# Basic Concepts of Functional Assignment



# Workshop Report

# 2-4 September 2015

# Bangkok, Thailand

**Local Governance Initiative and Network (LOGIN)** is a multi-stakeholder knowledge exchange platform that supports greater decentralisation and strengthened local governance in South and East Asia. Working in favour of accountable, transparent and inclusive local governance, LOGIN facilitates knowledge sharing and peer-engagements on key governance issues amongst stakeholders. Spanning over 10 countries, LOGIN's members include training institutions, elected representatives, think tanks, government departments, non-governmental organisations and inter-governmental organisations, among others. Since its inception in 2013, LOGIN has been connecting and capacitating various actors and change agents who are driving reform agendas within their countries and the region.

As part of LOGIN's thematic focus on Public Service Delivery, an orientation and sharing workshop on the basics of functional assignments was held from 2-4 September, 2015 in Bangkok, Thailand. This Learning Offer provided an opportunity for LOGIN members to understand the concepts, principles, processes and challenges entailed with regard to functional assignment. LOGIN members from the government, training institutions, non-governmental organisations and civil society actors working on strengthening public service delivery at the local level in their countries participated in this Offer. This Workshop Report summarizes the methods and proceedings of the three-day orientation event.

LOGIN is supported by the Swiss Agency for Development and Cooperation.

# Table of Contents

# Abbreviations

| | |
|---|---|
| FA | Functional Assignment |
| GA | General Assembly |
| LDF | Local Development Funds |
| LG | Local Government |
| LOGIN | Local Governance Initiative and Network |
| M&E | Monitoring and Evaluation |
| NGO | Non-Governmental Organisation |
| PE | Political Economy |
| SDC | Swiss Agency for Development and Cooperation |
| SNG | Sub-National Government |

# Executive Summary

The LOGIN Workshop on Functional Assignment, held during 2-4 September 2015, sought to provide orientation to concepts, principles and processes of functional assignment (FA), and enable participants to conceptualise country-specific approaches to FA. 31 participants from 10 countries including Afghanistan, Bangladesh, Bhutan, Cambodia, India, Indonesia, Mongolia, Myanmar, Nepal and Pakistan came together in Bangkok and engaged in three-days of intensive deliberations.

FA is the process of assigning governmental functions to the different levels of government. Assigning functions is not a one-time affair; it involves continuous efforts driven or restricted by various socio-economic and political forces. Getting the right functions assigned to the right authorities helps in using public resources more effectively and increasing the efficiency of the public sector at national and subnational level. Capacity development is not auxiliary, but integral, to the FA process, since both the national level and sub-national government (SNGs) would require new capacities to perform the newly assigned and/or modified functions.

Functions could be assigned through one of the three modes of decentralisation – deconcentration, delegation and devolution. Functions could be either reserve/exclusive or concurrent. They can also be either obligatory or optional.

A normative view of FA is provided by the business process model put forward by the resource persons, based on their experience in supporting several FA exercises, particularly in Asia. The model illustrates FA as composed of five steps: defining the scope and goal of FA, organising for FA, functions mapping, functions review, and effecting the transfer and implementation/monitoring.

The workshop participants used the basic concepts of FA to critically examine their own country contexts. Some of the common points that emerged included the importance of political will in pushing the FA process, similarities in challenges to FA, the tight link between devolution of funds and functions, and limited citizen participation (in practice if not in principle) in the FA process.

Mapping functions involves two steps: (a) vertical unbundling: Disaggregation of each sector into sub-sectors and clusters of functions, and (b) horizontal unbundling: Disaggregation of each sub-sector into constituent functions, i.e. deciding who is currently responsible for policy making, planning, implementation, monitoring and evaluation and so on. This pertains to the de jure (legal framework) as well as de facto situation (what is happening on the ground). In the next step, functions review is undertaken, wherein a proposal is prepared, mapping out the new distribution of functions. The proposal would include: (a) resource implications (funds, assets, staffing), (b) modality of functions (obligatory/discretionary; devolved/delegated), and (c) capacity development required.

With this detailed knowledge at hand, participants split into four groups and deliberated the ideal FA process from their group's perspective. The first two groups were composed of government officials, the second group of think-tanks/NGOs and the third group of elected representatives. The exercise brought out the specific roles of various stakeholder group in the FA process.

Although FA is largely technical in nature, political economy factors must be given due consideration. Political Economy (PE) analysis elicits the driving and restraining forces affecting FA. At the end of the workshop, participants presented the concrete follow-up actions that they would undertake when they go back to their home countries. The action plans included sharing the knowledge with fellow country platform members, and establishing partnerships with government departments to push for FA reforms.

# 1. Background

Functional assignment (FA) was identified as one of the learning priorities for the year 2015 by LOGIN members at the 2nd General Assembly held in December, 2014. LOGIN member countries have diverse experiences in functional assignment.  Members felt the need to gain exposure to the technical aspects of the FA process and hence an orientation workshop was conceptualised. The workshop was held between 2nd and 4th September 2014 in Bangkok, Thailand. There were 31 participants from national governments, local governments, think-tanks, Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs) and international Non-Governmental Organisations (see Annexure II for the list of participants). Apart from nine LOGIN member countries (Afghanistan, Bangladesh, Bhutan, Cambodia, India, Mongolia, Myanmar, Nepal and Pakistan), Indonesia was also present to share its rich experience in FA. Mr. Rainer Rohdewohld and Mr. Gabriele Ferrazzi provided their subject expertise to the design, content and processes of the workshop. The learning process was facilitated by Mr. Cherian Joseph.

The workshop intended to:
- Provide orientation to concepts, principles and processes of FA
- Enable participants to conceptualise country-specific approaches to FA
- Seek ideas/feedback on the coverage, content and delivery of the proposed e-course on FA

This report captures the content as well as the proceedings of the three days. FA-related content is indicated in boxes, while the proceedings have been recorded in the running text.

# 2. Day 1

## 2.1 Session 1: Inaugural

### 2.1.1. Secretariat Presentation

The team leader, LOGIN Secretariat, welcomed the participants and provided a brief introduction to the network, including its structure, objectives and signs of change that the network has triggered in member countries. The team leader noted that issues of local governance are transnational, which makes convergence of different countries on a single platform meaningful. LOGIN's activities, while engaging a range of institutions, finally aim at the citizens. These activities are clustered into thematic areas that are interconnected. Hence it is expected that participants from one learning event would make connections with, and contribute to, the other learning events. LOGIN's focus in these events has been on content as much as on methods. The team leader expressed hope that in future, the one-off learning events would lead to an increasing number of peer-partnerships that bring together members in long-term knowledge partnerships with each other. The network is currently re-examining its structure, membership expansion and sustainability. In the long run, LOGIN would like to position itself as a strong, sustainable South-South facility for knowledge exchange.

### 2.1.2. Introduction of Participants

The learning facilitator welcomed the participants and engaged them in a series of ice-breaking exercises to help them know one another. Participants were requested to wear name tags indicating the name that they would like to be addressed by. Participants were the given special 'passport' cards, each of which had a colour, a number, an animal and a figure. Participants were asked to form groups according to these four cues, one after another. In the first round, participants were asked to introduce themselves to their group members. In the second round, they were asked to discuss the question 'why a workshop on FA?' In the next step, participants were requested to put their signatures on a white board. Clusters of signatures were made and each cluster was declared a group. In these groups, participants were asked to discuss the question 'do we need to champion FA?' Subsequently, groups were formed by the animals and figures on the 'passports' and asked to discuss the questions 'Which other institutions should have been there in the workshop from your country?' and 'what do you expect to learn from this workshop? What will you bring to the workshop?' respectively. The five rounds of grouping and regrouping helped participants to be introduced to one another right at the beginning of the workshop.

### 2.1.3. Workshop Objectives and Learning Outcomes

The objectives of the workshop were to:
- Provide orientation to concepts, principles and processes of FA
- Enable participants to conceptualise country-specific approaches to FA
- Seek ideas/feedback on the coverage, content and delivery of the proposed e-course on FA.

The resource persons pointed out that different countries were at different stages of assigning functions to various levels of government. Hence the workshop would primarily entail give-and-take of knowledge by the participants. Although a model of FA would be presented at the beginning, the workshop will be sensitive to the diversity of political realities and institutional environments in participant countries. Thus, the model presented would serve as a basic outline that would help participants emphasise, criticise and modify specific aspects of FA depending on their contexts. The basic principle applied in all discussions would be expert-learner duality: a participant is both an expert as well as a learner and therefore gives as well as takes knowledge from fellow participants.

The expected learning outcomes of workshop were the following:
- Be familiar with modes of decentralisation and typologies of FA
- Understand essential elements and stages of FA
- Be familiar with the legal construction of FA.

The resource persons noted that the framework of LOGIN allows not only government and elected representatives, but also other kinds of institutions to partake in learning about FA, which is a subject that otherwise gets restricted to government bodies and technical experts. They hoped that the workshop would not remain a one-off event and that the discussions would continue beyond the three days, based on common understanding and feedback that emerge. The workshop was also a reminder that there are reform areas that still need attention and do not find place in the popular decentralisation reform agendas in many countries.

## 2.2 Session 2: Basic Concepts of Functional Assignment

In this session, the resource persons presented the basic concepts of functional assignment. The main points from the presentation are elaborated below:
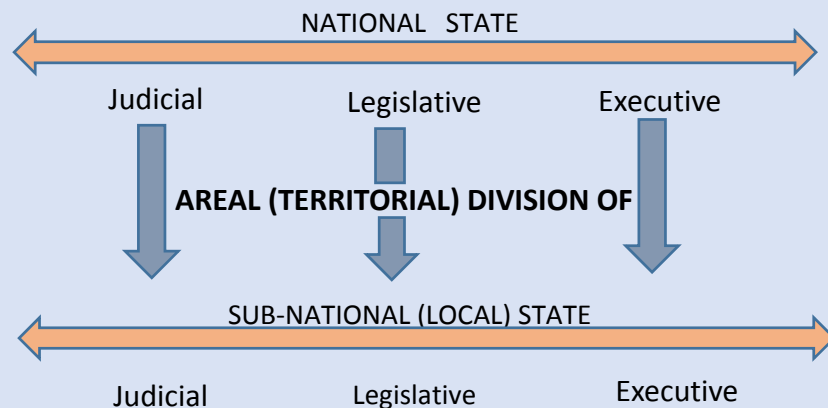
### 2.2.1. Scope of Functional Assignment (FA)

Functional assignment involves the allocation of roles to various levels of government, including the design of hierarchy and the supervision relationships between different levels. Some of the key topics that come under the broad umbrella of FA are:
- **Expenditure Assignment**: Expenditure assignment is the allocation of spending responsibilities to various levels of government. Though the term is often used synonymously with functional assignment, the two may not be the same always.
- **The Right of Initiative:** The right of initiative involves the right to make new proposals of legislations and bills.
- **General Competence**: General competence refers to the range of functions that a particular level of government should be competent to perform.
- **Right to Regulate**: A particular level of government should have well-defined rights to make regulations. This is related to the freedom of that level to choose the functions it wants to retain.
- **The Issue of Dual Roles**: In FA, it is important to note the possible dual roles that subnational government (SNG) officials might be forced to play. They might be expected to serve as officials serving the jurisdiction of the local government as well as agents of the central government.
- **Territorial Aspects**: FA also involves considering the territorial aspects – deciding the number of units, levels and associated functions.

### 2.2.2. Functional Assignment and the Division of Powers

In the 18th century, Montesquieu put forward the idea that the powers of the state should be vested in three separate institutional pillars of the state – legislative, executive and judiciary. In a country that employs devolution, the three pillars would be present at the local/subnational level as well. This scenario is diagrammatically presented below:

NATIONAL STATE

Judicial        Legislative        Executive

**AREAL (TERRITORIAL) DIVISION OF**

SUB-NATIONAL (LOCAL) STATE

Judicial        Legislative        Executive

In a decentralised system of governance, services are provided by governments at all levels according to a predetermined arrangement.

### 2.2.3. How does the Government Provide Services?

The  government can provide services in one of the following ways:

- Do it by itself by means of national  agencies which might or might not have branches/field offices in various parts of the country
- Seek assistance from SNGs by delegating specific tasks to them
- Permanently assign a function as the 'own task' of SNGs, giving them significant  control over it
- Privatise, wherein service production is transferred to private parties
- Entrust some functions to community groups. Examples of such functions include water management and social forestry
- Delegate functions to semi-autonomous agencies, such as special operating agencies and state owned enterprises, to provide services.

These choices for providing services are possible both at the national, but in a perhaps more limited way also at the sub-national level. Where there are many levels of SNG, these choices play out at each level, and the government attains a complicated design.

### 2.2.4. Modes of Decentralisation

The first three modes of provision of services outlined in the Section 2.3 respectively relate to the three modes of decentralisation – deconcentration, delegation and devolution.

- ***Deconcentration:*** Deconcentration is the internal delegation of administrative tasks to the representatives or branches of the central government dispersed over the national territory. A special form of Deconcentration is when certain SNG positions are designated to have dual roles – as a member of the SNG and as a representative of the central government.
- ***Delegation:*** Delegation involves the assignment of tasks (also referred to as agency tasks) to general purpose local governments or a special purpose/semi-autonomous body. The entrusted entities are often democratically accountable to their citizens, in addition to the central government. Delegated tasks may require the agreement of both parties, or may be imposed on the SNG. Sometimes there can be   resistance from the SNGs if, for instance, the SNG determines that the resources provided are insufficient to carry out the tasks.
- ***Devolution:*** Devolution is the transfer of functions, requisite power and resources, to SNGs. SNGs have considerable autonomy and are largely accountable to citizens in this scenario. The existence of a body of elected representatives underlines the political dimension of devolution. Devolution comes closest to the commonly used definition of decentralisation, i.e. the transfer of political, fiscal, and administrative powers to SNGs.

The table below elaborates how various aspects of service provision differ in the three modes of decentralisation.

**Table 1: Aspects of Service Provision in the Three Modes of Decentralisation**

| Aspect of Service | Deconcentrated Task | Delegated/ Agency Task | Devolved Function |
|---|---|---|---|
| Instrument | Ministerial decree and circulars | Law, regulation, government decree or ministerial decree/ circular | Constitution, law and related regulations |
| Source and receiver of authority | From a ministry, tasks are assigned to its own dispersed branches | From a representative body or ministry/ agency to SNG or special agency | From the state or central-level representative body to SNG |
| Funding | From ministry to its branches directly (does not show in SNG budget) | From assigning entity to SNG/special agency. In some cases, funded from broader transfers that are deemed to be sufficient to cover delegated tasks | Receiving level (through assigned revenues or block or conditional grants) |
| Staffing | Branch staff are central-level civil servants who are a part of the ministry establishment | The SNG/ special agency has its own staff, but operates under a national framework. It may also use staff seconded from the central government | SNG has its own staff, but operates under a national framework. The SNG has considerable discretion in hiring, firing and size of establishment. The SNG may also use staff from the central government; they are treated essentially as SNG staff |
| Internal organisation structure discretion | Branches are structured by the ministry, though often approved at cabinet or higher level | SNG/special agency can shape their units within a national frame and handle tasks in/within units of their choice | SNG can shape their units within a national frame, and handle functions in units of their choice |
| Implementation discretion | Variable, but usually limited by ministry regulations, procedures, standards and instructions. May be considerable ad hoc guidance | Considerably constrained by police, procedures and standards set by assigning entity, some discretion on implementation in some cases | High degree of discretion, but may be limited somewhat by national standards |
| Reporting/ accountability | From branch to ministry headquarters | Primarily to the assigning entity, but also to the SNG representative body and citizens | Primarily to citizens of receiving level. Vertical accountability remains and in principle is more pronounced in early stages of decentralisation |

**2.2.5. Choosing the Right Mode of Decentralisation**

Although the general perception is that deconcentration and delegation are weaker forms of decentralisation compared to devolution, there might be cases where there are strong reasons to keep some functions deconcentrated or delegated. The application of the right principles of FA would determine which level should have a function and to what extent:

- **Deconcentration** could be chosen as the preferred mode of service provision if it is paramount in the country to retain control of power, impose uniformity or stress nation building. This might be the preferred mode especially in contexts where capacities and funds are limited.
- **Delegation** is preferred where the higher level of government wishes to have control over local areas, but does not have organisational reach. In such contexts, the higher level government could enlist assistance from SNGs and others to provide services.
- **Devolution** could be the preferred mode if the primary goals are responsiveness and accountability to citizens, participatory decision-making, integration across functions that are interrelated and resource mobilisation.

Although devolution involves considerably more transfer of powers to the SNGs compared to the other two, a combination of the three is more commonly observed.

**2.2.6. Federal versus Unitary Structure and Functional Assignment**

In federal states, the constitution clearly states the functions of the federal and state/provincial governments, while in unitary states, the central government sets the framework of functions for SNGs. Within federal states, there can be a large variation in the level of decentralisation. For instance, Pakistan was a highly centralised state during 2001-10, while Canada has been a highly decentralised state. Unitary states may or may not have clearly defined hierarchies between levels of SNG. For instance, the Philippines has an explicit hierarchical structure; Indonesia is increasingly becoming hierarchical.

**2.2.7. Listing Functions**

Listing the functions of the various levels of government could be done in multiple ways. Two of them are outlined below:

- **Ultra Vires Model** or **Positive-Negative Lists**: This mode lists what functions a SNG is and is not supposed to perform. Such listing gives clarity and certainty regarding responsibilities, but often it can be too restrictive.
- **General Competence**: This mode is gaining increasing popularity because of its wider scope. General Competence/general mandate/wellbeing power/home rule provides a broad and permissive statement on the role of SNGs – what a SNG is ideally supposed to do at the local level such as citizens' welfare, economic development, conservation of the environment, maintenance of order and peace etc. It allows the SNGs to be more proactive in taking up tasks and frees them of the fear of going ultra vires, i.e. outside the given mandate. General competence needs to be complemented with clarity on key obligations or performance standards. However, in practice general competence can be seen only in a weak form as SNGs are generally not allowed to infringe on the functions of higher levels.

In reality, a hybrid that is somewhere between a strong ultra vires and a strong general competence scenario is observed in many governance systems.
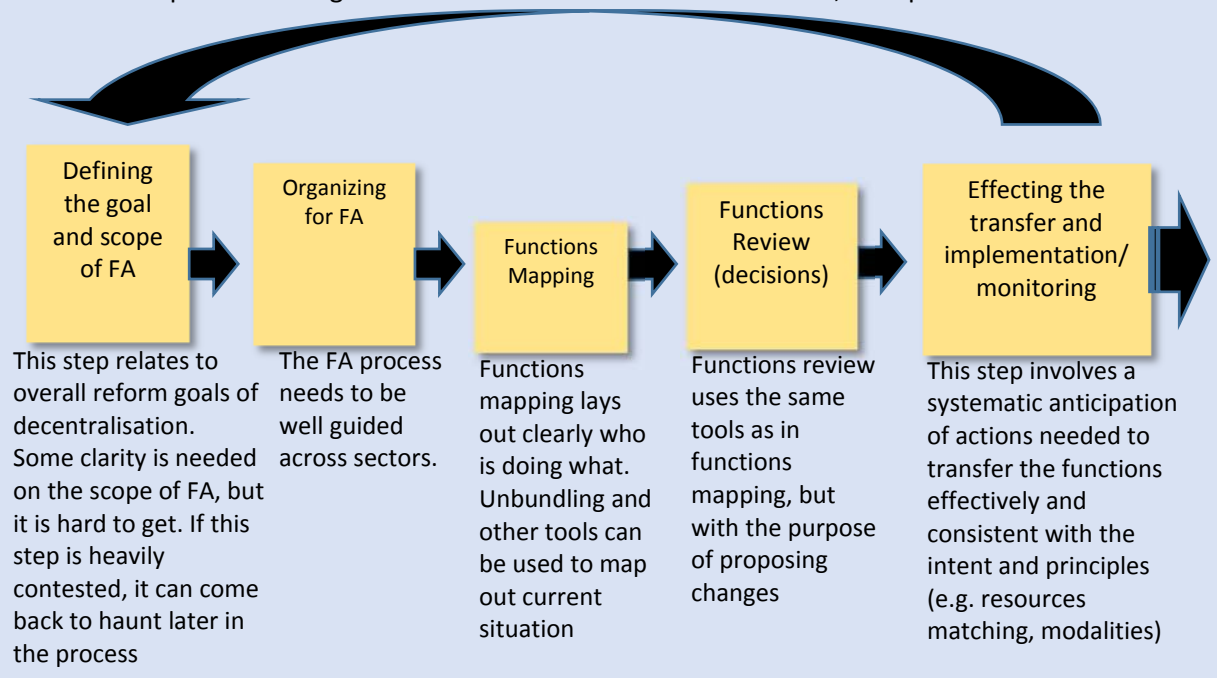
### 2.2.8. Types of Functions

Functions could be either reserved/exclusive or residual or concurrent. From a different perspective, functions can be either obligatory or optional. These types of functions are elaborated below.

- **Reserved/exclusive functions** are functions that are entirely retained by the national government. The reserved /exclusive nature of the national list is usually implicit, but in some constitutions and/or legal systems it is explicit.
- **Residual functions** are those that have not been explicitly mentioned and are assigned en bloc to a specific level. Most often these functions are given to the national level. An exceptional example is the 1999 law of Indonesia that gave residual powers to districts/cities.
- **Concurrent functions**: Concurrent generally means that specified levels of government can all undertake a specific function. Concurrent functions are variably referred to as joint or shared functions. The processes involved in assigning concurrent functions include deciding whether all levels of government can undertake a function, determining the mechanism of negotiations and choosing the preference rules in case of an impasse. The advantage of concurrent functions is that they increase flexibility/options. However, concurrent functions can dilute accountability and lead to constitutional clashes.
- **Obligatory Functions**: Obligatory functions arise from state commitment to citizens – a part of social contract enshrined in international conventions and constitution/laws. The central state cannot entirely shed its responsibility by letting the SNGs take up these functions as they wish; hence they are made obligatory. These are mostly focused on basic services and have explicit performance expectations/minimum service standards. The central government has the obligation to track performance and help SNGs successfully discharge the functions (through funding, technical support etc.).
- **Optional Functions**: In contrast to obligatory functions, optional functions tend to be very local in nature and often depend on local identification. Their intensity and duration depend on local interest and local resources. Mostly there is no higher level interest/ supervision in their performance.

### 2.2.9. The Business Process View

The business process view gives a normative framework to look at FA, as explained below:



| Defining the goal and scope of FA | Organizing for FA | Functions Mapping | Functions Review (decisions) | Effecting the transfer and implementation/ monitoring |
|---|---|---|---|---|
| This step relates to overall reform goals of decentralisation. Some clarity is needed on the scope of FA, but it is hard to get. If this step is heavily contested, it can come back to haunt later in the process | The FA process needs to be well guided across sectors. | Functions mapping lays out clearly who is doing what. Unbundling and other tools can be used to map out current situation | Functions review uses the same tools as in functions mapping, but with the purpose of proposing changes | This step involves a systematic anticipation of actions needed to transfer the functions effectively and consistent with the intent and principles (e.g. resources matching, modalities) |

The model will be taken up in greater detail in the upcoming pages.

**2.2.10. Discussion**
The participants raised many concerns about the applicability of the models presented. The main points are captured below:

- Regarding the three pillars of the state, the real issue is whether legislatures at the local level are mere extensions of legislatures at the central level.
- How far can central governments go in giving discretionary powers to SNGs?
  Often SNGs have limited discretion in making decisions, in spite of having devolved functions. Decisions by SNGs could be sent to the higher levels for vetting. Rarely do local governments stand up to higher levels of governments and object to the infringement of their powers.
- What could be the possible channels of accountability in devolution?
  Elections and social accountability are two key ways of ensuring accountability.
- What is meant by integration of functions?
- There could be functions which stand separate, but are interrelated. For instance, agriculture could be strongly linked to roads and infrastructure. Thus, integration involves taking care of a range of interrelated services in a holistic manner. However, sometimes decentralisation can take a back seat when the central government focuses on NGOs and entrusts them with the major service delivery tasks. Bangladesh is a case in point. This can make it difficult for SNG to integrate across functions.
- Does the normative model of FA suggest that finance follows functions, while in reality functions seem to follow finance?
  Although ideally finance should follow functions, the reality could indeed be different. Placing finance ahead of functions may be necessary in some cases, but generally does not lead to rational and accountable institutional arrangements in the provision of services.
- Can poor functional assignment in some countries be related to the fact that the FA methodology itself is not working?
- The failure of FA to take off in many countries could be attributed to political factors rather than the weakness of the methodology. For instance, Yemen went through a detailed FA process, but the reluctance of higher authorities to go ahead stalled the process.
- Would FA also require large scale institutional re-arrangement?
- Form should follow functions. The arrangement of institutions should be in line with the assignment of functions.
- What should be the immediate results of FA?
  - Assignment of functions should be clean
  - The process should be supported by stakeholders
  - The framework should be implementable
  - The FA process should have stability

## 2.3 Session 3: Country Situations

After the elaboration of the basic principles of FA, participants were split into country groups and asked to present on the following five points regarding the FA situation in their countries:

1. Degree of FA/ decentralisation
2. Scope/ frame of recent reforms
3. How has the process of reform been organised?
4. What are the main challenges?
5. To what extent does your country reflect concepts/understanding shared today?

Participants recorded their observations in flipcharts.

## 2.4 Session 4 and 5: Market place and panel discussion

The flipcharts were put up to form a 'market place'. Participants walked around the market place to read the charts and exchange queries and comments with the representatives of the respective country platforms. The observations on the charts are captured below:

**Indonesia**

The degree of decentralisation:

- Most key functions have been decentralised to local governments – province and district/city – following a broad designation of which functions were reserved exclusive to the national government, and which were concurrent (could be further distributed). For example, in the education sector (a concurrent sector), universities are taken care of by the central government, high schools by the provincial governments, and primary and secondary schools by district/city administrations.
- Exclusive functions that still belong to the central government include defence, police, monetary affairs, justice, foreign affairs and religious affairs.
- 40% of public expenditure has been devolved to the local governments, alongside a devolution of 70% of the civil servants.
- The fact that except six, all other functions have been devolved, indicates a broad scope for decentralisation in the country. Each of the broad (sector) functions that are shared amongst the central, provincial and district/city governments has an assignment that is based on a range of criteria including externality, accountability and efficiency.
- Local governments have been encouraged to raise their own revenues; 10% of the revenue of local governments comes from own sources. The rest 90% is provided through block grants from the centre.
- Recently, Indonesia also increased the size of other specific grants. The whole process of fund allocation is linked to the planning process through the National Planning Meeting held every year.
- The FA process in the country involves all government levels and parliament members. The Ministry of Home Affairs takes the lead in involving all stakeholders and spearheading the entire process.
- Many challenges still persist in this regard:
  - Trust between stakeholders is often deficient
  - The centre is often reluctant to give away powers
  - There is sometimes an "over-euphoria" about local governance
  - A good mixture of sticks and carrots is still needed
  - Capacities are still lacking in various spheres at the local as well as central levels
  - Political support to the FA process is often not strong
- The workshop discussion on the fundamental aspects of FA is closely related to the experiences of Indonesia, considering Indonesia's exhaustive effort in realising the process. Indonesia needs a decisive policy, strong supervision and facilitation, and a balanced approach – the country seems to be moving too fast and too much on the FA track, but has been readjusting/fine tuning at different points (2004, 2014).

**Cambodia**

- FA is an ongoing process
- 4 ministries have completed functional reassignment
- 6 have completed functions mapping. There have been two pilots (health and rural development)

- Cambodia has adopted a legal functions mapping and functions review framework
- The legal framework makes clear that functions transferred must be accompanied by the requisite resources.
- Under the National Committee for Sub-National Democratic Development (NCDD), decentralisation and de-concentration (D&D) working group of the sector ministries are engaged in the process of FA
- Overall, there is a general lack of understanding on D&D concepts
- The entire FA process has been time-consuming
- Currently, only small functions are proposed to be transferred with limited resources
- There has been slow progress in financial reforms
- Concerns regarding SNGs' capacities are still widely held
- The process that has been conducted is too long with possibly few meaningful results (political pressure needed)
- The country is not sure how to implement obligatory and permissive functions, but has recently issued a clarifying decree on permissive functions, to distinguish these from obligatory/transferred functions..

**Myanmar**
- Myanmar is in the early stages of decentralisation
  - There are 14 states/regions
  - Public expenditure by SNG is around 8-10%
  - SNGs do not have jurisdiction over civil servants
  - No guaranteed law/policy exists
- The country has established municipal/development affairs committees and development funds
- Accountability mechanisms are in place but not in practice
- Administrative decentralisation is led by Ministry of Home Affairs, General Administration Department and SNGs
- Only tasks are assigned. No guidelines are given
- There is no capacity building programme

**Mongolia**
- Degree of FA:
  - SNG expenditure– 11% of total public expenditure
  - Delegated functions – education, health
- Scope of recent reform:
  - Adoption of Budget Law 2011
  - Adoption of Glass Account Law 2014
- Types of transfers:
  - Financial support
  - Earmarked transfers
  - Revenue transfers – LDF
- The decentralisation process is being driven by the leadership of the president of Mongolia and the Ministry of Finance
- The other important stakeholders of decentralisation include the parliament, SNGs and line ministries
- The main challenges are:
  - The policy framework setting needs to be comprehensive
  - Amendments are required in other key legislations
  - There is a need for comprehensive FA review

- An appropriate FA methodology needs to be selected
- The fiscal equalisation system needs to be improved
- Concepts from the workshop that have been applied in the country context:
  - Delegation (to some extent to education and health)
  - Deconcentration
  - Devolution (LDF)

**Afghanistan**
- Degree of decentralisation:
  - The government is unitary and has two levels, with 34 provinces
  - Initial steps taken to deconcentration
    - Adoption of the Subnational Governance Policy (SNGP)
    - Fiscal deconcentration
    - Deconcentration has been piloted in agriculture, public health, and rural rehabilitation and development
    - Operations and maintenance responsibilities have been given to SNGs
- Scope of recent reforms:
  - The district coordination council has the responsibilities of policy development, , agriculture, education and conflict resolution
  - The main stakeholders are line ministries, MPs, media, CSOs, DPs, Office of the President at the central level, and provincial administration, district, provincial council, DDA and CDC at the local level
- How has the reform process been organised:
  - The administrative aspects are overseen by the Civil Service Commission
  - The political aspects are overseen by the Independent Directorate of Local Governance (IDLG)
  - The fiscal aspects are overseen by the Ministry of Finance (MoF)
  - Main challenges:
    - Low capacity
    - Lack of political will
    - Low teamwork experience among stakeholders
    - Each stakeholder sees one's own organisation's interest
    - The overall situation is that of deconcentration.

**Pakistan**
- There are three levels of the government – federal, provincial, local
  - Decentralisation/devolution of powers first took place in 1979 (later discontinued) and again in 2001 (continued for two terms of elected government till 2008).
- In 2011, federal subjects were further devolved to provincial government through a constitutional amendment. This included local governance, health and education.
- Once it became a provincial subject, every province made its own Local Governance Act.
- Relevant departments: Along with Planning and Development, law departments were involved in recent reforms/acts. There are the committees composed of finance, LG, other departments who decide the fiscal requirements and allow transfers. Local fund audit carry out audit and LG Commission checks the working of councils.
- Decentralisation reform process is mainly under the provincial local government department. However, other departments like health, education, Planning and Development and FD, along with the law departments, have been taken on board
- Challenges
  - Political will and influence on the reforms requires strengthening

- Monitoring mechanism is weak due to little or no participation of community/citizens
- HR capacity at lowest tier is weak
- The system is characterised by authorisation-based models and centralised approaches
- Provincial dependency towards prescribed LG functions
- FA concepts, understandings are NOT being adhered to in the true sense.

## Nepal

- Decentralisation evolved from 1960 onward
  - Local Self Governance Act passed in 1999 – clearly mentioned roles and responsibilities of local bodies
- Nepal is a federal democratic republic country. The new constitution is being drafted; it includes lists of functions of different levels.
- A concurrent list of functions is included in the draft.
- Agencies involved: Constituent Assembly, MoFALD, different government institutions
- LBFC and associations
- Political challenges: different ideologies, technical constraints, capacity constraints, resources

## India

- Degree of decentralisation:
  - Administrative decentralisation has been going on since 1947 (independence)
  - Political decentralisation started in 1993 with the 73rd and 74th constitutional amendments
  - 29 devolved functions are rural and 18 devolved functions are urban
  - India has a three-tier local government systems with more than 600000 LGs
- Scope of decentralisation:
  - Activity mapping began with the establishment of the Panchayati Raj Ministry in 2004.
  - Different states are at different levels of FA
  - 14th Finance Commission's report is expected to transform funds directly to LGs
- National level efforts – Ministry of Rural Development, Ministry of Panchayati Raj + state-level decentralisation champions (West Bengal, Karnataka).
  - But FA exercise pure administration concern (in transparent criteria, limited stakeholder involvement)
  - Progressive programmes involving LGs but instances of parallel power structures (Sarva Shiksha Abhiyan, MGNREGS etc.)
  - Under-estimating LGs capacity
  - Funds and functionaries do not match FA

## Bhutan

- Scope – administrative: regulatory, staffing (lower level), planning and budgeting, collection of revenues and retaining
- Recent reform: The new constitution of Kingdom of Bhutan
- Scope – provided provisions for the Local Government Act that has functional assignment for LGs
- Level of government involved:
  - The king
  - Central government
  - All sectors
- Linked to planning and fiscal responsibility transfer is the participatory preparation of LG Five Year Plans, entitlement to annual grants, participatory preparation of annual LG plans

- Linkages to accountability system: royal audit authority was instituted, anti-corruption commission was instituted
- How FA was organised: vision of the king in a pro-active way
- Main stakeholders: civil servants, religious institutions, judiciary, legislatives, general public at LG level, their feedback during final consultation
- Challenges: sentiments of the people regarding decentralisation, capacity of the people to interpret the constitution

## Bangladesh

- Constitution of Bangladesh (1972), Article 59, All LGI ruled by elected representatives.
  - Local government ordinance 1983 (union and upazila)
- Rules and circulars – ward shava, open budget, Upazila Development Coordination Committee (UDCC)/Town-Level Coordination Committee (TLCC), women's forum, Horizontal Learning Programme
- Consultative workshop and online opinion – main stakeholders:
  - Political leaders
  - Bureaucrats
  - Civil society
  - NGOs, DPs
- Main challenges:
  - Resource mobilisation
  - Coordination
- Decentralisation process is in progress: FA of NBDs, LGIs, private sector, NGOs and DPs need to be executed further

## Discussions

The key points from the discussion that followed are noted below:

- There are no standard criteria for FA. If the criterion is 'efficiency' in Indonesia, it could be a mix of criteria in other countries.
- FA is only one building block of decentralisation. The criteria would be different in different settings. For instance, it could be political factors in one place. The final end goal should be autonomy for the local government.
- LDFs involve a lot of intricacies. They should not be seen entirely as discretionary transfers – they are more short term solutions. There is a lot of debate around the purpose and sustainability of LDFs.
- Every country has its own history and politics. Therefore, each country should decide its own strategy of devolution. What works in Canada may not work in say, Mongolia. Citizens and communities should be an integral part of FA process.
- Overtime discretionary powers given to LGs should be balanced with obligations. There should be check and balance between functions and funds.
- Often new governments throw out what previous governments have done. This makes FA process lengthier. Added to this is the staffing problem of local governments.
- In some countries, ministries and departments do not even know what their functions are. This makes FA more difficult.
- Perhaps de facto mapping should be done first to see how FA is being done currently, and then move on to do de jure mapping.

# 3. Day 2

## 3.1 Session 6: Emerging Methodology of Functional Assignment: the Business Process View

Day 2 started with the resource persons' presentation on the business process view of FA. It was noted that the model presented is a normative framework and that the real-life scenarios can vary widely. The model, however, would help stimulate thoughts and discussions on the essential features of the FA process.

---

**The Business Process View of FA:** A crucial building block of decentralisation reforms is the clarification of functions of different levels (national, state/province and local governments). FA is not just the allocation of functions to a level of government, but also ensuring that the particular level is made responsible for the associated outputs and outcomes. This process pertains to various aspects such as financing, staffing, planning and reforming organisational structures. However, many of these aspects often get neglected when actual reforms are realised.

### 3.1.1. General features of FA Methodology
*Basic considerations*
- 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 a crucial role by leading the analyses related to assigning functions, identifying stakeholders, consulting with them and putting forward proposals to the government about what functions should be transferred to what level
- The process is steered by a local government ministry and/or inter-departmental coordination body
- FA methodology changes sector frameworks rather than seek an omnibus legislation.

*Core techniques*
The principal FA techniques involve the following:
- Use of principles and criteria to aid decisions. These could include 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
- The crucial stages of the FA process include functions mapping, functions review, effecting the transfer.

### 3.1.2. The Business Process View of the FA Explained
The business process view of FA can be illustrated as given:
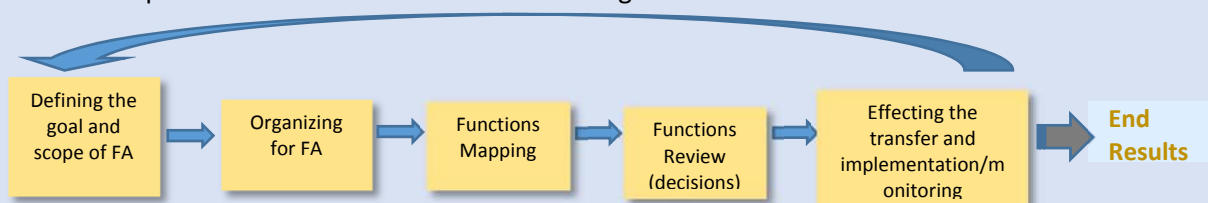
These stages are explained below:

***Defining Goal and Scope:*** Defining goal and scope relates to the overall decentralisation reform goals. It involves agreeing on the scope (sectors/ministries) and depth of changes desired, decisions on sequencing/ phasing the process, initiating pilots, defining the modalities (for example, deconcentration or delegation or devolution; obligatory versus optional functions; recognising the right of local governments to take up functions that they wish to), agreeing and understanding the criteria to assign functions, reaching a common understanding of what a 'function' means, and determining the roles of various levels and stakeholders.

***Organising for FA:*** The practical rolling out of the FA process would involve the following sub-steps:
- Establish policy coordinating body for steering of the process. Lessons can be drawn here from the "whole-of-government" reform approach, which lays emphasis on horizontal and vertical coordination between different arms and levels of government so that they work in a synergistic, and not mutually-undermining, manner.
- Consider carefully the seniority of the chairperson
- Consider the cross-ministerial composition of the steering body
- Establish technical capacities of the coordinating body in areas like supporting sector ministries, facilitating sector processes and reviewing results
- Provide clear guidance to the sectors about how to conduct the FA process
- Get buy-in from the sectors, especially finance and planning
- Determine the involvement of external stakeholders (development partners, non-government, private sector, academia)
- Aim for more technical, non-political process
- Establish a time line

***Functions Mapping:*** In the next step, a thorough mapping of all the functions, including all the component functions, is undertaken. This process involve *de jure* and *de facto* functions and their current assignment to the different levels of government. The role of private sector and CSOs in the delivery of public sector can also be included in the mapping exercise.

Various sources of data can inform the mapping process. These include:
- Legal and administrative framework (sector laws, government notifications, ministerial orders and notifications, organigrams)
- Knowledge of sector experts
- Field observations and discussions with sectoral field staff, local government representatives, communities
- Feedback from citizens/users of services
- Inventories of assets and documents kept by ministries/local governments
- Budget information
- Staffing lists

The key methodology followed in the mapping exercise is the vertical and horizontal unbundling of the sectors.
- **Vertical unbundling** involves disaggregating each sector into sub-sectors, clusters of functions and functions.
- **Horizontal unbundling** involves disaggregating each function according to its management functions (i.e. deciding who is responsible for policy making, strategic planning, M&E, implementation etc.).

An example of the vertical and horizontal unbundling of the education sector is given below:
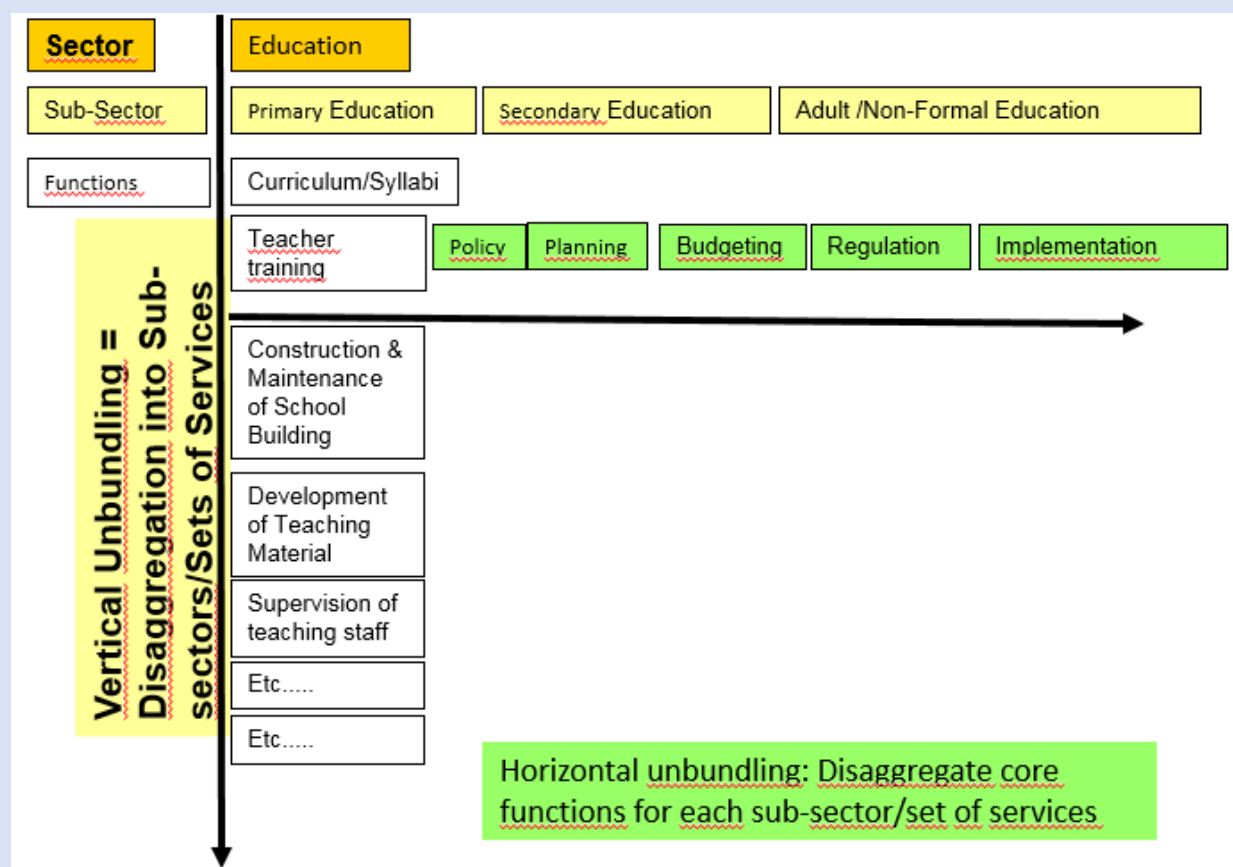


Vertical unbundling of the education sector would involve disaggregating the sub-sectors such as primary education, secondary education, tertiary education, adult/non-formal education and so on.

Next, the services under each of these sub-sectors need to be disaggregated. For example, primary education could be unbundled into curriculum design, teacher training, construction and maintenance of school building, development of teaching material, supervision of teaching staff etc.
In the next step, each of these services is disaggregated into the component functions. This is the process of horizontal unbundling. For example, teacher training would involve policymaking, planning, budgeting, regulation, implementation etc.

The expected results of the mapping exercise are the following:
- Description of pre-decentralization (current) distribution of functions between levels of government
- Discernment of resources associated with the implementation of the current functions
- Observations and remarks on existing practice

*Functions Review:* In the review stage, a proposal for future functional assignment is developed, ideally including (i) resource implications (funds, assets, staffing), (ii) modality of functions (obligatory/discretionary; devolved/delegated), and (iii) capacity development considerations. The proposed FA (new map) developed by the sector ministry is assessed by the coordinating or decision-making body to assure policy coherence across sectors. Stakeholder participation is particularly important at this stage. The proposed distribution of sector functions is reviewed based on consistency

with the established policy, inter-sectoral consistency in applying criteria and in formulating functions (size, scope, weight etc.), and assessment of HR and budgetary implications and how sector ministry and ministry of finance plans to deal with them. Finally, the proposed FA is approved by the designated (inter-ministerial) body.

***Effecting the Transfer: Agendas for Various Stakeholders:*** While effecting the transfer of functions according the approved proposal, the relevant ministries have the following agenda at hand:
- Ensure required changes (harmonisation) of the legal framework of the sector (laws, regulations and administrative instruments)
- Decide on guidance to be provided to an SNG for various types of functions, and make this available (e.g., minimum service standards)
- Undertake widespread dissemination and information sharing on new functional arrangements
- Put into effect required HR changes and review/adjust institutional set-up in the sector
- Establish/update fiscal transfer mechanisms with general/special purpose grants
- Adjust revenue assignments as needed
- Adjust planning/budgeting processes
- Transfer assets to SNGs if linked to transferred functions
- Modify (or build up) the needed supervisory system to monitor SNG performance and sanction non-compliance with policies/laws
- Implement capacity development strategies for SNG and national/provincial staff
- Establish and operationalise a system to monitor the effectiveness of the new functional assignment system (if pilots or phasing are used, special approaches/events will be needed to go on to the next steps)

SNGs have the following tasks at their disposal to realise the functional assignment process:
- Adjust their structures, staffing, planning/budgeting processes to accommodate new functions
- Establish/augment asset management system to track new assets
- Facilitate higher level CD initiatives, and complement these with SNG driven CD as well

The CSOs/private sector have to do the following part to complement the process of transfer of functions:
- Engage as service providers for CD initiatives
- Engage as partners in service provision for new SNG functions
- Undertake research and feed that back into public/government forums (on SNG performance, inconsistencies in implementation of decentralization etc.)

The development partners, meanwhile, can contribute to the following:
- Enhance CD and provide additional funding to entrench new functions
- Support learning and dissemination of lessons.

### 3.1.3. Capacity Development Required for SNGs
Capacity development is key to effective reassignment of functions, especially for the SNGs as they will be given a host of new tasks. Capacities can be gained in the process of transferring resources with the functions. One key aspect that will require support/training would be accountability relationships, as new hierarchies will be formed for each function that is reassigned. Further, if new technical staff are introduced during the process, rather than transferring the existing staff, then technical support will also be required.

Some of the key areas where the SNG personnel will require capacity development and/or technical support are indicated below:

| SNG Council Members | SNG Admin/ Technical Staff |
|---|---|
| Council procedures | Changes in financial management, planning and reporting |
| Council relations with constituents | Technical aspects of the service/ function |
| Citizen participation/ social accountability measures | Citizen participation/ social accountability measures |
| Reporting and relating to central government | Reporting and relating to councils |

**3.1.4. Observations and Challenges**
The business process view of functional assignment outlined above is the normative model in the most structured and comprehensive form. However, the process could look very different in reality. These are some of the challenges that the FA process can face in a real-world scenario:
- Decentralisation will tend to happen when the pressure for it builds. It is hard to plan it in a systematic way.
- 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 obstructed by unresolved technical and political (mis)understandings and weak commitment to the decentralisation and local governance policy. The resulting lack of consensus/ discord can show up in the subsequent steps. In fact, consensus among key actors is more important than a "scientific/rational" best assignment.

Some specific pitfalls observed in the real-world scenario are:
- Transferring functions without resources
- Transferring tiny and fragmented functions (activities), or what can be called the 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 and funds is centralized and not well aligned with existing functions. This include:
  - 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

Some other challenges and constraints are:
- Obtaining/disentangling data is not easy
  - Financial transparency by ministries is not always welcome

- Ministry are busy with their regular work, and 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.

### 3.1.5. Discussion
The key points from the discussion that followed are noted below:
- The issue of finance is as significant as functions. Linking finance to functions is an issue that could be dealt with systematically.
- The term 'conditional transfers', which has emerged especially as distinct from block grants/ local development funds is a loose word. Rather than providing encouragement to local governments in the form of increased intergovernmental transfers, these could serve as a way of telling the LG that they are expected to spend only the given limited amount.
- The merits of revenue assignment versus block grants is often debated; revenue assignment can mobilize local resources and encourages local scrutiny, but block grants recognize that local revenue potential may be limited.
- While conditional transfers could be criticised, LGs could become extremely inefficient if they are only given block grants without conditions.
- Devolution, one of the modes of transferring functions, is initially the costlier than the other two modes – deconcentration and delegation – since devolution entails governance structures. Often, LGs are not given concomitant funds to carry out the devolved functions.
- As far as shared (concurrent) functions are concerned, additional functional assignment or agreements are necessary to ensure efficient implementation; generally the lowest level of LG that can discharge the function is given the responsibility for the function.
- The criteria used for FA can be different principles, such as subsidiarity, efficiency, economies of scale, externalities, capacity, heterogeneity of demand, equity, accountability etc. In Indonesia, externalities, accountability and efficiency are the three criteria used.


## 3.2 Session 7: Preparation for Group Work

Following the presentation, a few general points were made by the resource persons as well as the participants before the participants embarked on a full-fledged group work. These are noted below:
- The group work would enable rethinking de facto vs. de jure mapping of functions
- There is a need for SNGs to be proactive themselves
- Capacity development can happen alongside FA. FA need not wait for capacities to be developed. However, capacity development is a part and parcel of decentralisation
- One of the biggest roadblocks in FA is the scarcity of data

The objective of the group work was to enable participants to come up with their own ideal scenarios of functional assignment. The resource persons and the learning facilitator distributed a detailed guide containing instructions for the group work. The overall instructions given were:
- The interests and perspectives of the various actor groups in FA will differ based on how they perceive the effects of FA regarding their power, access to decision-making and discretion in determining the use of resources.

- There will be groups formed according to three categories of participants: (i) government officials, (ii) representatives from NGOs, research institutes, and capacity development institutions and (iii) elected representatives.
- Main purpose is to reflect on the presented business process view of Functional Assignment and to discuss how, from the perspective of your group, you can and are willing to be involved in FA.
- Please write your answers on flip charts so as to be legible to all participants. Use more than one flip chart, as needed (these will be pinned to the wall later).

Each category of group was also given some guiding questions so as to enable them engage in discussions in a better way. These were:
- **For the group of government officials**: Who should be leading the FA effort? Do you expect meaningful contributions from other stakeholders? If so, what are the most appropriate steps in the process where the involvement of others can contribute to the FA process? Do you think it is the role of the government to capacitate other stakeholders so that they can contribute more effectively? How do you see the openness of your government in having other stakeholders involved?
- **For the group of NGO/think tanks/support agency representatives**: Is your institution interested in FA, and can it make a meaningful contribution? Where do you see the comparative advantages of your organization? At which level/step in the FA process can your organization contribute most effectively? How do you see the capacity of your organisation for policy analysis and policy advice? What kind of support would you need to engage more effectively? What is the level of autonomy that your organization has in engaging in FA processes?
- **For the group of elected representatives**: What facilitates or impedes the active participation of elected representatives (at various levels: national, provincial/state, local). At which states of the process do you want to get engaged or do you have been allowed to get engaged? What kind of support and capacity development interventions would you need to engage more effectively? Do political party structures provide any assistance or guidance for your participation? What is the role of cross-country learning and exchange (e.g. through regional associations of local governments)?

## 3.3 Session 8: Group Work

The learning facilitator captured the main tasks for the group work as under:
- What would be a good FA process from your perspective?
- Specifically, how would the 'actor; you represent fit in this?

Group 1 and 2 consisted of participants from the government, Group 3 consisted of participants from NGOs/think tanks and Group 4 consisted of elected representatives. The responses of the groups are captured below:

### Group 1: Government
A good FA would be where:
- It is led by government or government committee under chief executive with membership from finance, Planning and Development, LG and relevant departments
- The goals and scope are clearly defined
- Fairly accurate mapping is done by the line department
- All stakeholders including civil society, politicians, think tanks, NGOs, academia, media , development partners are taken on board from the stage of conception of decentralisation.

**Group 2: Government**

|  | Process of FA | Leading agency | Capacity development for other stakeholders | Open of government to stakeholders |
|---|---|---|---|---|
| **Indonesia** | Inspired by the reform. After the crisis, people's power resides more in the parliament | Ministry of home affairs | Civil society, political parties | Open |
| **Afghanistan** | initiated by the president | Ministry of finance | Civil society, development partner, government money | Not open |
| **Bhutan** | initiated by the king in consultation with the public | Central bureaucrat | Government takes the lead | Open |
| **Mongolia** | Initiated by the president, supported by public and parliament | Ministry of finance | Every organisation gets involved | Open |
| **Cambodia** | initiated by the ruling political party | NCDD | DPs, international communities | Open |

**Group 3: Think Tanks**
- Areas of core strengths – conceptual clarity, knowledge of rules and regulations, interpreting legal instruments, contextualising FA
- Comparative advantages – non-biased, non-political, free to talk on issues and any stakeholders, well-connected with stakeholders, resource banks
- Challenges – dependent on stakeholders (government and DPs) for funds, access to information, political will and support from government, coordination gaps

Think-tanks can prove competent in the five stages of the FA process in ways indicated below:

| FA Methodology | | | | |
|---|---|---|---|---|
| **Defining the goal and scope of FA** | **Org. for FA** | **Functional Mapping** | **Functional Review (decisions)** | **Effecting the transfer and monitoring** |
| Conceptual clarity on modalities of decentralisation, defining FA scope, facilitating dialogues between different stakeholders | Technical support to policy coordination bodies | De facto and de jure mapping in consultation with sector experts | Review/redefine FA map, lobbying/advocacy | Monitoring of implementation, part of implementation process |

**Group 4: Elected Representatives**
- The Ideal FA process
  - Would be participatory.
  - Should involve policy reform, review of processes, new mapping, review of results
- Support needed: understanding, knowledge, capacity building, technical knowledge, constitutional guarantee, legal guarantee, block grants/ revenue sharing, collection of tax and utilisation of local resources, power to use local resource.

## 3.4 Session 9: Political Economy Analysis

The resource persons presented the Political Economy Analysis based on the framework presented by Dr. Paul Smoke at the decentralisation conference in Manila, 25-27 August 2015.

**Premise for Political Economy (PE) analysis**

While FA is largely technical in nature, this **technical dimension** must be undertaken and supported with a keen eye towards the **political dimension** of the exercise. FA reforms that take into account the political dimension have a better chance of yielding adequate results.

**Desired Functional Assignment Results**

What is meant by 'adequate results'?
- Longer term (downstream) results are those promised by decentralisation in general (Improved accountability, better services etc.)
- Immediate results of FA should be the following:
    - Understandable/coherent distribution of functions
    - Assignment that is supported by key stakeholders
    - Assignment that is feasible – can be implemented
    - A distribution that has some stability over time

**Overlap between FA/Decentralisation Goals and Interests of Actors**

Politicians, bureaucrats and elite classes (national and local) generally support reforms when it coincides with their interests (e.g. material benefits, institutional objectives, professional/career motives, political ambitions, etc.). There can be an overlap with FA reform, but this is not assured. Political economy analysis gains relevance at this juncture as it is focused on the role of various actors and how their interests support or hinder reforms.

**How can PE Analysis help?**

PE Analysis clarifies who has been for or against FA and why. It points to alliances and strategies that might be fruitful for the FA process and encourages a "change management" approach in which changes to a system are formally incorporated to reach a desired future stage.

**Levels of PE Analysis for FA**

The political economy analysis for functional assignment involves analysis at the following levels and sub-levels:
- Decentralization context as a whole
    - Which goals are in the public discourse?
    - What political dynamics are afoot; e.g. fear of disintegration leading to hasty decentralization?
- Institutional landscape of central government:
    - Which actors will be supportive and which will hinder (e.g., are sector ministries concerned that Ministry of Home Affairs is expanding its domain at their expense?)
- Institutional landscape of SNG:
    - Are SNG new and weak, or has SNG not been elected for some time due to "emergencies"?
    - Is there a strong LG association; or is it splintered, politicized, or SNG not elected for some time?
- Local level (politicians, bureaucrats, traditional authorities, citizens, associations, etc.)

- Is civil society thick and vibrant?
- Does the press understand issues and report usefully?
- Is local elite fairly independent of central elite – or is it captured or co-opted?

**Force-field model of change**

The force-field model of change can bring out key aspects related to the political economy of FA. The model involves moving towards a desired state over time taking into account the driving and restraining forces. The journey towards the desired state will be aided by the driving forces and obstructed by the restraining forces. The model helps identify the allies and opponents and their interests, assess the balance of power involved in in the proposed change (without a change effort, what will happen to the current situation?), identify the most important players/ stakeholders who must be influenced in a change effort and identify how to target each group.

To illustrate an example, the 1998 decentralisation reforms in Indonesia can be subjected to a political economy analysis using the force-field model thus:
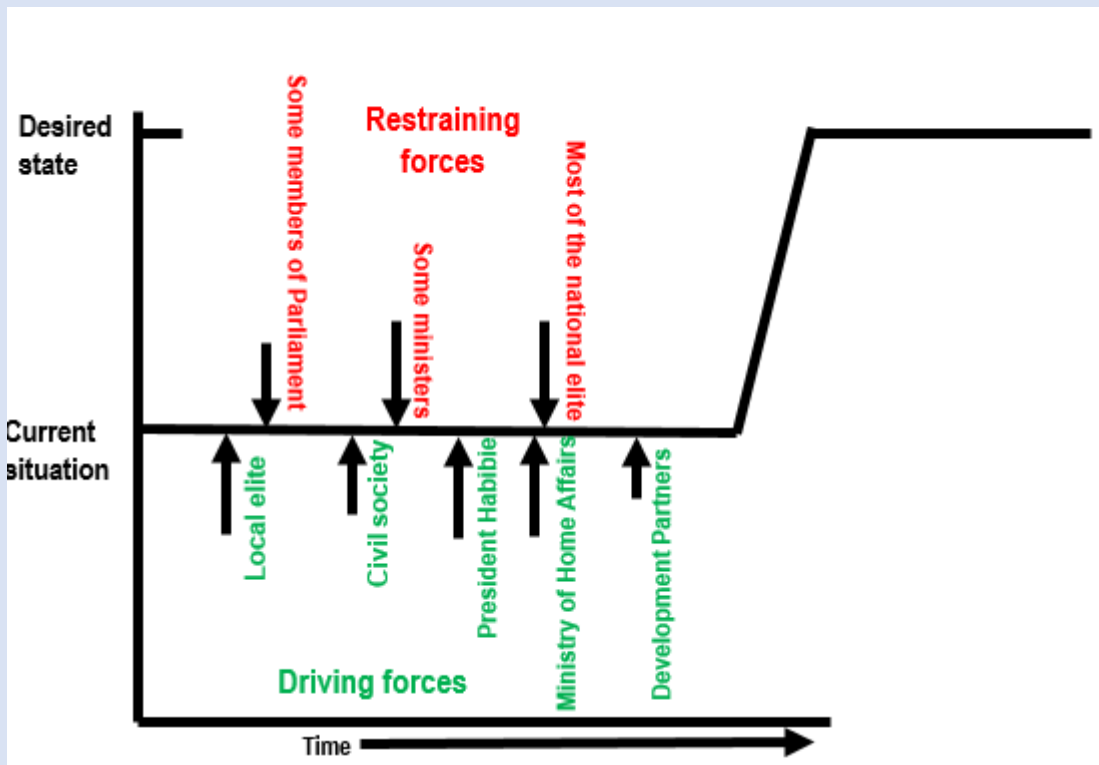


The importance of the driving and restraining forces can be gauged from the fact that it is the balance of the two powers that will decide whether the FA process moves towards or away from the desired state over time. Some of the key relevant questions in this regard are:
- What is the nature of the official DLG policy and framework (extent of empowerment)?
- What motivates the DLG policy? Does the underlying sentiment seem supportive, antagonistic, cautious, etc.?
- Who are the key actors—of various types and at various levels--involved and how?
- Are certain actors more powerful than others and what are the consequences?
- What is the main agenda of the key actors (consistent or at cross purposes)?

- How have development partners been involved and to what effect?
- What progress has been made/obstacles encountered in implementation?  What factors underlie progress or lack thereof?
- What are the realistic prospects for further DLG reform and how might it be pursued?

Of the restraining and driving forces in the Indonesia example, the driving forces, i.e. the pro-decentralisation forces managed to push the process toward the desired state. This is partly because they managed to convince the opposition as well as the larger public that continuing with the status quo would lead to disintegration of the country. The driving forces also identified strong actors to push the process forward. For example, President Habibie selected a strong leader Ryas Rasyd as the Minister of Regional Autonomy. The compromise made with the elites in the process was focusing decentralization on districts and not provinces.

## Understanding 'Political Will' and Political Dynamics

Examining political will is crucial to political economy analysis as often 'political will' is too broad a category, which makes it seem that central government/state is monolithic. Also too much emphasis on political will obscures the existence of champions and units where there may be alignment with reform interests.

In addition, it is important for effective political economy analysis that the valid concerns of those who resist FA are addressed. This is to ensure that the genuine desire by the opponents to make sure that service failure does not occur, and the disruption that can occur to careers, power, prestige, and formal/informal income streams, are not ignored. In some scenarios, the SNGs themselves might not be interested in moving the FA process forward. For instance, the rich SNGs may not wish to match funds to functions.

## Implications for Supporting FA Processes

Overall, Long term engagement may be necessary, to understand context, support alliances, and support the non-linear progress. The entire process may involve trial and error, learning as one engages, and flexible programming. Sharing experiences and building national capacity of different actors to play their roles are vital in this regard.

## Discussion

Participants raised intriguing queries about political economy after the session:
- How can CSOs play a role in FA?
- CSO can provide assistance such as advice, monitoring, information provision etc.
- How can the political economy insights brought into our realities?
- The framework outlined in the presentation can be used to figure out the driving forces of FA in each country.
- How can FA be done when there are costs that the public would have to bear?
- FA is not additional, but a part and parcel of decentralisation.
- Can Indonesia be called a success story?
- Yes, in terms of the process of FA followed.
- Won't too much devolution jeopardise the unity of a nation?
- It could, if there is a lot of ethnic diversity.

# 4. Day 3

## 4.1 Session 10: Legal Construction of FA

The sectors and functions for functional assignment can be derived from the various legal frameworks of varying strengths that exist is the country:
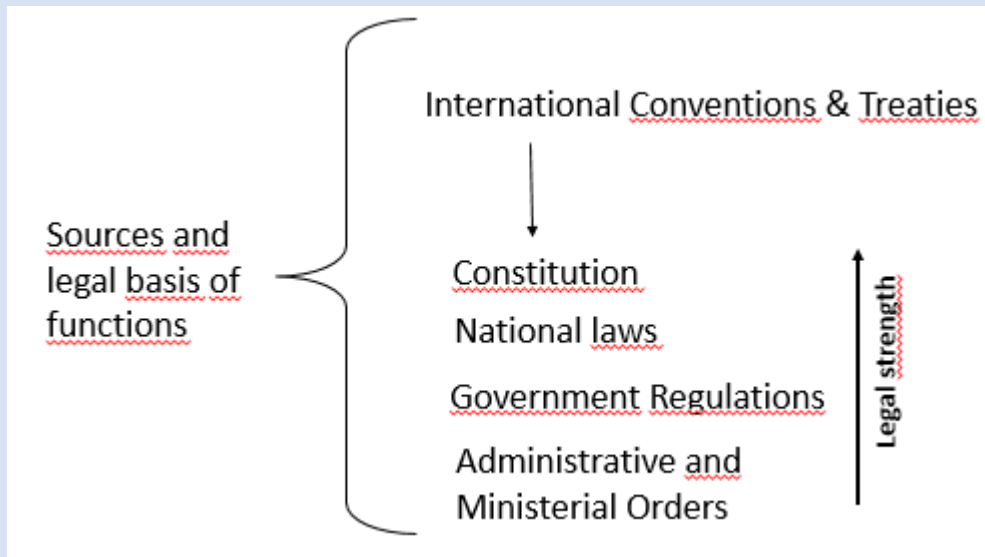


The picture becomes more complex when it is considered that FA can actually be dispersed through several legal instruments of the same weight, as well as through several levels of legal instruments, so that it becomes necessary to read all the legal instruments to get the whole picture, especially when some of them are in conflict.

Also important are the questions which entity decentralizes functions (the entire state or the executive side), which entity receives functions (regional/local government executive or legislative body or a combination of these two etc. These questions have significant implications for clarity in modes of decentralization, role of central government in supervision/guidance over regional legislatures and accountability mechanisms.

The different legal frameworks present two broad choices for the FA process – either the entire state (consisting of the executive, legislative and judiciary) leverages the constitutional provisions and laws of the country, or the government (i.e. the executive) leverages these instruments along with regulations that cut across the government as well as sector specific regulations applicable to specific ministries.

Depending on who delegates (executive or legislative) and to whom functions are delegated (executive or legislative), the three different modes of decentralisation can be illustrated as follows:

When the different legal provisions clash, decisions regarding which provisions prevail become important. The questions that can arise are whether a superior law overrides an inferior law (lex superior derogat legi inferior) or a law governing a specific mater overrides a law governing only

general matters (lex specialis derogat legi generali) or a new law overrides an old law (lex posterior derogat legi priori).

**Good practices/considerations in legal instruments for transferring of functions**
- Ministries (cabinet) should already be supportive of the content of these legal instruments; the legal instrument alone should not be expected to push through the reform.
- Existing legal instrument could be amended; as a way of introducing new functions.
- If new instrument is used to introduce functions it should be of same weight as existing instrument to be superseded (lex posterior derogate lex priori)
- Legal instruments to effect transfers of functions should be of the same weight across sectors.
- The higher the legal instrument the more stability and credibility it will have.  The lower the instrument the easier it can be changed as needed; a balance may be needed, suited to national dynamics.
- Legal instrument for each sector allow for sectoral phasing, easier changes, and consistency with other "sectoral" instruments; omnibus legal instruments are more streamlined and consistent, and easier for the public to apprehend, but are more awkward to change.

## 4.2 Session 11: Follow-up Plans

Country platforms presented their follow-up plans in flipcharts:

**4.2.1. Mongolia:**
- SDC Mongolia will undertake a Governance and Decentralisation programme with the Cabinet Secretariat and Ministry of Finance.
- Under this, there will be a plan to develop a National Decentralisation Policy.
- As part of this measure, a comprehensive functional assignment review will be undertaken. The current plan is to use the Swiss methodology of functional assignment. Following the LOGIN Workshop, efforts will be taken to compare the methodology learnt at the Workshop with the Swiss one, take the better of the two and apply it to the comprehensive review.

**4.2.2. Cambodia:**
- Will push for final decision on transfer of functions (endorsement by NCDD) and effect the implementation of the transfer.
- Will push for the highest political decision from the highest level to overcome disagreements between line ministries.
- Will look into the selection and harmonisation of legal instruments to support the transfer of functions.
- Will develop guideline, manual or MoU for the implementation of transfer of functions.

**4.2.3. Afghanistan**
- Presentation to country platform
- Lobbying FA with identified sectors
- Defining FA based on concept learnt from the workshop

### 4.2.4. Bangladesh
- Presentation of FA to country platform and working group on HLP
- Recommend FA review of LGs to NBDs

### 4.2.5. India
- Assess the status of FA in India
- Start with looking at status of FA in three states
- Look at one sector – education – in detail in Delhi, Gujarat and Kerala

### 4.2.6. Indonesia
- Lessons learned
    - To sharpen criteria used in FA
- What I will do in future
    - Make an international seminar on autonomy
    - Involve LG associations
    - Work with donors for this

### 4.2.7. Myanmar
- FC should have this training, should understand that they have to be accountable to citizens
- FA mapping and research needed to make policy recommendations
- Provide policy advocacy and research and training assistance as needed

### 4.3.8. Bhutan
- Institutional capacity needs to be strengthened
- Coordinate and facilitate among different sectors and agencies
- Initiate a review of the status of implementation of current FA process
- Carry out LG revenue assessment in line with the FA process

### 4.2.9. Pakistan
- Advocacy and lobbying with main stakeholders for the best FA process
- Formation of inter-provincial e-group for sharing knowledge updates on FA

## 4.3 Session 11 (conti.): Ideas for E-Course

The upcoming learning offer – E-Course on Functional Assignment was announced in the last session. These were some of the ideas that were given by the participants:
- The e-course should be targeted at government officials, politicians, elected representatives at higher levels, citizens and representatives from different stakeholder groups
- The course should be comprehensive
- The course should focus on *doing* FA rather than merely learning concepts
- However, too much focus on the doing part can lead to a situation wherein the legal and other complexities are ignored
- The course should aim at enabling policymakers to converse with one another in a common language
- Case studies on Cambodia and Indonesia could be included
- The pre-requisites for registering for the e-course should be clearly listed

# Annexure

**Annexure 1 – Programme schedule**

| Day 1: 2 September 2015 | |
|---|---|
| 09.00-10.30 | Session 1: Inaugural and Welcome<br>• Introduction of Participants<br>• Workshop Objectives/Learning Outcomes<br>• Workshop flow/housekeeping |
| 10.30-11.00 | Coffee/Tea Break |
| 11.00-12.00 | Session 2: Basic Concepts of Functional Assignment (FA) with Illustrations |
| 12.00-13.00 | Session 3: Participant Work Session – Country Situation |
| 13.00-14.00 | Lunch Break |
| 14.00-16.00 | Session 4: Market Place and Panel Discussion |
| 16.00-16.30 | Coffee/Tea Break |
| 16.30-18.00 | Session 5: Deepening the Discussion on Selected Issues |
| 18.00 | Wrap-up of the Day |
| **Day 2 (3 September 2015)** | |
| 09.00-10.30 | Session 6: Emerging Methodology of Functional Assignment: the Business Process View |
| 10.30-11.00 | Coffee/Tea Break |
| 11.00-13.00 | Session 7: Preparation of Proposal for a Sound FA Process (Actor-Based) |
| 13.00-14.00 | Lunch Break |
| 14.00-15.30 | Session 8: Group Presentations/Discussion of FA Process Proposal |
| 15.30-16.00 | Coffee/Tea Break |
| 16.00-17.30 | Session 9: Challenges of Implementation (Political Economy Analysis, Ensuring Resources Match Functions etc.) |
| 17.30-18.00 | Wrap-up Session |
| **Day 3 (4 September 2015)** | |
| 09.00-09.30 | Recap of Previous Two Days |
| 09.30-10.30 | Session 10: Country Buzz Group on Required Support Strategy |
| 10.30-11.00 | Coffee/Tea Break |
| 11.00-12.00 | Session 11: Ideas for E-Course and Continuing the Learning/Sharing in Functional Assignment |
| 12.00-13.00 | Wrap-up Session |
| 13.00-14.00 | Lunch and Preparations for Departure |

**Annexure 2 – List of participants**

| S.No. | Name | Designation | Organisation |
|---|---|---|---|
| **AFGHANISTAN** | | | |
| 1. | Mr. Abdul Momin Mansoor | Head, Provincial Budgeting | Ministry of Finance |
| 2. | Mr. Sayed Hussain Anosh | Project Assistant | Civil Society and Human Rights Network (CSHRN) |
| 3. | Mr. Noorullah Haidari | Director | Independent Directorate of Local Governance (IDLG) |
| **BANGLADESH** | | | |
| 4. | Mr. Mohammad Akramul Haque | Chief Executive Officer | Development Association for Self-reliance Communication and Health (DASCOH) |
| 5. | Mr. Md Golam Yahia | Director-Training and Consultancy | National Institute of Local Government (NILG) |
| 6. | Mr. Md Saidur Rahman Sarkar | Chairman | Botlagari Union Parishad |
| **BHUTAN** | | | |
| 7. | Mr. Karma Dupchu | Senior Planning Officer | Local Development Division, Gross National Happiness Commission (GNHC) |
| 8. | Mr. Lobzang Dorji | Planning Officer | Haa Dzongkhag |
| 9. | Mr. Kinley Tenzin | Senior Programme Officer | Department of Local Governance, Government of Bhutan |
| 10. | Mr. Kinzang Tobgye | Programme Officer | Department of Local Governance, Government of Bhutan |
| **CAMBODIA** | | | |
| 11. | Mr. Pak Kimchoeun | Research Associate, Head of MLT Consulting | Moulathan Consulting |
| 12. | Mr. Buon Heng | Director, Department of Functional Transfer | The National Committee for Sub-National Democratic Development (NCDDD) Secretariat |
| 13. | Mr. Hun Sovannara | Vice Chief of Office, Legislation Department | Ministry of Education, Youth and Sport |
| 14. | Mr. Neb Sinthay | Executive Director | Advocacy Policy Institute |
| 15. | Mr. Oum Sophanara | Director, Child Welfare Department and D&D focal point | Ministry of Social Affairs, Veteran and Youth Rehabilitation |
| **INDIA** | | | |
| 16. | Ms. Vincy Davis | Research Analyst | Accountability Initiative |
| 17. | Ms. Veena Mahor | Consultant | Learning Lab, Setu Abhiyan |
| 18. | Mr. Sunny George | Professor | Kerala Institute of Local Administration (KILA) |
| **INDONESIA** | | | |
| 19. | Mr. I Made Suwandi | Lecturer | Institut Pemerintahan Dalam Negeri (IPDN), Indonesia |

| S.No. | Name | Designation | Organisation |
|---|---|---|---|
| **MONGOLIA** | | | |
| 20. | Mr. Dashdorj Luvsandash | Civic Participation and Economic Policy Advisor to the President | Office of the President of Mongolia |
| 21. | Ms. Sumiya Erdemchimeg | Consultant of the Program Budgeting Implementation | Fiscal Policy and Planning Department, Ministry of Finance |
| 22. | Mr. Bat-Ider Enkhbaatar | Government Principal Officer, Local Administration Department | Cabinet Secretariat, Government of Mongolia |
| 23. | Ms. Purevtogtokh Ganbold | Senior Programme Officer | Governance and Decentralisation Programme (GDP, Government of Mongolia |
| **MYANMAR** | | | |
| 24. | Ms. Nyo Nyo Thinn | Member | Yangon Regional Assembly |
| 25. | Mr. Wunna Htun | Governance Coordinator | ActionAid Myanmar |
| 26. | Ms. Cindy Joelene | Research Associate | Myanmar Development Resource Institute's Centre for Economic and Social Development (MDRI-CESD) |
| **NEPAL** | | | |
| 27. | Mr. Narayan Prasad Koirala | Founder Chairman and CC Member | National Association of VDCs In Nepal (NAVIN) |
| 28. | Mr. Gokarna Mani Duwadee | Joint Secretary | Ministry of Federal Affairs and Local Development (MoFALD) |
| **PAKISTAN** | | | |
| 29. | Mr. Muhammad Hanif | Director General | Rural Development Academy |
| 30. | Mr. Faheem Akhtar Junejo | Director General (M&E) | Local Government Department, Government of Sindh |
| 31. | Ms. Mumtaz Begum | Member | Civil Society Forum for Local Governance |
| **RESOURCE PERSONS** | | | |
| 32. | Mr. Gabriele Ferrazzi | Consultant | |
| 33. | Mr. Rainer Rohdewold | Consultant | CiptaNet International (Deutschland) |
| **FACILITATOR** | | | |
| 34. | Mr. Cherian Joseph | Consultant | LOGIN |
| **SECRETARIAT** | | | |
| 35. | Ms. Preeta Lall | Team Leader | LOGIN |
| **E-COURSE TEAM** | | | |
| 36. | Ms. Tina Mathur | Country Facilitator, India | LOGIN |
| 37. | Mr. Sudheesh R.C. | Research Assistant | LOGIN |
| 38. | Mr. Manas Chakrabarti | Consultant | Learning by Design |