



**Roundtable of Experts organised by the**  
***Observatory of Decentralised Cooperation***  
***European Union – Latin America***

*United Cities and Local Governments (UCLG)*  
*Capacity and Institution Building (CIB)*  
*Working Group Annual Meeting*

*Barcelona, 28 June 2010*





## INTRODUCTION TO THE ROUNDTABLE ON AID EFFECTIVENESS

*By the Observatory of Decentralised Cooperation  
European Union – Latin America*

In the current context of crisis, the demonstration of the relevancy of local governments' external action and the efficiency of decentralized cooperation has become fundamental. In spite of the absence of local actors in the drawing up of the principles established in the 2005 Paris Declaration, decentralized cooperation has to prioritize the incorporation of these principles in its practices and demonstrate its natural tendency towards its values.

Within this framework, the Observatorio de Cooperación Descentralizada UE-AL of Barcelona Provincial Council, on the occasion of the annual meeting of the UCLG Capacity and Institutional Building Working Group (CIB Group), collaborates in the organization of this roundtable of experts, in order to deal in greater depth, on a technical and conceptual level, with the topics of aid effectiveness applied to decentralized cooperation.

Since some time ago, the *Observatorio* has been working, from an operative point of view, on the procedures, instruments and modalities of cooperation, through which the principles of the Paris Declaration can be applied; and, from a theoretical point of view, in a reinterpretation of the principles that articulate and facilitate the identification of the local actors potentialities in relation to each one of those principles.

The aim of the *Observatorio* - and of the roundtable that we are organizing - is to promote tools and innovative methodologies to guide the actions of local governments and to define a constructive position of local actors towards the aid effectiveness agenda, and especially, towards the forthcoming Forum on Aid Effectiveness that will be held in Seoul at the end of 2011.

As the Accra Action Program (AAP) demonstrated, donors' community acts towards: " The construction of most effective and inclusive associations for development, so that all our initiatives have a major effect on poverty reduction ... The achievement of the results of development—and to report openly those results—must be the central part of everything what we do ".

In this respect, the *Observatorio* is focusing on working on four mayor issues that we consider essential to improve decentralized cooperation and aid effectiveness:

- ***The application of the AAP concept at a local level, and the construction of Local Associations for Development***, which would promote the coordination of actions according to the priorities, set by specific partners.

This kind of Association can represent an important challenge to improve the coordination, management and specialization of the actors in the different action areas, towards the aim of improving aid effectiveness.

The Local Associations for Development are an original and effective solution to bring international cooperation—regardless of donors—at the service of public policies defined by and under the leadership of Southern local governments. They thus provide a way to an effective implementation of the principles of

harmonization, alignment and appropriation in a context of agreement involving all the cooperation actors.

- The need **to foster coordination, agreement and division of labour** between actors and between different levels of government is indispensable to increase the effectiveness and impact of public resources (financial, human and institutional) invested in international cooperation.

In fact, at the *Observatori*, we consider desirable a certain division of labour and a certain level of specialization within the international community of donors and between local and regional actors, as raised by the European Commission, among other actors.

In this sense we think that local governments, on the one hand, must focus their cooperation on issues in which their authority is recognized and unquestionable, such as local governance, local economic development, institution building or the management of certain public services, in which they can contribute a greater added value and generate a greater impact.

In this framework it is worth insisting on the fact that coordination and complementariness, to be effective and really add value to all the resources invested, must be realized in total respect of local autonomy.

- **The implementation of new instruments** such as the Local Budgetary Support, which enables us, among other things, to go beyond the project logic of work and to support certain public policies and improve coordination between donors.

In short, traditional actors' recognition of decentralized cooperation implies that local governments are going to be putting forward specific proposals on these issues.

- This set of priorities will be focused in particular on the local and regional governments in order to achieve a genuine **participation in the forthcoming Conference on assessment of the Paris Agenda which will take place in Seoul at the end of 2011**. The goal is that the local governments should not only be duly represented, but also be able to contribute proposing actions and working issues, both, on the redefinition of specific Agenda criteria and the best instruments for achieving them.

For this reason it is fundamental to really involve local governments and their international networks in the debate on aid effectiveness and its instruments of implementation, from the decentralized cooperation perspective.

This roundtable of experts and the three interventions that we are going to present are part of this process.

### **Short speech presentation**

---

First of all, the intervention of Jean Bossuyt presents and analyzes the overall context within which decentralized cooperation falls, by dealing in depth with the structuring processes of the international cooperation architecture through the High Level Forum on Aid Effectiveness in Paris (2005) and Accra (2008).

Secondly, Ghazi Hidocui presents the innovative instrument of the Global

Development of Cities Fund, (the GFCD, known as the FMDV in French) created by the decentralized actors themselves "to help cities to find the Funding for urbanization investment needs."

Thirdly, with the need to promote the application of innovative tools, the assimilation of an "evaluation culture" is fundamental so that the cooperation among local governments is fully recognized and the added value demonstrated.

Thanks to the development of institutionalized practices of medium- to long-term evaluation and the elaboration of impact and outcomes indicators, it is possible to deepen the study on the scope and limits of decentralized cooperation, to include the impact of cooperation actions and have sources of feedback.

### **Summary of speeches**

---

- Jean Bossuyt: "The Paris declaration and beyond. A battle too important to be left to generals alone".

The Millennium Development Goals (MDGs) and the Paris Declaration on Aid Effectiveness (March 2005) were the framework to renew the call for a drastic increase in both the quantity and the quality of aid, and major milestone in the collective search for more effective international 'aid architecture' and result-oriented cooperation approaches.

Relatively huge expectations exist with regard to the benefits that could be yielded from a correct application of the principles embodied in the Paris Declaration, but for the moment the reform of the aid system is long overdue.

As part of their advocacy and watchdog role, CSOs (Civil Society Organizations) have commented extensively on the content of the Paris Agenda. They have generally welcomed the Declaration because of its accent on ownership and focus on the governance of aid. However, the declaration is also being criticized in different aspects.

In the field, multi-actor consultations are taking place on how best to move forward with the implementation of the Paris Declaration. In most places, the process is still in an incipient stage and the levels of knowledge on the Paris Agenda need to be further developed. Learning and experimentation should help to cope with the political, institutional and technical complexities involved in the reform process.

The Accra High-Level Forum on Aid Effectiveness addressed some of the key weaknesses identified during the first years of application of the Paris Declaration. It was the most important review moment concerning these principles and was instrumental in deepening the reform agenda promoted by the Paris Declaration, bringing together an impressive number of policy-makers, field representatives, practitioners and other stakeholders involved in the implementation of the Paris Declaration.

This Forum dealt with the progress made and the limitations encountered in pushing forward the Paris Agenda and, by the means of evidence from the field and available evaluations, indicates the existence of some shortcomings during the initial phase of implementing the Paris Declaration.

In particular, the Paris Declaration itself does not elaborate on the role of civil society and local governments in the whole process, and the involvement of these actors is clearly lagging behind.

In this context, it is useful to examine more closely the emerging lessons of experience of involving civil society in debates on the Paris Declaration as it can provide a source of inspiration for local government actors. More specifically, it seems interesting to look at the analyses that civil society organizations (CSOs) have been brought to the table with regard to the opportunities and risks of the new aid architecture, as epitomized by the Paris Declaration.

The analysis shows how civil society battling its way into the Paris Process illustrates the challenges awaiting local governments if they decide to enter into this arena as well.

The author considers it important to explore ways and means to get local governments increasingly involved in the Paris Declaration process in the coming years, and presents the main points of friction between the Paris Declaration Agenda and a Participatory Development Agenda, arguing that local governments are a legitimate player with major stakes to be defended in the emerging new aid architecture, and that should join and seek to influence this process.

- Ghazi Hidocui: "The Global Fund for Cities Development (GFCD/ FMDV in French)"

The author presents the results of a three-year study conducted by the Metropolis General Secretary on the GFCD, summarizing briefly the spirit of the GFCD project, introducing its content, its economic and financial model and its main activities.

This project is a fundamental initiative to support cities to find the necessary funding of their urbanization and development investment needs. It is a mutual technical assistance instrument for financial engineering and funding, and it supplements existing schemes. Its aim is to facilitate access by local authorities to local, national, and international financial resources.

The main objective of the GFCD is to ensure optimal conditions to attract the necessary funding and to organize its mobilization for poor and emerging cities, in order to support the local leadership of management of urban projects. This approach, based on adapted economic models, is able to ensure local development for the long term and is complementary to the sector-based approaches.

It aims to ensure the coherence of the programmes and strategies and to remove the methodological, technical and regulatory barriers which disrupt this coherence. The GFCD approach systematically recognizes and associates different types of partners in order to reduce the costs and attract financing, manage the urban programmes and their funding, draw up economic studies, audits and assessments.

The GFCD undertakes analyses and assists local authorities on financial issues; the author calls for support from local authorities that have not yet joined, asking for support for this initiative in order to join the cooperation agencies in their communities and their country.

The general assembly of the GFCD will take place in Barcelona on 7th October 2010 with its founding general meeting held alongside the meeting of the Board of Directors of Metropolis.

- Enzo Caputo: “Measuring the impact of decentralised cooperation and its correspondence with the Paris criteria”.

The author focuses his study on the Inter-institutional decentralized cooperation, characterized by a relationship between decentralized entities of equal nature and role, whose fundamental goal is institution building and where the principles of appropriation and alignment of the declaration of Paris are particularly strong.

The main methodological problem in the evaluation process is to recognize and to check the application of the Paris and Accra criteria and to be able to attest a real institutional and political change and to exceed the traditional evaluation based on results of development.

The literature on the evaluation of institution building policies is sometimes focused on the products of cooperation (for example: enabled personnel, created functions, etc.), who *per se* do not attest a real political-institutional change. Other times the evaluation process is focused on the development results (for example: the well-being and the community democracy levels), whose execution depends on many external factors and require a very long time to be fulfilled.

In this framework, it can be very difficult to evaluate the contribution of the inter-institutional cooperation.

Enzo Caputo, in his contributions to the 4th Annual Conference of the *Observatorio* held in Mexico, proposed to focus evaluation on an intermediate stage between products and results of development, using a diagram of effects, based on the logical framework method.

The intermediate stage between products and results of development, of which the author presents different definitions, is most interesting in the evaluation of inter-institutional decentralized cooperation.

The author considers the inter-institutional nature of decentralized cooperation, to be closely linked to the application of the criteria of Paris and Accra. In fact, he presents some indicators as evidence of how closely the appropriation level that is linked to the Inter-institutionality level.

The products or the institutional results are produced by the institutions themselves, using the support of the cooperation. In the majority of cases, inter-institutional cooperation benefits both partners and, consequently, it should be possible to identify institutional innovations in both parties.

In order to identify these results the author presents two methods: some institutional indicators already dealt with at the Mexico Conference, and other institutional changes identified with the shared method of “most significant changes”.



## **AID EFFECTIVENESS**

### ***How to ensure the participation of Local Governments in the road towards Seoul?***

*By Jean Bossuyt, Head of Strategy of the European Centre for Development Policy Management (ECDPM)*

*The Paris Declaration (2005) was a major landmark in the ongoing process of rethinking the overall aid architecture. Governments from the developing world and donors signed up to a comprehensive reform of the aid system with a view to improve effectiveness and achieve better results. These commitments were re-affirmed during the High Level Meeting in Accra (September 2008), which reviewed progress achieved and identified the main challenges ahead. The jury is still out whether the Paris Declaration process will deliver on its promises or end up as yet another development fad with limited lifespan. In this Opinion, the author argues that the participation of all relevant stakeholders will be crucial for the success of the Paris Declaration. Particularly civil society actors and local governments (who were excluded in the initial phase) should join and seek to influence the process.*

#### **Building a new aid architecture**

The Millennium Development Goals (MDGs) have proved to be a powerful framework to renew the call for a drastic increase of both the quantity and the quality of aid. Pressures to abide to key cooperation principles such as ownership, participatory development and mutual accountability mounted. This, in turn, led to a growing popularity of new aid delivery modalities, particularly budget support.

The Paris Declaration on Aid Effectiveness (March 2005) was another major milestone in the collective search for more effective international 'aid architecture' and result-oriented cooperation approaches. Its reforms focus on five areas: (i) local ownership; (ii) alignment with country development strategies, institutions and procedures; (iii) harmonization of donor actions; (iv) managing for results; and (v) mutual accountability. Twelve indicators of progress and measurable targets have been identified to be achieved by 2010.

The reform of the aid system is long overdue. There is abundant evidence of the difficulties to ensure a proper match between the "demand" and "supply" of aid between recipients and donors. Particularly in aid-dependent countries, one usually finds a proliferation of strategies, programmes and projects, characterised by limited levels of ownerships and sustainability. The aid provided by a growing number of actors is generally poorly aligned to national and sectoral policies. The overall transaction costs of delivering aid are high. All these factors tend to drastically reduce overall aid effectiveness.

Relatively huge expectations exist with regard to the benefits that could be yielded from a correct application of the principles embodied in the Paris Declaration. These include enhanced ownership; effective implementation of the MDGs; a more responsible partnership as well as a progress on a host of seemingly technical issues (such as greater predictability of aid).

The Paris agenda has spurred a wide range of follow-up activities. It is interesting to note that the "Paris principles" can be applied in various sectors (e.g. health), thematic areas (e.g. democracy assistance, civil society support), reform processes

(e.g. support to decentralisation) and indeed in the provision of general and sector budget support.

Several EC Communications on key sectors of intervention, for instance, recognize the need to consider the governance of aid. In the spirit of the Paris Declaration, donors' own governance behavior matters. Sector operations therefore have to analyze and address governance challenges not only at the level of partner countries but should also pay attention to the way in which aid is disbursed, how donors exercise governance in sectors through their actions and possible incoherencies within the EC which impact negatively on sector performance in the partner country. In certain situations, generous donor funding can distort the 'right incentives' among local stakeholders and contribute to postponement of the necessary reforms. At policy level, the EU has committed itself to aligning and harmonizing aid to sectors in a much more effective way. To this end it proposes to reduce the number of donors per sector (*Code of Conduct on Complementarity and Division of Labour in Development Policy* - Council, 15 May 2007).

In the field, multi-actor consultations are taking place on how best to move forward with the implementation of the Paris Declaration. In most places, the process is still in an incipient stage. Levels of knowledge on the Paris Agenda need to be further developed. Learning and experimentation should help to cope with the political, institutional and technical complexities involved in the reform process.

In some countries the Paris agenda has been pushed forward in a much more significant way (e.g. Cambodia, Ghana, Tanzania, Uganda, Zambia). These "frontrunners" managed to set-up an in-depth dialogue with the donor community which resulted, over time, in the elaboration of a "Joint Assistance Strategy" (JAS). This is a comprehensive framework with clear rules on how to deliver aid in respect of the Paris Declaration. Typically, in a JAS the donor agencies commit themselves to carry out a joint analysis of the country situation and, to the extent possible, also a joint programming process (instead of having a multitude of separate country strategies). They work out a division of roles between themselves ("who does what in what sector?"); joint support mechanisms (e.g. budget support; basket funds) as well as ways and means to align aid to national policies and procedures. Another key element of a JAS is also a more solid mechanism to conduct a genuine "political dialogue" with the partner government, amongst others on the results achieved and the question of mutual accountability.

### **Reviewing progress: the Accra Action Plan**

The Paris Declaration has built in systems to monitor progress achieved, including at the political level. The most important review moment took place in Accra (Ghana) in September 2008. The Accra High-Level Forum on Aid Effectiveness brought together an impressive amount of policy-makers, field representatives, practitioners and other stakeholders involved in the implementation of the Paris Declaration.

The Forum took stock of both progress achieved and limitations encountered in pushing forward the Paris Agenda. Evidence from the field and available evaluations clearly indicate the existence of four major shortcomings during the initial phase of implementing the Paris Declaration. *First*, the whole process was the exclusive realm of central governments and donor agencies. There was hardly any room for the participation of other stakeholders such as civil society and local governments. The Paris Agenda is primarily concerned with reducing the transaction costs of aid management, by channelling funds through the State, preferably through budget support modalities. The need for a broad ownership of national development

policies and proper accountability to citizens and Parliament is recognised, but the Paris Declaration itself does not elaborate on the role of civil society in the whole process. *Second*, the dialogue on aid effectiveness has been quite “technocratic” in nature, focusing primarily on organisational aspects of delivering aid (e.g. modalities for alignment and harmonisation). Much less attention has been given so far to the political dimensions and conditions for improved aid effectiveness (including the power relationships; the interests involved; the quality of governance, etc.). *Third*, the debate has tended to focus rather narrowly making “aid” more effective without looking systematically at the broader picture, i.e. whether (harmonised) aid actually delivers better development outcomes (or ‘development effectiveness’) process has tended to look. *Fourth*, the Paris Declaration may have introduced the concept of “mutual accountability” (between recipients and donors) but it largely neglected the more fundamental question of ensuring “domestic accountability” (from governments down to the citizens).

The Accra High Level Forum was instrumental in deepening the reform agenda promoted by the Paris Declaration. The Accra Action Agenda (AAA) addresses some of the key weaknesses identified during the first years of application of the Paris Declaration. It recognises the need to broadening the stakeholder base, with the inclusion of more civil society actors and, particularly, greater involvement of partner country governments in drafting the action agenda. It puts considerably more emphasis on the twin issues of *country ownership* and *mutual accountability* to achieve *more effective and inclusive partnerships*. The AAA also insists on the need to focus more on “development effectiveness” and to invest in building stronger domestic accountability systems. These principles should therefore become the dominating concerns in this new phase of the Rome-Paris-Accra process leading up to the next high-level forum in 2011.

### **Getting civil society and local governments on board**

The process of broadening participation in the Paris Declaration process started only recently. Not surprisingly, the civil society (from the South and the North) has so far been the main target group. The involvement of local governments (through their associations) is clearly lagging behind. This is quite problematic as local governments are also a legitimate player with major stakes to be defended in the emerging new aid architecture. This holds particularly true in a context whereby most developing countries are engaged in a decentralised process, aimed at devolving responsibilities to sub-national levels of government. As a result, local governments are entrusted with new competences for delivering public services and to play a key role in achieving the MDGs. Their voice should also be heard when central governments design national/sectoral policies or negotiate cooperation agreements with donor agencies. Local governments may also be entitled to receive part of the budget support provided by the donor community if they are mainly in charge of implementing the programmes. For all these reasons, it seems important to explore ways and means to get local governments increasingly involved in the Paris Declaration process in the coming years.

In this context, it is useful to examine more closely the emerging lessons of experience of involving civil society in debates on the Paris Declaration as it can provide a source of inspiration for local government actors. More specifically, it seems interesting to look at the analyses that civil society organisations (CSOs) have been to put on the table with regard to the opportunities and risks of the new aid architecture, as epitomized by the Paris Declaration.

The first step has been to disseminate knowledge on what the Paris Declaration is all about. Different processes have been set in motion by both donors and civil

society to gain a better understanding on the roles of civil society organisations CSOs in the new aid architecture and on the limitations of the Paris Declaration with regard to CSOs. Within the OECD-DAC, an advisory group on CSO and aid effectiveness has been set up, which carried out six regional consultations late 2007. Outside the DAC structure, an international CSO steering committee has also been set up as a parallel CSO process towards the High Level Meeting in Accra (November 2008) with a view to develop and submit common perspectives and positions aid effectiveness

As part of their advocacy and watchdog role, CSOs have extensively commented on the content of the Paris Agenda. They have generally welcomed the Declaration because of its accent on ownership and focus on the governance of aid. However, the declaration is also being criticised. Civil society concerns relate to different aspects<sup>1</sup> including:

- The Paris Declaration is not sufficiently dealing with past failures of the aid system. It ignores a number of key issues of aid reform (conditionality, tied aid); some donors have thus attempted to reduce the Paris agenda to a technical process for managing aid flows and lowering transaction costs, and have pushed much of the responsibility for change onto recipients.
- The Declaration is not explicit enough on civil society participation. This element does not form part of the indicators of progress, and there is no mention of the role of civil society in making governments accountable.
- The indicators of progress put a strong emphasis on growth and the expense of social development and without putting democracy or human rights at the forefront. Particularly among South CSOs there is a concern about the emphasis on the State without strong democratic guarantees in the Declaration;
- Through its emphasis on mutual accountability, the Paris Declaration reinforces upward accountability (towards donors), and may lead to a weakening of downward accountability (to citizens and civil society);
- The question of "effectiveness for whom?" has not been addressed: in essence, the effectiveness of the Paris Declaration should be measured in terms of the ultimate purpose of aid: the reduction of poverty and inequality.

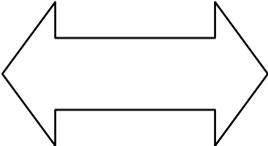
In addition to this, there are major concerns that the Paris agenda may reduce the scope for effectively using civil society as aid delivery channel. The following arguments are brought forward to sustain this fear:

- Donor harmonisation is seen by several CSOs as pretext for rationalisation, a means to divert, under the guise of harmonisation, bilateral funds to multilateral agencies and international NGOs
- The Paris focus on improving the capacities of the State as the main coordinator of development processes is being perceived as a risk. CSOs fear a re-centralisation of development processes and are concerned that their vital role actors in democratic development might be reduced to that of project implementers/service providers. At the same time, the CSO watchdog and advocacy role becomes even more crucial with the emphasis on national poverty strategies as a basis for cooperation.
- The CSO community sees a possible incompatibility between the "participatory development agenda" promoted by the donor agencies (including the EU) and the "Paris aid effectiveness agenda".

---

<sup>1</sup> For a summary of these critiques, see among others Sen, Kasturi, 2007. *Civil Society Perspectives on the Paris Declaration and Aid Effectiveness*, INTRAC Policy Briefing Paper 14, October 2007 and Reality Check, January 2007. *The Paris Declaration, Towards Enhanced Aid Effectiveness?*, a CICC/BOND contribution

The box below summarises the main points of friction between both agendas

Participatory Development Agenda	Friction points between both agendas with regard to CSO channel	Paris Declaration Agenda
<p>Promote a multi-actors approach, where each actor has a legitimate role to play and a particular added value</p> <p>CSOs have to be involved in all phases of development cooperation (policy formulation, implementation and monitoring and evaluation)</p> <p>CSOs have two roles to play: service providers and advocates for (policy) change</p> <p>performance</p>		<p>The Paris Declaration on Aid Effectiveness focus on five areas: (i) local ownership; (ii) alignment with country development strategies, institutions and procedures; (iii) harmonization of donor actions; (iv) managing for results; and (v) mutual accountability. There are 12 indicators of progress.</p>
<p><b>Multi-actors approach</b></p>	<p>An issue of concern is that the Paris Agenda does not explicitly address the question of 'which channel and which instrument to use to do what'.</p>	<p>No mention of roles/added value of each legitimate civil society, private sector, local governments</p>
<p><b>Civil society participation</b></p>	<ul style="list-style-type: none"> <li>* the Declaration is not explicit on what is civil society participation, and does not include it as an indicator of progress.</li> <li>* the indicators of progress put a strong emphasis on growth at the expense of social development, democracy or human rights. Particularly among Southern CSOs there is a concern about the emphasis on the State without strong democratic guarantees in the Declaration.</li> <li>* through its emphasis on mutual accountability, the Paris Declaration reinforces upward accountability (towards donors), and may lead to a weakening of downward accountability (to citizens and civil society).</li> </ul>	<p>Civil society and/or participation are mentioned in several principles:</p> <p>Ownership: national development policies will be designed through broad consultation; partner countries will encourage the participation of civil society.</p> <p>Alignment: Partner countries will strengthen their capacity to develop, implement and account for their policies to their citizens and Parliaments.</p> <p>Harmonisation: In fragile states, partner countries commit to the participation of a broad range of national actors.</p> <p>Mutual accountability: Partner countries commit to reinforcing participatory approaches systematically by involving a broad range of development partners when formulating and assessing progress in implementing national policies</p>

<b>Roles of civil society</b>	<ul style="list-style-type: none"> <li>* the Paris focus on improving the capacities of the State entails a risk of re-centralisation of development processes.</li> <li>* Concern that CSOs role in democratic development might be reduced to that of project implementers/service providers.</li> </ul>	There is no explicit mention of the roles of civil society.
<b>Access to funding to CSOs through projects (calls for proposals), capacity building programmes, or joint funding</b>	<ul style="list-style-type: none"> <li>* the tendency to move from projects to programmes (General Budget Support and SWAPs) may reduce financial avenues to CSOs.</li> </ul>	Preferred aid modalities are budget support and SWAPs

- The move towards more programme and sector wide approaches, as well as towards general budget support implies a re-thinking of how CSOs can usefully be associated to these new approaches, both in their watchdog role (monitoring GBS) and as aid recipients. Yet evidence from the field suggests that much remains to be done to ensure a coherent integration of the CSO channel in the new aid paradigm.
- More resources are being channelled directly through donor field offices and partner country authorities, which has two main consequences: 1) it profoundly changes the relations between North and South CSOs and 2) the channelling of funds through partner country authorities represents a risk of an increased control on civil society and a difficulty for the more critical CSOs to get access to funding. In addition, the trend to channel larger volumes of aid could make it harder for smaller CSOs to survive.
- The aid effectiveness agenda also applies to CSOs themselves: donors increasingly put an accent on the 'internal governance' of CSOs, their efforts of harmonisation and coordination, and their accountability

The short analysis of how the civil society is battling its way into the Paris Process illustrates the challenges awaiting local governments if they decide to also enter into this arena. The complexity of the issues at stake means that the transaction costs for participating in the debate will be high, especially in the beginning, when local governments need to get informed and organised. Further down the road, it will be a long uphill struggle to bring the voice of local governments to bear on aid effectiveness processes at country and global levels. Success is not guaranteed as there is no shortage of forces at work who prefer to keep the process confined to the traditional partners (central governments and donor agencies). However, considering the impact the implementation of the Paris-Accra agenda is likely to have - for the better or the worse- on the overall aid system, local governments seem to be obliged to engage in this process. Being absent or silent is simply too risky in the view of the fundamental development roles now ascribed to local governments.

## PRESENTATION OF THE GLOBAL FUND FOR CITY DEVELOPMENT

### *“Which are the new financial tools to promote decentralised cooperation?”*

*By Ghazi Hidouci, Former Minister for Finances, Alger*

#### **Introduction**

First of all I would like to thank UCLG Capacity and Institution Building (CIB) Working Group for this invitation. This offer us the opportunity to present the FMDV; a fundamental initiative to support cities to find the necessary funding of their urbanization and development investment needs.

Three years ago we were at UCLG board meeting to present the project approach of FMDV as a new innovative complementary instrument designed to take into account local and territorial strategies and needs. Today I am here to present you the results of a long feasibility study conducted by Metropolis General Secretary which has involved various public partners, such as the World Bank and economic and financial organizations dedicated to urbanization.

#### **Presentation of the Project**

It's not necessary to remind you the context of the urban crisis, particularly for poor and emerging cities. It's your daily preoccupation. What I would emphasize here is that the main objective of the FMDV is to ensure optimal conditions to attract the necessary funding and to organize its mobilization.

In this perspective the best way for success is

- To mobilize the efficient technical assistance for poor and emerging cities, coming from experienced cities with high success and capacities: METROPOLIS and UCLG insist on the necessity of mobilizing the experience and the savoir faire of developed and of some emerging cities in order to support the local leadership of management of urban projects.
- To reduce the costs of projects and management of urbanization,
- To develop adapted economic and financial models, able to ensure local development for the long term.

This approach is not an alternative, it's complementary to the sectorial approaches providing them a medium and long term territorial vision. FMDV is one opportunity to reinforce the financial capacity of the decentralized cooperations and give them more ambition.

I would like to summarize briefly the spirit of the FMDV project.

#### **Our economic model:**

A good vision of urban development has to link macroeconomic constraint with national urban policies and local actors responsibilities.

In this perspective, a main focus of the economic model is to enhance the efficiency of municipal and regional policies.

It aims to ensure the coherence of the programs and strategies and to remove the methodological, technical and regulation barriers which disrupt this coherence..

During three years, this approach has been tested through two pilot projects in different contexts of poverty.

The FMDV approach recognizes and associates systematically four types of partners: national institutions and local institutional authorities, economic players, associations, NGO's and other forms of organized civil society in order to reduce the costs and attract financing, manage the urban programmes and their funding, elaborate economic studies, audit and evaluations . This approach facilitate the evaluation of the economic and social effects of local programmes in terms of services provided, activities, revenues and funding as part of a local development approach enabling assessment of funding capacities in the near, medium and long term.

### **Our Financial model**

The FMDV, if necessary with appropriate financial institutions, elaborate analysis of the solvency of the local authority's project and rating, elaborates mechanisms and secure management tools for market financial transactions, assist local authorities for introduction of funding requests to the market at low costs.

The financial model establishes close relationship with institutional partners for the access to concessional and market funding e c for national currency and credit.

It considers two possibilities. One is to access to services and products of institutional financial intermediaries like I.F.C. When possible it is better for FMDV which is non commercial entity and for partial credit guaranties.

The other, is to create PPP with market intermediary receiving significant market recognition. Our first PPP project is with EDI.

### **The activity of FMDV is funded by:**

- Subscriptions of founders
- contributions from budgetary funds in the form of contributions from founders;
- contributions from multilateral and governmental public donors and private foundations whose aim is to support the effective development of sustainable urbanisation, particularly in situations of poverty;
- contributions in kind;
- financial engineering activity remunerations;
- expertise activity remunerations corresponding to funding of project studies.

We are actually preparing the constitutive general assembly of the FMDV that will take place here in Barcelona on October the seventh.

After meeting the local governments of Africa, Latin America and Middle East and Asia, we are now going to meet the most important partners.

We met on the beginning of the month the World Bank and we have achieved excellent results. WB is the most important partner because national, multilateral and private donors are always following what the bank are choosing and doing.

Moreover, central governments collaborate easier in the field of urban development and finance when the World Bank is directly or indirectly involved. This situation benefits actually a lot to the decentralization process in under-managed territorial situations.

Last week; we held the preparatory meeting of the board of directors of FMDV in Istanbul. The founding local governments prepared all the projects of decisions of the first general assembly witch will take place here in Barcelona on october the 7th.

I take this opportunity to call for support of local authorities who have not yet joined them and ask them to support this initiative in order to join the cooperation agencies in their communities and their country.

## THE IMPACT OF DECENTRALISED COOPERATION

### ***“How to achieve greater recognition for the specific values of decentralised cooperation and how to demonstrate and prove the impact?”***

*By Enzo Caputo, Development Economist (PhD),  
Senior Expert, Development Researcher´s Network,  
Rome*

#### **Measuring the impact of decentralised cooperation and its correspondence with the Paris criteria: elements covered in Enzo Caputo’s speech**

##### ***Interinstitutional decentralised cooperation***

1. What we are discussing is a specific case of decentralised cooperation: interinstitutional cooperation. This is understood to be an *inter pares* relationship in which equivalent decentralised institutions exchange practices, models and knowledge in order to strengthen the political and institutional situation of all the partners.
2. In interinstitutional decentralised cooperation the principles of appropriation and alignment of the Paris declaration are particularly strong given that the condition for cooperation is that the receiving institution requests the contribution of the offering institution to help in the completion of a reform process arising from the institutional context of the receiving institution.

##### ***The purpose of the evaluation***

3. As this deals with interinstitutional cooperation designed to result in the provision of institutional strengthening, the main methodological problem of evaluation is the recognition and measuring of this type of result. Literature on the evaluation of institutional strengthening focuses on the products of the cooperation (for example, trained personnel, created functions, etc.), which do not in themselves involve any actual political or institutional changes. It also focuses on development results (for example, welfare and the levels of democracy of the communities), and its success depends on numerous other factors and requires long periods of time. Within this framework, it may be difficult to evaluate the contribution of interinstitutional cooperation.
4. We have proposed (Mexico City article) a focus on an intermediate stage between products and development results. This is why we have used an effects diagram, based on the logical framework method.
5. A methodological specification on the use of the logical framework is required. This identifies a logical sequence of actions required to reach an objective arising from a specific context and enables the representation of this sequence in the form of an objectives or effects diagram, that is, changing the selected ‘direction’ and the use that is expected to be made of it. Other aspects include the planning and evaluation methodologies based on the logical framework, such as the management of the project cycle and the ZOPP approach. The use of logical diagrams is compatible with various methodologies. For example, in an evaluation, there may be total compatibility between the use of an effects diagram (logical framework) and

the use of a particular method, such as the 'Most Significant Change' technique. This technique replaces (or integrates) the use of predetermined indicators with the participative identification of the actual changes, which can be compared to the changes expected in the diagram. The MSC technique does not negate the causality (or contribution) process between an action and its effects; rather it simply contemplates and emphasises the possibility that these effects are not predictable.

6. The intermediate stage between products and development results is the most interesting aspect of the evaluation of interinstitutional decentralised cooperation in conjunction with the verification of interinstitutionality (conformity with the Paris criteria covered below). This intermediate stage can be defined in various ways.

'Institutional products' underlines the fact that it is a question of effective changes in the cooperating institutions and not products generated by the support programmes to be evaluated (normally an evaluation is carried out by the receiving institution, but it may also be of interest to the offering institution, whose aim is also to seek transformation objectives). Institutional products may be significant changes in focus and attitude, changes in structure and procedures, changes in policy or laws. Some may also have been contemplated by the programme with specific actions. Others have been facilitated indirectly and/or without attention. In all of them, the change has been determined by the institution itself, taking advantage of a set of internal and external factors with which the actions of the programme are combined in a contribution relationship.

Another definition used by these products is 'induced products' as opposed to the 'direct products' of the support actions.

7. These induced products or institutional results are produced by the institutions themselves, using the support of the cooperation. In the majority of cases, interinstitutional cooperation benefits both parties. Accordingly, it would have to be possible to identify institutional innovations in both parties, although the evaluation may be concentrated in only one of the parties. The innovations have to show a strengthening of the capacities of the institutions and not simply completed actions (performance): for example, results of change/strengthening in strategic reflection, monitoring of policies, administrative and budgetary political change, etc. To identify these results two methods are available: certain instructional indicators already covered in the Mexico articles referred to above and other institutional changes identified with the most significant change technique.

### ***Interinstitutional decentralised cooperation***

8. The other major aspect in an evaluation of interinstitutional decentralised cooperation is the verification of the application of the Paris and Accra criteria. In general, the intervention covers the application of the Paris and Accra criteria as a consequence of the interinstitutional nature of decentralised cooperation. The theory suggests that weak interinstitutionality is a weakness factor in the effectiveness of institutional change that is sought.

9. The measure of interinstitutionality may be given by the level of appropriation mainly with respect to the receiving party but also the offering party (whose appropriation determines the quality of the inputs). Some indicators (in the broadest sense of the word) may be used in this sense, for example, in the case of the recipient: a) if it has requested the support of the offering party after having chosen from the various alternatives (previous exchange of experiences); b) if the support focuses on processes that are at the centre of the political agenda of the recipient. Other indicators will be discussed.