



Federal Ministry
for Economic Cooperation
and Development

Decentralisation and local self-government

Decentralisation in German
development cooperation



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Decentralisation and the establishment of local self-government are an integral part of **political reform** in many countries with which Germany has development cooperation programmes. Although decentralisation does not automatically lead to development progress, efficient decentralised government and administrative structures are key elements of good governance. They are the basis for structural poverty reduction and sustainable development. Local government and administrative units offer a chance for achieving more **efficiency**, **transparency** and **responsiveness** to **public needs** and can make a contribution towards **fostering democracy**. Decentralisation can improve opportunities for ensuring participation by various (ethnic, political, economic, social and religious) interest groups and can thus help reduce sources of conflict in society. Moreover, stronger local ownership can act as a catalyst for **economic development**.

Decentralisation is a political process embedded in the reform of the entire system of government and administration. The process can cause resistance among various interest groups and can be characterised by setbacks. The risks of conflict due to changes in power structures and the reallocation of resources must be identified and addressed as part of decentralisation processes. In many cases, this requires setting up new structures that can only be established over a longer period of time.

German development cooperation supports partner countries' decentralisation policy efforts. Since **circumstances are different in every country**, there is no such thing as a blueprint for cooperation. In most cases, successes can only be achieved in the medium to long term. Very often, the central task is to foster and facilitate political dialogue between various forces in society so as to develop appropriate institutional solutions in cooperation with the partner country.

Decentralisation processes depend on the partner countries' **willingness to reform**. A fundamental prerequisite for key players is to show the political will to undertake reforms and to contribute towards covering the costs of reform. Wherever the readiness to undertake reform is not yet very strong, support can – albeit only to a limited extent – focus on the political opinion-forming process and on strengthening reform-minded forces and/or on the dialogue between advocates and opponents of reform.

What is our understanding of promoting decentralisation processes and strengthening local governance?

In German development cooperation, decentralisation means the **delegation of tasks, responsibilities, resources and political decision-making authority** to a country's **medium** (for example provinces, districts, regions) and **lower political levels** (cities, local authorities, villages). Our understanding of decentralisation goes beyond purely administrative decentralisation (deconcentration). According to this definition, local governance thus requires geographically defined administrative units, each with its own separate set of tasks, sufficient own resources and democratically legitimised representative bodies. This is in line with the model of administration as practised by functioning, citizen-oriented states that operate according to the basic principles of democracy. An appropriate resource base is vital in order to ensure



that the tasks with which administrative bodies have been entrusted can be fulfilled properly. **Fiscal decentralisation**, that is devolving responsibilities so as to establish autonomous revenue and expenditure policies at a decentralised level, is an integral part of every successful decentralisation process. Transferring public tasks to non-governmental agencies from the **private sector** and **civil society** can also be an element of decentralisation as defined in German development cooperation.

Our understanding of decentralisation and the strengthening of local governance is characterised by the **specific experience Germany** has gained with its federal system and local governance bodies that are largely politically independent. As a general rule, the promotion of decentralisation processes is subject to the principle of subsidiarity.

According to this principle, tasks should only be carried out at the higher political or social levels if they cannot be adequately fulfilled at lower levels.

Administration
in a Rwandan
authority

Central fields of work in supporting decentralisation and local governance

- Strengthening the **legal and institutional environment** with regard to the design and interaction of various administrative and government levels (including the reform of financial relations)
- **Institution building and capacity development** at national, municipal and particularly local level in order to implement decentralisation and local governance
- Reshaping the **division of competences** among government players, the private sector and civil society
- Institutionalising **public participation** in local decision-making processes.

In most cases, development cooperation efforts focus on individual areas within the decentralisation process. In addition to being specific promotion measures, decentralisation and strengthening local governance are cross-cutting tasks in other areas of support, for example in the area of democratisation processes, administrative reform, municipal and urban development and promotion of the economy and employment.



Local planning in Nepal

What does German development cooperation contribute in its partner countries?

German development cooperation strives to promote decentralisation processes and strengthen local self-government by implementing bilateral programmes in partner countries and engaging in multilateral cooperation. The most important approaches at the bilateral level of German development cooperation are the following:

- Supporting the partner countries in **developing decentralisation concepts** and **promoting the political opinion-forming process** at the national level.
- Advising the competent authorities / decision-making bodies on shaping the **legal, institutional and administrative framework** of the decentralisation process.
- Providing advice on the **reshaping of the budgetary and financial system, fiscal decentralisation and municipal financial management**.
- Strengthening **local governance**, particularly by strengthening the communities' financial basis (for example through municipal investment funds), reforming administrations' organisational structure and work processes, and providing training and upgrading for the staff.
- Enhancing **public participation**, for example by improving the legal and institutional arrangements for participation, particularly for disadvantaged population groups.

Competences and players of German development cooperation

The pluralistic structure of German development cooperation produces a range of instruments and measures able to take both the multi-level approach and the diversification of executing agencies into account in equal measure. Various forms of advisory services and funding are combined with one another. For the measures to be successful, coordination between the different players and instruments is vital.

The Deutsche Gesellschaft für Technische Zusammenarbeit (**GTZ**), German Development Service (**DED**) and Capacity Building International (**InWent**) are active players in official bilateral **Technical Cooperation**. **Financial Cooperation** is funded via the **KfW Entwicklungsbank**.

Important players in non-governmental development cooperation are the **political foundations**. Measures by the **church agencies** and **private agencies** are mainly aimed at strengthening public participation at the non-central level. Moreover, many **German cities and municipalities** are involved in North-South work through activities under the local Agenda 21. The German government (BMZ) and the Länder have established the **Service Agency Communities in One World**, which is managed by InWent. This agency is to support community based initiatives in local Agenda 21 processes and foster partnerships between municipalities in Germany and in the countries with which Germany has development cooperation programmes.



Roadside market in Namibia

Further information:

BMZ Special 059: “Decentralisation and Strengthening local-self government in German Development Cooperation”, 2002:

<http://www.bmz.de/en/service/infothek/fach/spezial/spezial059pdf.pdf>

BMZ Special 048: “Administrative Reform in German Development Cooperation”, 2002:

http://www.bmz.de/en/service/infothek/fach/spezial/spezial048_90.pdf

Information by the BMZ on Good Governance:

<http://www.bmz.de/en/issues/goodgovernance/index.html>

Information by GTZ on decentralisation:

<http://www.gtz.de/en/themen/politische-reformen/884.htm>

Information by KfW on governance and decentralisation:

http://www.kfw-entwicklungsbank.de/EN_Home/Topics/Good_Governance/Promoting_decentralization/index.jsp

Service Agency: Communities in One World:

<http://www.service-eine-welt.de/en/home/index.html>

The Informal Development Partners Working Group on Local Governance and Decentralization:

<http://www.dpwg-lgd.org>

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