



## **External Support for Decentralization Reforms & Local Governance Systems in the Asia Pacific: Better Performance, Higher Impact?**

# **Functional Assignment in Structuring Decentralized Sector Systems - Emerging Practices and Methodology**

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**External Support for Decentralization Reforms and Local Governance Systems  
in the Asia-Pacific: Better Performances, Higher Impact?**

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# Overview

1. Context, Practices, and Emerging Methodology of Functional Assignment
2. Some Case Studies (Cambodia, Pakistan, Indonesia)
3. Observations & Challenges
4. The Role of Development Partners

# FA as Part of DLG Reforms (1)

## Functional Assignment in the Decentralisation Process

Political commitment to decentralization

Restructuring/political empowerment of SNG

**Functional Assignment process (map, review, transfer)**

Revamped transfers and revenues arrangements

Revamped civil service arrangements

Legalization of new FA etc. and legal harmonization

Revamped support and supervisory system

Time

Functional assignment is foundational for decentralization, but all of the above building blocks need to be given attention, at appropriate times, if decentralization is to be successful.

# FA as Part of DLG Reforms (2)

In reality, often done badly

- In haste or taking too long, delaying the reforms
- In a superficial manner, lack of details -> not helpful in implementation
- Lack of consultation and lack of transparency -> lack of consensus

Lack of knowledge and expertise

- Done in waves and episodic; no institutional memory
- Lack of documentation -> cannot share experiences with peers
- Lack of internal and external support systems (literature, academia, training institutes, consultancy sector)

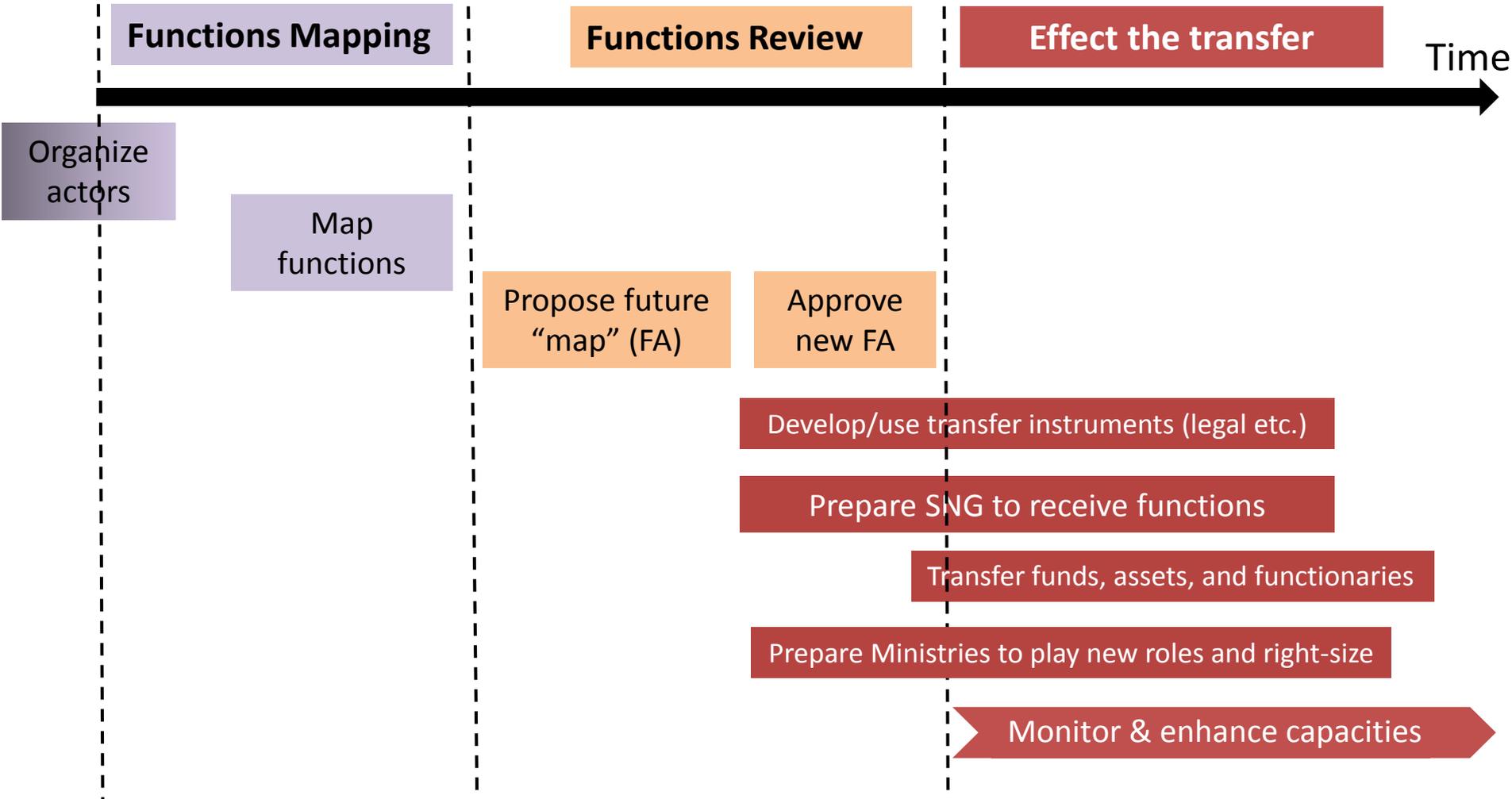
Missing linkages with other elements

- Institutional fragmentation of DLG reforms
- Unstructured policy reform process, driven by short-term opportunities and political entrepreneurship
- Issues of intra-governmental coordination

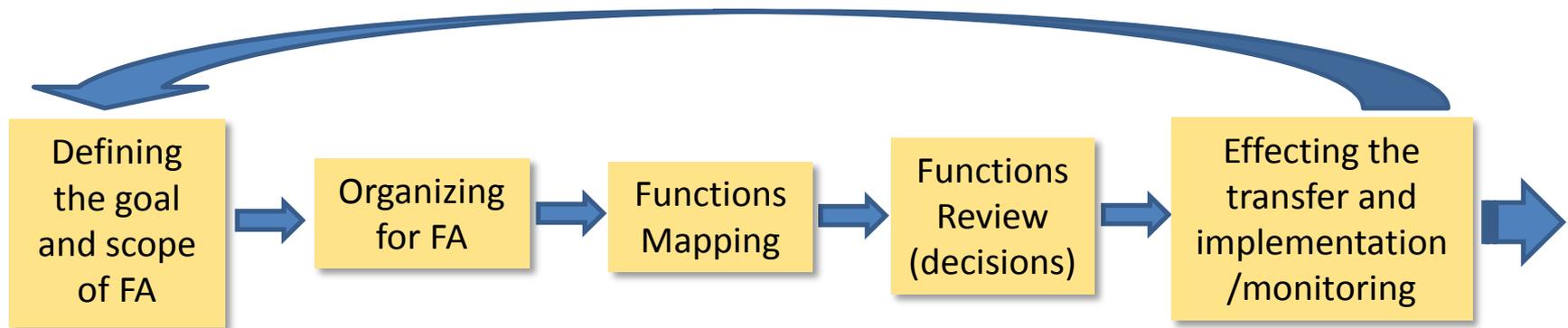
Political economy of public sectors

- Confusion about functions and mandates favours entrepreneurship within public administration
- Assigning functions to levels of government ultimately a political decision but political nature of the process remains hidden

# Stages/Sequence in Functional Assignment (FA): an Emerging methodology



# The emerging FA methodology: a business process view



- Some clarity needed early on, but hard to get
- If too murky or heavily contested, can come back to haunt later in the process

- Process needs to be well guided across sectors
- Ministries play leading role, do not simply wait for decisions, and then seek to scuttle them

- Not threatening; just laying out clearly who is doing what
- Use unbundling and other tools to map out current situation

- Use same tools as in mapping, but in proposing changes
- Political decision is obtained, working up from ministry to government

- A systematic anticipation of actions needed to transfer the functions effectively and consistent with intent and principles (e.g. resources matching, modalities)

# General features of FA Methodology (1)

- **...core elements:**

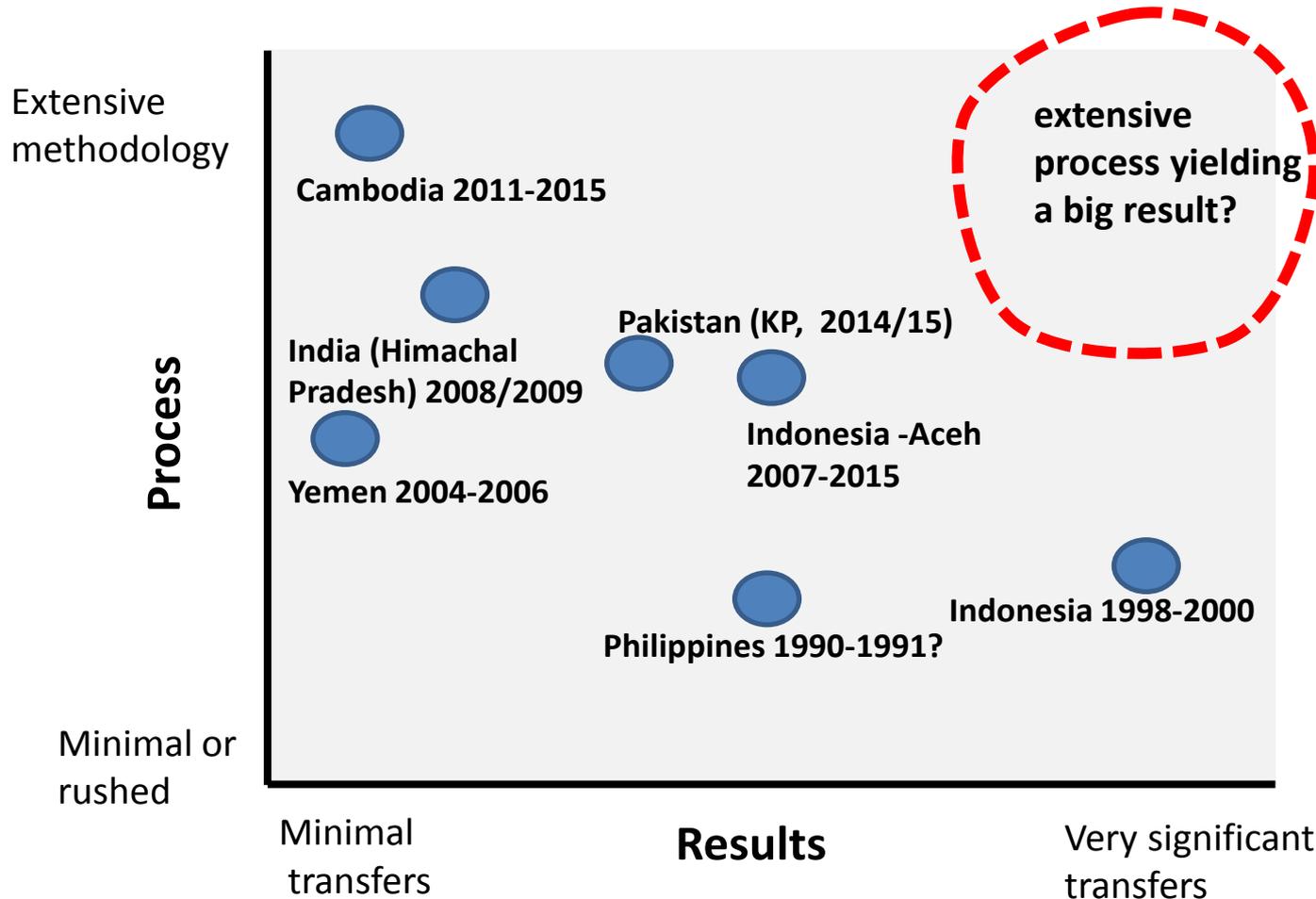
- Flexibility in approach, no „one size fits all“ in terms of scope, timing, rigor, support
- Stakeholder participation, with transparency and openness of the process
- sector institutions play leading role...
- ...but steering of process by local government ministry and/or inter-departmental coordination body
- Changes sector frameworks rather than seeking omnibus legislation

# General features of FA Methodology (2)

## Core techniques:

- **Principles and criteria** to aid decisions (e.g., subsidiarity, externalities, economies of scale, current & potential capacity of receiving level and others)
- **unbundling of substantive parts** of the sector/functions in terms of substantive areas (e.g., “water” into irrigation, clean water supply, hydro-generation etc.)
- **Unbundling of management functions** (like planning, policy formulation, financing, implementation, regulation etc.) for detailed scope of assigned responsibility
- **distinction of mode of decentralisation** (devolution, delegation, deconcentration)
- **Distinction of obligatory versus discretionary** nature of functions
- **Stages of the FA process:** functions mapping, functions review, effecting the transfer.

# Process versus results: no obvious pattern yet



- Methodology was vague in late 1990s; focus on „criteria“, and internal to govt.
- More participatory and elaborate techniques in early 2000's (e.g. Yemen, Aceh)
- Highly elaborated in Cambodia 2012-2015
- Too early to see pattern, but fair to ask if emerging methodology has promise or not

# Why the emerging methodology has some appeal

- **Government view:**
  - Helps to make clear a murky situation
  - Helps to structure options
  - Not initially threatening- only near the end is commitment needed
  - Great way to dither and stall?
- **Stakeholders view:**
  - More transparent
  - More easily accommodates participation at key points
- **Supporting cast (DPs, academics, consultants)**
  - Has a technical dimension that “experts” can bite into and become service providers
  - Some recognition that this aspect of decentralization has not been well done in the past

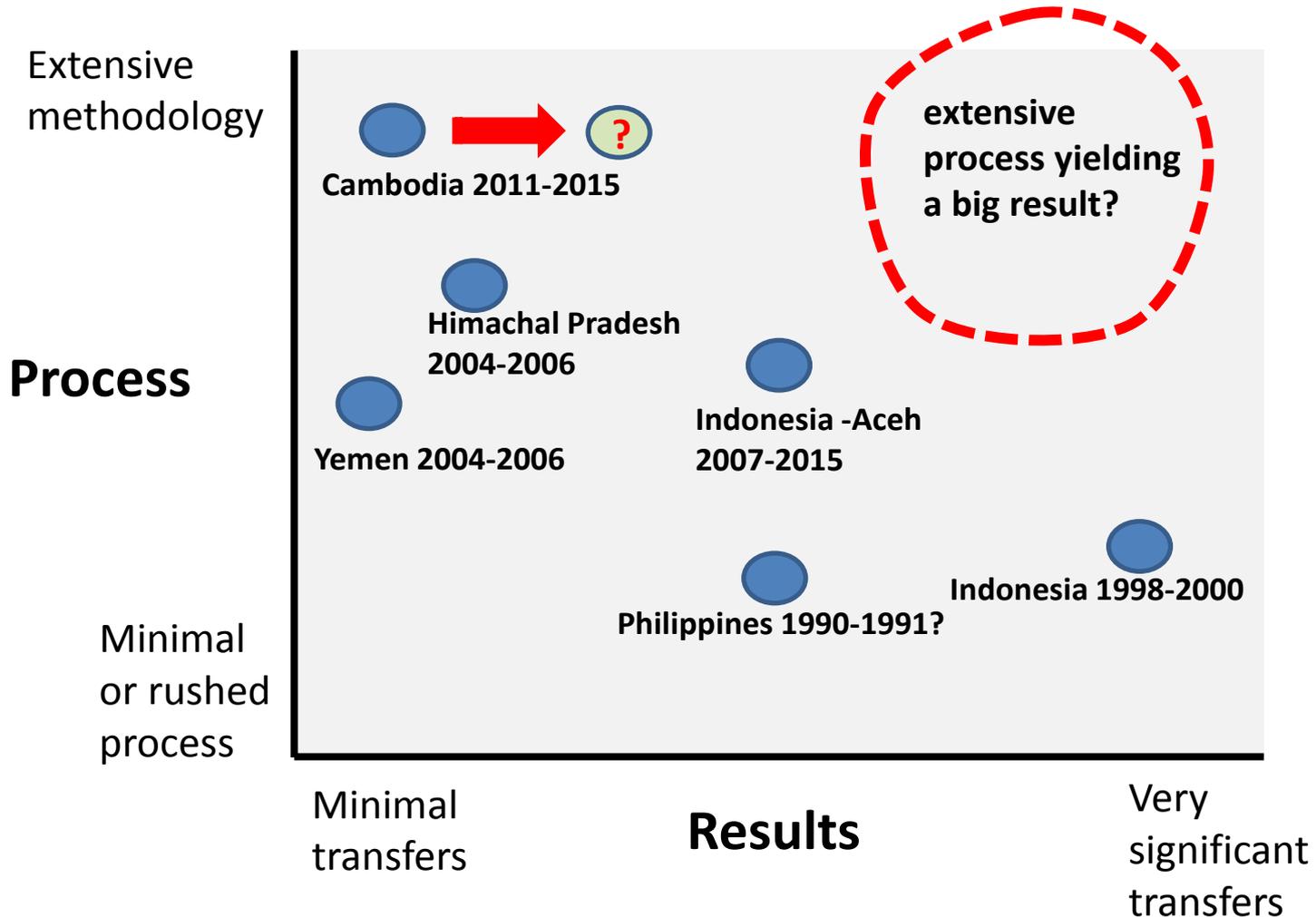
## **Case Studies**

- Cambodia
- Pakistan (Khyber Pakhtunkhwa)
- Indonesia (Aceh)

# Cambodia

- Long process: 2011-2015, with strong support from GIZ, EU, ADB, UNICEF
- Most developed and rigorous methodology so far of any observed/reported country
- Functions mapping done well on the whole, but matching resources difficult
- Proposals from functions review tended to avoid significant changes (in “first round”)
- Currently Prime Minister has instructed key ministries to transfer a significant function
- **Observations:**
  - Dithering and stalling has led to lots of piloting, supported by DPs, but conceptually confused, limited in scope, and unrealistic in their objectives
  - DPs have played a useful role in introducing the methodology of FA, but have been incoherent otherwise. ADB has also missed opportunities in its sector based work.
  - DP harmonization has been problematic, EU SPACE is one effort, and EU, ADB, UNICEF has cooperated well on occasion
  - Low level of demand (public, CBOs, NGOs, academics, league of Councils, parties) has allowed dithering/stalling, but this is changing; may have led to action by Prime Minister
  - Capacity built by going through methodology places stakeholders in a good position to follow through

# Cambodia may be pursuing greater results



# Pakistan (Khyber Pakhtunkhwa)

- Local Government Act passed in 2013, elections in 2015
- 2014/15 FA exercise in elementary and secondary education
  - ⇒ new functional map, HR and budgetary analysis, sector road map
  - ⇒ Use of results not yet clear: road map for overall DLG reforms and coordination mechanism missing, powerful DP-funded vertical programmes disregarding devolution agenda
- 2015: FA exercise in health (ongoing) and rural development (upcoming)
- **Observations:** need for political leadership; strong influence of DPs; lack of intra-governmental coordination a major obstacle; fragmentation of reform efforts

# Case Studies (3)

## Indonesia (Aceh)

- Focus on FA between central government and Aceh, as result of peace accord and Law 2006; subsequently focused on Aceh – district government FA
- Period 2007-2011 (supported by GIZ) saw most achievement, but no regulation; just completed in 2015 (oil and gas, maritime resources, and land management were stumbling blocks)
- Aceh versus district governments still playing out.
- Special team struck by Governor guided sector units in Aceh, negotiating with similar team (Home Affairs led) in Jakarta.
- **Observations:**
  - Consultation and unbundling were key approaches; identifying functions more clearly (than in the national framework) also helped.
  - GIZ support was crucial, Effort slowed when GIZ ended, but sufficient capacity was built up to help see the process to an end in 2015 (central government-Aceh FA)

# Observations & Challenges (1)

- Decentralization will tend to happen when the pressure for it builds; hard to plan it in systematic way – or should not expect progress to be linear in such an approach
- Technical aspects are often difficult enough, but having constant and clear political support is key (and rarely obtained)
- Whatever the political urgency, the emerging FA methodology can bring in some rationality, transparency, and consensus building
- The methodology can be tripped up by unresolved technical and political (mis)understandings and commitment to the DLG policy => lack of consensus/ discord can show up in subsequent steps
- Consensus among key actors more important than a “scientific/rational” best assignment.

# Observations & Challenges (2)

- Some specific pitfalls observed:
  - Transferring functions without resources
  - Transferring tiny and fragmented functions (activities) -> high granularity of “functions”
  - Transferring functions that were never done/ funded in the first place or are evidently discretionary functions (not obligatory)
  - Promoting general competence (instead of transferred functions) but without finances to make a “right of initiative” meaningful
  - Accounting of staff, assets, funds is centralized and not well aligned with existing functions:
    - Budgets are based on facilities or encompass entire administrative level
    - Two or more levels of government subsumed under one sector budget
    - Staffing and other resources come under different budgets (routine versus development) and more than one national level institution
    - Budgets may come from deconcentration channel as well, and from development partners direct

# Observations & Challenges (3)

- Obtaining/disentangling data is not easy
  - Financial transparency by ministries is not always welcome
  - Ministry or external staff time and skills not easy to find for this extra financial task
- Function can fall under mandate of more than one institution
- Little use of participatory vehicles (e.g., government commission, discussion forums, regional/local government associations roles; CSOS/University networks)
- Involvement of stakeholders is helpful in lending legitimacy and arriving at workable decisions, but stakeholders need to be assisted in taking part. All too often government is unwilling or unable to facilitate this participation.

# The Role of DPs (1)

- Great variation in DP support (intensity, level of detail, sector priorities)
- DPs can help to disentangle FA role and sequence it
- DPs should be wary of overcommitting if FA process is window dressing/delay tactic
- DPs ought to be more concerned with raising capacity of domestic expertise to assist government or hold it accountable in FA exercises

# The Role of DPs (2)

- Major concern: focus on sector reforms/ service delivery targets by means of vertical programmes can and does undermine governance reforms like DLG
- General lack of expertise/knowledge management/ documentation of cases for peer learning
  - Need to build up internal and shared expertise
  - Need to institutionalise training and knowledge sharing (e.g. using SDC/LOGIN e-course as a starting point -> institutional anchor?)

# Conclusions

- FA has many conceptual and practical issues that pose challenges
- DPs can do better in applying FA methodologies, if they become more capable, focus on raising domestic capacity, and keep an eye on political context
- More documentation/sharing on FA is badly needed
- Need for learning opportunities

# BackUp

Additional Information

# Some FA exercises in emerging markets are assisted externally

- **India (2007-11):** GIZ (Himachal Pradesh), SDC (Sikkim), UNDP (national)
- **Cambodia (2010-2015):** EU/SPACE, ADB, UNICEF, UNDP
- **Nepal (2012-2014):** GIZ, UNDP
- **Indonesia (2000-2011):** GIZ, World Bank Trust Fund (DSF), USAID, ADB
- **Iraq (2005-2014):** USAID
- **Jordan (current):** UNDP

# Examples of Functional (Re)Assignment Exercises

- **Germany** (disentanglement between federal and state levels)
- **Canadian provinces** (downloading from provinces to municipalities)
- **Hungary**, radical - tied to new territorial structures (former Soviet block)
- **Indian states** (activity mapping...)
- **Cambodia** (function mapping/assignment/delegation)
- **Nepal** (in early stage of shift to federation, superseding prior devolution)
- **Indonesia** (several revisions; special deal for Aceh; now village level)
- **Ecuador** (
- **Iraq** (following new constitution, and likely with “federalism” to come)
- **Jordan** (exploring it; several middle east/North African countries were becoming interested in early stage of Arab Spring...)
- **Uzbekistan** (still in the process of revamping Soviet era system)
- **South Africa** (revisiting its great reliance on concurrent functions at all levels)

# Case Study: Education Sector in Khyber Pakhtunkhwa, Pakistan (1)

- March 2014: FA Workshop with officials
- December 2014: Review of Results, Establishment of internal „drill-in groups“ to review in detail the proposed new arrangement
- February 2015: Drill-in Groups meet
- March 2015: Analysis of budgetary and HR implications of new functional arrangement; formulation of road map to implement devolution in the education sector (time line: April 2015 – FY 2016/2017)

# Case Study: Education Sector in Khyber Pakhtunkhwa, Pakistan (2)

- April 2015: Endorsement of FA results by Minister
- April 2015: Communication to Local Government Department on the wording of the education part in the new District Governments' Rules of Business

# Case Study: Education Sector in Khyber Pakhtunkhwa, Pakistan (3)

An example of the resulting FA arrangement

Functional Assignment in Primary & Secondary Education							
Sector Planning	Policy	Planning	Budget & Funding	Regulation	Maintenance & Repair	Monitoring & Evaluation	Implementation
Current situation	E&SED	E&SED	E&SED	E&SED		E&SED	E&SED
Proposed after devolution	E&SED	E&SED (Province-wide strategic planning)	E&SED	E&SED		E&SED	E&SED
		District Government (District Plan)	District Government			District Government	District Government
Remarks	Under devolution, sector planning needs both a bottom-up und top-down mechanism: the province needs to receive meaningful data and information from the districts which enable the Government to formulate a strategic plan for the whole of the province. Such a strategic plan would cover functions coming under provincial jurisdiction and functions coming under the jurisdiction of the district governments. Once approved, the district governments must take the provincial plan into account in making their own district plans.						
Major consideration:	externalities of the issue.						

# Literature, Resources (1)

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- Government of India -Ministry of Panchayati Raj. 2009. Guidelines for devolution of Functions, Funds and Functionaries (3Fs) to the Panchayati Raj Institutions (PRIs) through Activity Mapping.