regional leadership. This can make local service delivery more efficient, and help

ensure sustainable development. Effective LGAs must operate within their mandate to help municipalities improve MDG delivery, particularly in the areas of poverty, hunger, education, gender equality and health.

LGAs can also raise the importance of the municipalities themselves, amplifying their wishes and expertise by presenting to the central government a unified voice from diverse regions.

With their representation, local authorities can contribute to the governance of the country by ensuring participatory decision-making at the local level and providing clear insight and “local realities.”

“We share the conviction, because it has been experienced in many countries, that the strong non-partisan local government network is a major asset,” said panel moderator Jacques Jobin, the former Secretary General of the International Union of Local Authorities.

The LGA has three main roles: Strengthening the influence and legitimacy of local governments by collectively negotiating with the central authorities; advocating for policies that decentralize decision-making; and bringing new ideas and approaches to national decision-making.

The groups can also act as a conduit for information, advice and expertise up and down the chain of leadership.

By building capacity among their members, LGAs can strengthen the implementation of MDG-related policies. They can guide local governments to deliver the basic services for which they have mandatory responsibility and reinforce the need to think and act strategically.

LGAs can act as a multiplier for capacity building at the state level by sharing good practices between localities, and creating partnerships with NGOs to draft aid strategies and programs, several participants noted.

To expand their effectiveness, LGAs must also become partners for teaching and training local officials. They must also maintain the fiscal independence and political legitimacy. The associations can expand their potency by coordinating with other LGAs, to create alliances between north and south, east and west, rural and industrial. This will strengthen the bargaining power and information sharing between all the parties.

"These [functions] are the core of local government associations," said Mr. Jobin. "We are not different from each other, but brothers in different circumstances."

Panelists suggested they must help define "local" development, and clarify what the term refers to. The groups should also disseminate among members good practices cleaned from other local leaderships, particularly in coordinating state agencies, and civil society. And of course they should vigorously advocate a

stronger role for their members in coordinating development issues. A key role in many countries is to overcome the national government's view of municipalities as instruments of policy rather than autonomous decision makers.

Background Note

The purpose of this note is to frame a discussion on how national, regional and global local government associations (LGAs) could help their members promote local development and contribute to achieve the MDGs.

A stronger voice and ... a better mirror

A consensus is growing that, to accelerate the achievement of the MDGs, local governments need to be actively involved and realize their potential as *developmental organizations*. But are local governments actually claiming and embracing such roles? And are LGAs helping them to do that? Both are still open questions, with no general unqualified answers. While there are abundant and diverse examples of developmental local governments at work and of proactive national LGAs that leverage their efforts for national policy change, the picture is hardly consistent.

In too many countries local governments remain weak, mired in partisan politics, unsure of their own identity and potential, and without a strong collective voice to claim their role in local development. Cultural and philosophical differences remain regarding the nature and role of local government, and on how critical local autonomy is for genuine local development. These unavoidably affect the voice and scope of action of the LGAs.

As a consequence, the policy dialogue on the developmental role of local governments often takes place between national authorities and aid agencies, without local government or LGAs actually contributing with an autonomous voice.

In such dialogues, donors seem to be pushing the decentralization and local development agenda instead of, rather than in support of, an organized local government movement (whose voice remains absent or faint). While this may be inevitable at the outset of the reform process, this quickly loses momentum if not sustained by an increasingly confident and autonomous local government movement.

Therefore, articulating a *collective voice* and advocating a developmental role for local government remains a central task for LGAs at national, regional and global levels. But LGAs must also provide a mirror in which local governments can view themselves, to enable them to recognize and address their own internal problems of leadership and capacity.

In fact, where local governments do not play a developmental role commensurate with their potential, the lack of supportive decentralization policies is usually blamed. Indeed, the absence of such policies and/or the slow and uncertain pace at which they are implemented are a tremendous constraint to the emergence of developmental local governments. But this is by no means the entire story.

Beyond decentralization reforms, adjustments to attitudes, knowledge and skills are needed for the emergence of “developmental” local governments. Critical in this respect is *local leadership*, which does not hide behind the limitations of the national policy environment, and proactively embraces the local government developmental role, making the most of any given situation. What is needed is “*a business un-usual approach, which speaks of confidence, opportunity and innovation rather than helplessness, [...] a shift towards a ‘developmental’ model, with clear strategic vision and leadership, that focuses on what needs to be done rather than on systems and structures*”.²⁷

27 FREEPORT DECLARATION ON IMPROVING LOCAL GOVERNMENT: THE COMMONWEALTH VISION, Outcome of the Commonwealth Local Government Conference 2009, agreed by the Commonwealth Local Government Forum (CLGF) General Meeting of Members on 15 May 2009

The scope of required action by LGAs

How then can LGAs contribute to the emergence of these more confident and more responsible local governments? There are four areas in which it appears action is needed:

1. *Recognizing the specificity of local development* and its role in national development efforts.
2. *Advocating the role of local governments* in promoting local development with national governments and global institutions.
3. *Raising awareness and developing the capacities* of their members to promote local development.
4. *Partnering with aid agencies* to channel technical and financial aid to local governments for local development.

Recognizing the specificity of “local” development

The starting point should be to articulate a proper understanding of what *local* development actually is. Clearly, it is not just development that happens locally (all development does), but rather development that leverages the comparative and competitive advantages of localities and mobilizes their specific physical, economic, social, political, and cultural resources and institutions. The adjective ‘local’ does not refer to the *where*, but to the *how* of development. It refers to the actors that promote it and the resources they bring to bear on it.

Genuine local development is *endogenous, open and incremental*, since it makes use of locality-specific resources, combines them with national/global resources and brings them to bear on the national development effort in a positive-sum game. Among locality-specific resources, the local *social capital* and *political institutions* are of paramount importance; the capacity of the latter to build and mobilize the former and combine it with other local and non-local

resources to pursue specific local development strategies is also critical.

A proper understanding of, and commitment to, endogenous, open and incremental local

development should provide LGAs with a sharper focus in order to (1) advocate the developmental role of local governments with national and global actors and (2) educate and support its members to effectively take up such role.

Discussion Questions:

1. What should the LGAs do, to develop a better understanding of local development and place its promotion at the center of their action?
2. How could the Associations of Local Authorities help link the promotion of local development by local governments with the pursuit of national and global goals like the MDGs?

Advocating the local government/local development approach

A proper conceptualization of local development would enable LGAs to focus on “...*what needs to be done rather than systems and structures.*” They would also be able to argue that the benefits of decentralization are not limited to the efficiency gains in the allocation and use of state resources, but extend to the mobilization of additional private sector and community resources. It would also bring to the fore the need for meaningful *local autonomy* (an often misunderstood dimension of the reforms) without which neither efficiency gains nor additional resources is likely to materialize.

While clarity in the reassignment of functions from central to local authorities will remain essential, greater emphasis could be put on simultaneously (1) expanding and supporting

autonomous local governments’ actions under their general mandate for the welfare of their constituencies (rather than for specific functions) and (2) developing appropriate forms of intergovernmental cooperation and sharing of responsibilities for services delivery.

More broadly, LGAs could advocate the adoption of national local development strategies and the establishment of technical and financial support instruments that facilitate those initiatives that emerge from local-level strategic planning and partnership arrangements.

In documenting local government successes in promoting local development, LGAs should focus on practices through which local government can build and mobilize social capital; facilitate active citizenship; and bring additional private and community resources to bear on improved local services delivery and local economic development.



Discussion Questions:

1. How could LGAs contribute to the adoption of national local development policies/strategies?
2. What makes it difficult for LGAs to champion local autonomy and advocate local development-driven decentralization reforms? What can be done to overcome these difficulties?
3. What could LGAs do to help their members enter into partnerships with national agencies for delivery of centrally funded programs aiming at the achievement of MDG?
4. What can LGAs do to better document and publicize success stories of local development by local governments?

Raising awareness and developing capacities

LGAs must create a strong sense of institutional identity and common purpose for the entire local government sector of a country, one that transcends partisan allegiances and recognizes local governments primarily as instruments of local development for the greater public good, rather than tools for legitimization and consolidation of political parties and ideologies.

Beyond nurturing such non-partisan institutional identity, LGAs must build the capacities of effective developmental local governments beyond the competencies needed

to manage a local authority organization. Local government leaders will need to develop strategic goals, including the local articulation of the MDGs, and leverage local community resources to achieve them. Hence a new kind of capacity is needed for the practice of both strategic planning and “horizontal subsidiary”.

Partnering with aid agencies

In recent years, many have pointed at the contradiction between support to local development, and the centralizing bias of the new aid modalities (i.e. budget support and sector-wide programs) associated with the aid harmonization and alignment agenda.

Discussion Questions:

1. What could national and global LGAs do to strengthen the institutional identity of local governments and limit their political manipulation?
2. How could the Associations of Local Authorities build the capacity of their members for strategic planning?
3. How could the Associations of Local Authorities build the capacity of their members for the practice of “horizontal subsidiarity”?

But such contradiction has less to do with the nature of the new instruments than with the weakness of a local government perspective about their deployment. Actually, as some examples indicate,²⁸ it is possible for sector-wide and program-based aid approaches to be structured to involve local governments and bring local autonomy to bear on the quality and effectiveness of sector programs delivery. LGAs should help shape them and participate in their implementation.

LGAs should participate in national political dialogue, and articulate autonomous and non-partisan local government viewpoints to help shape external assistance strategies and country programs.²⁹ They should also participate in the political dialogue on the development of national strategies and programs to implement

decentralization reforms, again to articulate an autonomous and non-partisan local government viewpoint on the need for the reforms to be driven by local development and poverty reduction goals. They should also step up their efforts to coordinate decentralized cooperation in a way that supports national reform processes, and ensures a better match between demand and supply of development cooperation.

But perhaps the most important step for LGAs would be to assume greater direct responsibility in the implementation of programs aimed at strengthening the policy-making and administrative capacities of local authorities. A more assertive, demand-driven, “self-help” approach to local government capacity-building is needed, and LGAs could help channel the increased external aid that is needed.

Discussion Questions:

1. How can LGAs in aid-receiving countries help shape the agenda and modalities of external aid?
2. What can LGAs do to improve the effectiveness of decentralized cooperation?
3. How could LGAs take a greater and direct role in delivering aid-financed programs for local government capacity-building?
4. What aid delivery models could leverage the comparative advantages of the worldwide network of LGAs?
5. What are the obstacles that prevent LGAs from becoming an expanded and effective channel of external aid to developmental LG?

²⁸ See for example the discussion of the Sector-Wide Health Approach in Tanzania, in UCLG position on Aid Effectiveness and Local Government (December 2009)

²⁹ See for example EU, Local Authorities : Actors for Development, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee and committee of the regions, Brussels 2008

LOCALIZING THE MDGs: THE WAY FORWARD



Special address by Mario Amano, Deputy Secretary General, Organization for Economic Cooperation and Development

Followed by a discussion moderated by Axel Threlfall, Lead Anchor, Reuters including:
Jean Pierre Elong Mbassi, Secretary General, United Cities and Local Governments of Africa (UCLGA)
Adolf Mwesige, Minister of Local Government, Uganda
David Morrison, Executive Secretary, UNCDF

International agencies, donors and development partners have often not given the full weight and consideration to the role of local governments in their pursuit of the MDGs. This oversight — sometimes an intentional strategy — has significantly slowed the implementation of the very programs that will be most effective in realizing the Millennium Development Goals.

One basic message from the Global Forum on Local Development is the urgent need for national governments to work with local authorities to ensure that both are able to identify and address local development objectives. That this is true for both national and international development agendas came out strongly in the closing session of the Global Forum.

Participants agreed that the benefits of growth have been unevenly distributed between regions, sectors and individuals. In addition, inequalities remain between rural and urban areas: nearly 75 percent of poor families live in rural areas, a development disparity attributable, in part, to the higher cost of delivering services.

At the same time, development partners and those working on sector-specific measures need to move towards a policy of decentralized cooperation, and engage directly with local

authorities and community leaders to design and deliver effective programs. The vertical flow of information is vital: It is not clear how many local authorities even know what the Millennium Development Goals are, one participant warned, let alone have the knowledge to design municipal plans and initiatives.

Experts agreed that development strategy must be differentiated between local areas, and each government must play a prominent role. Local authorities are best positioned to determine the needs and evaluate local resources, said Mario Amano, Deputy Secretary General of the Organization for Economic Cooperation and Development (OECD), and decide how to best apportion and focus aid.

Participants agreed that promotion of gender equality is vital to attaining the MDGs, with women capable of making a variety of contributions and contributing to social cohesion. To take full advantage, Mr. Amano said, local governments must set policies and programs that ensure women will receive guidance, vocational and technical training, the legal right to property, and control over their own bodies and health. Better gender equality can contribute to all MDGs: for example, in areas

where women have access to credit there are 85 percent fewer malnourished children.

In many developing countries, local governance requires assistance to develop the basic infrastructure necessary to achieve the MDGs. And local regimes must, in turn, build systems to allow staff and elected representatives learn from each other, in an effort to develop human capacity.

Changes in development strategy, several panelists noted, have shown the value of replacing a fractured sectoral approach with an integrated, global vision viewed from the local level.

Ultimately, communities must be empowered to manage their own development. This is less about technical competence than the appropriate balance of power and rights between regional authorities and the communities themselves.

Mr. Amano noted that OECD countries had pledged \$40 billion over the next five years just to address women's and children's health. "We must make sure that the resources ... are not misused or wasted for lack of coordination and inefficient government," he said, stressing the importance of accountability.

In closing remarks, the OECD representative said local government must try to learn from members' experiences, particularly with respect to the allocation of resources and innovative local development strategies. The more advanced nations have plenty to learn from the LDCs as well.

"We must work more closely with UNDP and the UNCDF, both of which play a vital role in guiding decentralization."





GLOBAL FORUM PEOPLE



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