gtz

Functional Assignment in Multi-Level Government

Volume II: GTZ-supported Application of Functional Assignment

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Worldwide.

Imprint

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Abbreviations

ARDP	Administrative Reform and Decentralisation Project (Cambodia)
CG	Central Government
CLM	Central Line Ministry
CSO	Civil Society Organisation
DP	Development Partner
FA	Functional Assignment
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HP	Himachal Pradesh, India
LG	Local Government
MBE	Model Building Exercise
NGO	Non-Governmental Organisation
OF/MSS	Obligatory Functions/Minimum Service Standards
OECD	Organisation for Economic Co-operation and Development
O&M	Operation and Maintenance
PRI	Panchayati Raj Institutions (= rural local government bodies in India)
SNG	Subnational Government
SfDM	Support for Decentralisation Measures (= former GTZ-supported project in Indonesia, 1992-2005)
TA	Technical Assistance
TC	Technical Cooperation

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Introduction

Volume II is the more practice oriented component of the technical paper on functional assignment. Readers will ideally already have an appreciation for the conceptual treatment seen in Volume I.

A second volume was deemed justified as GTZ has been fortunate to have supported a number of countries in their efforts to undertake functional assignment, and has now a reasonable documented experience, at least in Asia. GTZ has made a well recognized contribution to Indonesia's functional assignment efforts in the context of Indonesia's decade long 'big bang' decentralisation and its subsequent adjustments. Currently, GTZ support to decentralisation reforms involving functional assignment is provided in Cambodia, Indonesia (centrally and in Aceh), and India. Furthermore, GTZ is supporting counterparts in Nepal and the Philippines, who are dealing with some specific issues that are related to functional assignment.

In taking steps to compile and disseminate documents relating to these efforts (through a limited-access web site[1], the Functional Assignment sub-group of GTZ's sector network *Governance Asia* has noted that little substantial and conceptual debate had taken place on the various approaches followed by the partner countries and on the advisory strategies pursued by the respective GTZ teams. During a three-day workshop in Bangkok in February 2009, the network members reviewed their own approaches and experiences,[2] and Volume II draws liberally from that event.

This Technical Paper presents the GTZ's rich and long-standing experience and expertise regarding the support for appropriate designs and the architecture of political processes from decentralisation reforms in the Asian partner countries of German Development Cooperation where GTZ support to FA is particularly important due to the German Federal Ministry for Economic Cooperation and Development (BMZ)'s 'twin track' approach to decentralisation. However, the lessons presented in this Technical Paper are highly relevant for GTZ support to decentralisation reforms in other regions and for other donors. It is expected that the technical paper as a whole will fill the perceived gap in literature and will inform the debate on support for FA in its partner countries worldwide,[3] and that it will sharpen GTZ's technical pro-

file vis-à-vis other development partners and partner governments.

Volume II begins with Chapter I, which outlines the relevance of the functional assignment issue in GTZ's current portfolio, and captures the specific efforts of GTZ in support of functional assignment. This is followed by Chapter II, where functional assignment (as part of supporting decentralisation reforms) is situated in the context of emerging aid modalities influenced by the Paris Declaration and the Accra Action Plan. A final chapter lists practice issues that need to be given more attention.

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1   https://dms.gtz.de/livelink-ger/livelink.exe?func=ll&objId=46447 321&objAction=browse&viewType=1 GTZ (2009).
2   Documentation: Functional Assignment and Performance Assessment Systems for Local Governments, Technical Workshop, 9-11 February, Bangkok.
3   Functional assignment is increasingly becoming an issue of GTZ support to decentralisation reforms in Africa and Latin America.

1. GTZ–supported Functional Assignment

1.1 Position and relevance in the GTZ portfolio

Decentralisation reforms aim at strengthening transparent, efficient and citizen-friendly state institutions to improve public service delivery, to consolidate democracy, to promote local economic development and to reduce the potential for societal conflicts. In many GTZ partner countries, state functions are assigned to multiple tiers of government and administration; often civil society organisations and private companies also fulfil some of these functions. The coherence, coordination and cooperation of these multiple state and non-state actors depends significantly on clearly defined and appropriately assigned functions. Decentralisation reforms seek to organise or re-organise the core functions of decision-making, implementation and financing between different tiers of government as well as between state, civil society and the private sector. Therefore, support to the assignment or re-assignment of functions is a key component of GTZ support to decentralisation reforms.

Despite this core role of FA, there is surprisingly little knowledge, conceptual guidance, documented practice and debate on FA within the context of external support to decentralisation reforms. In particular, the lack of good practice examples and cross-country comparisons on FA in different sectors and regions is constraining evidence-based policy-making. In recent years, a small number of international organisations and donors have started to develop typologies for FA. UN-HABITAT, for example, advocates FA based on the subsidiarity principle, local government participation in the negotiation of FA, incremental transfer of functions and capacity building accompanying transfer of functions.[4] The World Bank has set out to identify general criteria for expenditure assignment based on a comparative analysis of fiscal decentralisation arrangements: economies of scale, economies of scope, benefit-cost spill over (internalisation of benefits and costs within jurisdictions), political proximity, consumer sovereignty and economic evaluation of sectoral choices (budgetary choices about the composition of spending).[5] *United Cities and Local Governments* (UCLG) has compiled a list of typical local functions based on the comparison of FA in European countries.[6] In most of the countries, town planning, allocation of social benefits, roads and public transport, water distribution, accommodation and housing, construction and maintenance of school buildings as

well as support initiatives for regional/local economic development are assigned to the local level.

Over the past decade, GTZ has build up considerable experience and expertise on FA, especially in Asia, but also in Africa and Latin America. In *Ecuador*, for example, GTZ carried out a comparative inventory of the key functions at the national, provincial and municipal levels in various sectors, distinguishing between politics, control, planning, financing, administration and infrastructure.[7] In addition, the inventory differentiates between several types of negotiations for FA between national and sub-national governments, including bilateral and collective negotiation, voluntary and compulsory functions, single-function and multi-function packages as well as symmetric and asymmetric functional assignment. In *South Africa*, GTZ is supporting a 'White Paper process' aiming to review the 1998 White Paper on Local Government and to develop a new 'White Paper'.[8] The South African Department of Provincial and Local Government has initiated a transparent and inclusive public debate on the future assignment of functions to the provincial and local government with broad participation of a wide range of societal actors. Especially in Asia, FA support features prominently in technical cooperation projects in *Indonesia, India, Cambodia* and *Nepal*.

4   UN-Habitat (2007): UN Guidelines on decentralisation and the strengthening of local authorities.
5   Shah, A. (2007): The Practice of Fiscal Federalism: A Comparative Perspective.
6   UCLG (2008): Decentralisation and Local Democracy in the World. 2007. First Global Report.

7   Frank, J. (2001): Competencias: Que decentralizar? Un studio de las posibilidades de la decentralizacion administrativa en el Ecuador.
8   Republic of South Africa, Department of Provincial and Local Government (2007): Policy process on the system of Provincial & Local Government. Background: Policy questions, process & participation.

GTZ experience has shown that FA is highly context-specific – both with regard to the region, sector and the type of decentralisation. Therefore there is no single optimal design for the assignment of functions between the different tiers of government, or between state and non-state actors. Nevertheless, decision-makers involved in FA can draw on existing knowledge and experience to learn from other countries and to assign these functions best within their given country context and according to their specific needs and priorities. According to GTZ, the *technical design* of the final assignment of functions and the *political process* leading to this result are equally important for successful support to FA. ***Only the combination of these two elements ensures that FA is technically sound, politically feasible and socially acceptable***. Therefore, GTZ supports the development of appropriate designs by facilitating the exchange of guiding principles, criteria, lessons learned and good practice examples, and the political and social acceptance of the results of FA by setting up and supporting processes that allow for transparent, inclusive political and societal debates on this issue.

1.2 Approaches and tools

In the GTZ approach to FA, there is no rush to achieve a "big bang" if that is seen to be too risky in terms of readiness of the actors involved. It is generally more productive to view FA as a policy dialogue, that may yield fruit in terms of devolution decisions, or may serve to initiate some learning opportunities through piloting (by sector or service function) – all in a process that builds capacity, clarity in the vision of decentralisation, and confidence in the benefits to be gained (see Figure 1).

GTZ encourages partners to develop a road map for the process to be undertaken, making it as transparent as possible. This alone will work to gain interest, reassure the reluctant actors, and set up the process in a way that makes the leadership more accountable for the effort and results. The roadmap would set out the organisational aspects, timing, resources, consultation approaches, and specific technical steps.

GTZ itself does not seek to bring about a particular kind of FA result. Rather, it seeks to aid partners/stakeholders to become aware/knowledgeable and skilled in the issues and processes; it is up to these actors to make their choices and to learn from their successes and mistakes.

GTZ does offer international experience in a way that makes it easier for national actors to understand the patterns seen, the options available, and the advantages/disadvantages of certain options. Choice of technical tools, timing, sequence and risks are common referents. These do have political dimensions, but it is again up to national actors to draw their own implications for their stances and political/policy tactics.

Within the above approach, GTZ-supported interventions need to be tailor-made in order to address the specific context and needs of each advisory process. While using specific tools and instruments in each process, GTZ makes use of its four basic modes of delivery, i.e. (i) support to capacity development, (ii) networking services and the organisation of dialogue events, (iii) advisory services to its clients, and (iv) management and logistical services (see Figure 2).[9]

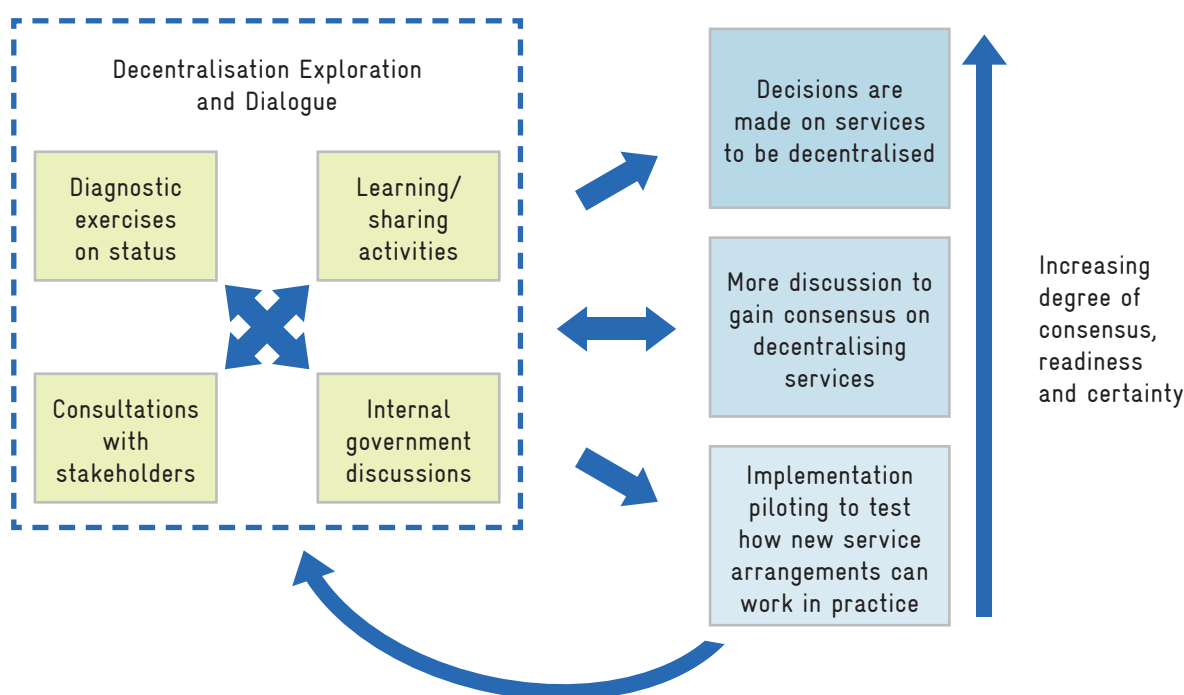9 GTZ (2008). Overview of GTZ's Modes of Delivery – a Guiding Framework. Eschborn.

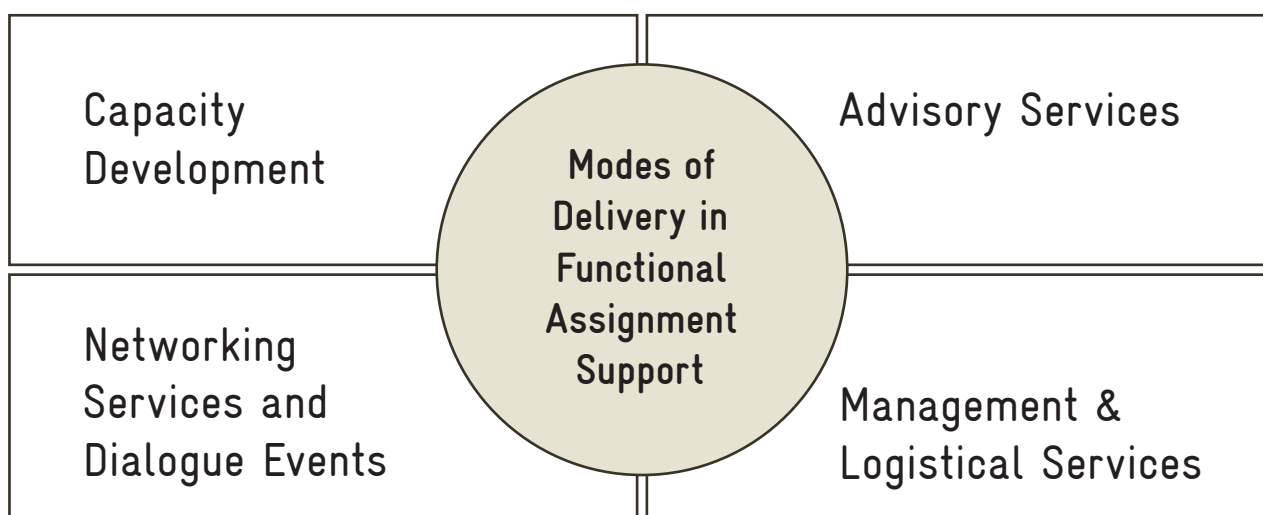Figure 1: FA in the context of a decentralisation dialogue/exploration

Figure 2: Modes of Delivery in FA support

The use of these modes of delivery by GTZ-supported FA processes in Asia can in short by summarized as shown in Table 1 below.

In the following, we will present these examples of advisory processes on functional assignment in more detail in order to illustrate, how the various modes of delivery had been applied in the specific context of each case.

a) Raising awareness and ownership of the FA process (Himachal Pradesh, India 2007-2009)

Most states in India have been rather slow to follow the central government's lead in spurring decentralisation (devolution) to the two or three levels of Panchayat government. Recently, the central government has stepped up efforts to support and incentivise the states in their efforts to refashion functional assignment, dubbed 'Activity Mapping' in India, to be more aligned with constitutional directions. However, the information and other technical support provided to the states from the centre level have

been light. To fill the information gap on concepts, tools and approaches, and to provide more ongoing and intensive guidance to Himachal Pradesh, GTZ joined with the HP state government (GoHP)[10] to prepare the relevant state actors to engage in a FA process.

In December 2007, GoHP and GTZ jointly conducted an exploratory workshop to look at experiences and lessons learnt from activity mapping exercises in other Indian states and internationally, in order to map out a strategy for the upcoming round of activity mapping in Himachal Pradesh. The key aspects of the workshop are outlined in Table 2.[11]

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10 Through the Indo-German bilateral project 'Capacity Building of Panchayati Raj Institutions in Himachal Pradesh'.
11 Government of Himachal Pradesh (Department of Panchayati Raj & Department of Irrigation and Public Health) & GTZ (2007). Proceedings of the Exploratory Workshop on Activity Mapping & Functional Assignment in Himachal Pradesh, Shimla, Himachal Pradesh, 4 – 5 December 2007, Capacity Building for Panchayati Raj Institutions in Himachal Pradesh, PRI Report 2008-1.

Examples	Modes of Delivery			
	Capacity Develop-ment	Network-ing & Dialogue	Advisory Services	Managemt. & Logistical Services
Awareness building & ownership (Himachal Pradesh, India 2007–2009)	✔	✔		
Application of Criteria (Indonesia 1999)			✔	
Application of Criteria (Aceh/Indonesia 2007–2009)			✔	
Intergovernmental negotiations (Aceh/Indonesia 2009)	✔		✔	✔
Stakeholder Consultations (Indonesia 1999–2001)	✔	✔		
Unbundling Functions (HP, India) (2007–2009)	✔	✔	✔	
Data base of Functions (Cambodia 2002–2008)			✔	✔
Minimum Service Standards (Indonesia 2003)	✔	✔	✔	✔
Federalism in Nepal (2008–2009)	✔	✔	✔	

Table 1: Modes of Delivery in FA Support

Element	Details
Location and duration	Shimla, the state capital of Himachal Pradesh; 2 days
Resource people	Presenters from: Haryana and West Bengal, Government of India (Ministry of Panchayati Raj), Nepal government; GTZ advisors working on FA in Cambodia and Indonesia.
Participants	Department of Panchayat Raj (DoPR) and sector departments;
Key objectives	• To identify conceptual issues and to recommend how these conceptual issues will be dealt with in the course of conducting activity mapping in HP • To forge a common understanding of key partners on the activity mapping exercise and the methodology to be applied • To define tentative time schedules and resource requirements for the exercise.
Methodology	Presentations followed by group discussions

Table 2: Key elements of workshop to prepare FA exercise (HP 2007)

The workshop did engender a greater feeling of initiative and control of the process at state level (in contrast to the perception of a federal government imposition). It also ended with agreements on the following:

• The bilateral cooperation project with GTZ would continue the process of facilitating dialogue on AM/FA through similar workshops with Secretaries, Directors and within selected departments.

• DoPR would identify one, possibly two Departments of GoHP, to work with on their Activity Mapping

• By the middle of 2008 at least one selected Department should have completed Activity Mapping and commenced implementation

• Workshop proceedings would be prepared by the bilateral project for wider dissemination and follow-up discussions.

As it turned out, the process was much more arduous than anticipated, and the challenge of maintaining interest and ownership on the GoHP side much more formidable. Slowing the efforts were changes in key leadership posts within the DoPR and other departments, the memory of a failed process a decade earlier, and a stretched GTZ advisory team that was supporting the GoHP on several fronts – activity mapping being only one area of cooperation.

Affecting all state actors was the low awareness of what a good AM/FA process entailed, and the conceptual grounding in decentralisation that would keep the effort on track and bring it to its proper conclusion. By mid 2009, much progress had been reached, particularly within the rural drinking water sector where the GTZ was also active in providing support. However, the overall AM process was still far from concluded. The uneven understandings and disparate perceptions of decentralisation, devolution and activity mapping were evidently frustrating progress.[12] The lack of continuous engagement

with other stakeholders also limited the vision of the state departments, and avoided the healthy pressure that could be brought to bear from stakeholders.

In an effort to bring all state actors and other stakeholders to the same level of understanding, GTZ commissioned the preparation of a primer 'Decentralisation and Activity Mapping in Himachal Pradesh - A Short Introduction.' (see Figure 3)

The document was expected to increase the overall level of understanding, and revitalize the readiness to finalize the Activity Mapping exercise in keeping with Indian and wider good practices. It will also be used in training events for elected representatives.

b) Application of criteria (Indonesia 1999)

In the context of the "transition" government of Indonesia in 1999, several reforms were initiated, including decentralisation. As a new law on regional government was being fashioned, GTZ was asked to support the requisite sectoral reassignment of functions, an issue not well addressed in the draft law itself. While the chance to influence the law was limited (it was about to be submitted to Parliament), GTZ[13] was able to work with the agencies that were anticipating the follow-up regulations. These were the Coordinating Minister for Supervision and State Reform (Menkowasbang/PAN) and the National Agency for State Administration (LAN). A key regulation was the one specifying the detailed assignment of functions for the central government and the provincial level (the district would be the residual).

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delegation of numerous but rather inconsequential activities rather than holistic devolution of substantial functions.

13 Since 1992, GTZ has been supporting the decentralisation process through various bilateral projects, including the *Support for Decentralisation Measures* (SfDM) project (1992-2005), *Good Local Governance* (GLG) (2005 - 2009) and *Advisory Support Service for Decentralisation* (ASSD) (2005-2009). Currently, support at national and subnational level is provided by the programme *Decentralisation as Contribution to Good Governance*.

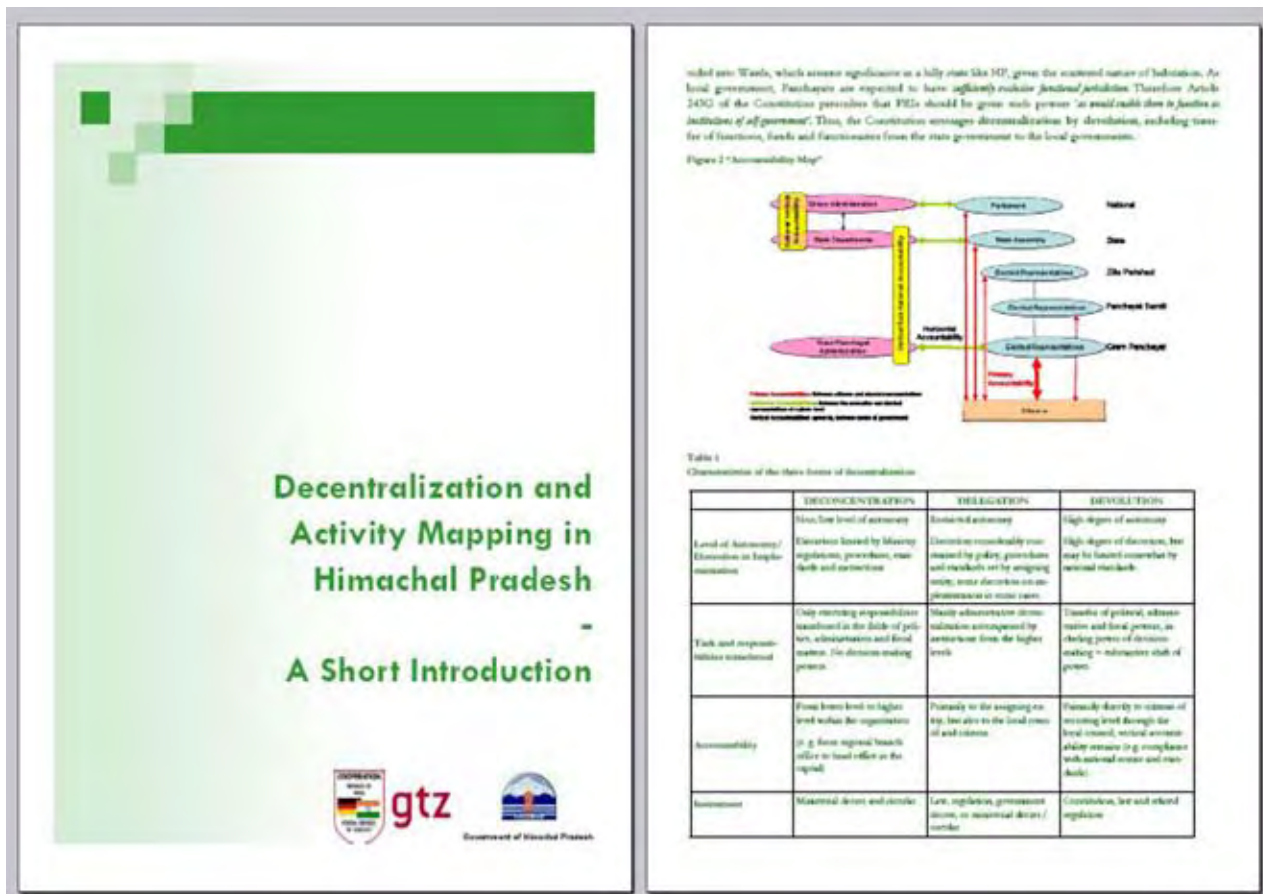12 The use of the term 'Activity Mapping' itself reveals a bias toward

Figure 3: Extract from primer for participants in AM/FA in HP (2009)

The government recognized the need to address the assignment of functions in a systematic way, though time was pressing. The GTZ team prepared an initial input on this important issue. Prior to its formal presentation to the coordinating ministries, GTZ was able to use a project in the forestry sector to sound the initial thoughts. Based on the reception obtained by GTZ advisors and their counterparts in the forestry sector, GTZ adapted the input and presented it to the coordinating ministries. The GTZ input outlined the possible process for defining and assigning functions. It then dealt with the possible list of criteria to be used, giving some illustrations of their application, and finally it offered an example of a possible application.[14] The criteria, and their indication in terms of decentralisation or centralisation, are shown in Table 3 below. The GTZ indicated that the application of the criteria could not be mechanistic, and that a particular function may have more than one relevant criterion that must be weighed.

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14 GTZ (1999). Toward a framework to guide Indonesian central agencies in the assignment of functions: A contribution from GTZ-SfDM to Menkowasbang/PAN-LAN, prepared by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) team through the cooperation vehicles of the *Support for Decentralisation Measures* (SfDM), February.

The above list from 1999 finds support in some of the lists used around the world, but is more extensive than some. It is also put together based on the local discussion in Indonesia. Even if locally-used criteria appear to be difficult to work with, it is important to include them in the discussion and to see how they can be applied – perhaps with much care. The list encouraged by the Union Government of India (see Volume I - Box 13) is a case in point. The "principles of public finance" are not all easy to work with, and they are not well explained (e.g., heterogeneity of demand). However, they have been circulated by the national ministry to all states, and state officials usually felt bound to use them (or at least to make reference to them in the activity mapping exercises conducted by the states).

Returning to the 1999 Indonesian case, the GTZ guidance continued with the message that government needed to be transparent in the criteria's use. This would mean providing (i) justification, (ii) listing unresolved functions and contending arguments, and (iii) setting aside functions that require specific investigation prior to decisions. Wider dialogue with government and civil society to add input was encouraged, as well as specific research to aid decisions (where the functions are not well understood for instance).

Criterion	
1. Need for speedy decisions or coordination This criterion is self-explanatory. It generally comes into play in discussion of applications for permits or for initiating activities, particularly where there is some measure of cross-sectoral involvement needed. Investment approvals and land use rezoning applications are examples. It generally points to bringing the decision-making closer to where the physical activity is located or is anticipated.	⬇ (green)
2. Need for managing wide and intense stakeholder communication and involvement The best location does not readily emerge from this as there are problems and issues of very different scale in development. However, many of the most conflict-ridden tend to revolve around the use of "common resources" or at least localized resources. There is merit then in pushing the function that heavily relies on intensive interaction as close to the site as possible. Water management, particularly in a watershed context, is one example.	⬇ (green)
3. Need for sectoral integration It is debatable whether sectoral integration is more needed at any particular level, but there is a school of thought that for some services this is best done at local level, particularly if these services involve interaction with local populations. For example, well conceived or even poorly conceived, programs in rural/agricultural extension are more successful if they can join forces and maximize synergy and limited resources at the local level.	⬇ (green)
4. Accountability to the people's representatives Accountability is seen as leading to a responsive government that caters to constituent's preferences and needs. Some writers automatically see this criterion as supporting decentralization. However, this depends on whether governments at local level are equipped with representative elements and authority over the executive. It would be unwise for example to shift many functions from the district to the kecamatan (= sub-district) in Indonesia under the current system since the latter level is devoid of a legislative body (leaving aside effectiveness issues).	—
5. Fit or link to other functions There are some functions that are closely associated. For example, building and operation and maintenance of infrastructure. While there may be good reasons to split responsibility, the tendency should be to keep these together so that the building is done with a full sense of responsibility for the cost and organizational structures that will support the O&M.	—
6. Cost effectiveness (economies of scale) The literature is rather divided on this point, but there probably is sufficient evidence to safely say that in many cases some cost efficiencies can be found in going to large jurisdictions (for similar services). Clean water provision through piped systems and sewage treatment are examples of functions that can benefit from larger scale. However, this "finding" should not be applied too rigidly since the provision and production separation allows small jurisdictions to use efficient producers operating on a larger scale.	⬆ (red)
7. Administrative capability There is an obvious general correlation between large administrations and administrative capabilities, at least in the small to medium categories of government. This reality has sometimes gotten in the way of decentralization, as policy makers have used "capability" as a screening factor, rather as an objective of decentralization (to raise local capabilities through transfer of skills and resources). This card should not be overplayed.	⬆ (red)
8. Security sensitivity This criterion is very prominent in Indonesia, but it is applied in a very loose way. Fears of disintegration, lawlessness and policy deviation are all thrown under the security catchword and applied rather indiscriminately (in Orde Baru). There are functions where this issue is important, such as in border functions and policing, but its relevance to other functions must be made explicit before it is applied.	⬆ (red)
9. Spill over effects between jurisdictions Negative and positive spill-over are both important as they can lead to sub-optimal investments in public goods. The difficulty in applying this criterion is that almost all functions have some spill-over. The challenge is in determining how much is cause for concern and therefore action by higher level (that can better internalize the costs and benefits). Inter-jurisdiction cooperation works to weaken the case for higher level action. Examples of spill-over that call for larger regions are economic development promotion and technical training schools.	⬆ (red)
10. Involves costly and technically demanding equipment This is a variant of other criteria; economies of scale and capability. The financing of sophisticated technology may call for a more centralized management that apportions use to lower level jurisdictions (incinerator technology for instance). Capabilities here refers to scarce technical skills. It may not always be possible in the short term to "transfer" these skills to lower levels.	⬆ (red)

Table 3: Functional Assignment Criteria (Indonesia 1999)

c) Application of criteria (Indonesia-Aceh 2007-2009)

As a result of its 1999 experiences in revising the framework for decentralisation, Indonesia gained some facility with the key criteria for FA (see Box 14 in Volume I). The criteria were placed in the Law 32/2004 for regional government, and these were ostensibly used in preparing a subsequent government regulation issued in 2007, specifying the functions of the central, provincial and district/city levels. Observers noted that the application of the criteria was not very transparent or consistent. The application was far from simple or mechanical, and additional considerations came into play, depending on the mix of policy-makers and stakeholders at the table.

The far from straightforward application of the three criteria was also in evidence in the development of the government regulation on the functions of the central government in Aceh. The three criteria also were adopted in the Law on Governing Aceh, with the vague addition that "the harmony between levels of Aceh had to be considered."

The first draft of the functions to be retained by the CG, coming from the government side, was prepared in 2007, and received a response from Aceh by early 2009; negotiations were underway by mid 2009. Not surprisingly, the CG offered a draft that was similar to that pertaining to the rest of the country; if the same criteria were used to determine the functions of all other provinces as for Aceh then this was to be expected.

Aceh also formed its response to the CG draft ostensibly using the same three criteria, yet its suggested list of functions differed significantly, in some sectors, from those put forward by the CG. As these differences were coming into being, the GTZ team assisted Aceh in being explicit about the reasons for the suggested differences (see Table 4).

The first criterion in the above table invites the question of how this original agreement, pertaining to FA, was reached. From all accounts, there was not any detailed consideration of the three criteria among Acehnese negotiators in Helsinki, or any set of criteria put forward in more detail by the Acehnese stakeholders involved in the drafting of the subsequent law on governing of Aceh. It appears that the functions listed were those that would give Aceh control over strategic or important governmental activity.

The underlying/tacit criteria may have indeed been those officially promoted in the Indonesian framework, but as the later elaboration reveals, a number of additional criteria or considerations came into play.

Two key lessons arise from this application of FA criteria in Aceh:

- The same criteria applied to the same context, but by different stakeholders and in a different process, can yield a different result.
- The criteria for decisions on FA can be quite varied and some relate to specific conditions.

Additional criteria or considerations	Explanation
Alignment with the Law on Governance of Aceh and spirit of Helsinki Accord	If the law specified functional assignment, then this was to be faithfully reflected in the government regulation. The specified functions are those that give Aceh significant control over resources, allocations, and regulatory roles over all key socio-economic sectors.
Maximizing financial support to Aceh from the central government	This meant allowing the CG to retain a function, but then encouraging it to implement it through agency tasks to the Aceh government or delegation to the Governor, thereby drawing additional financial resources to Aceh rather than burdening the regional budget.
Reducing headaches or disadvantages for Acehnese government/professionals	This could be seen as a more practical expression of efficiency and externality arguments. For instance, the regulation of notary publics could be technically carried out by Aceh, but questions arose regarding the ease with which cross-provincial work could be carried out.
Maintaining the guidance role of Aceh province towards districts/cities	While recognizing the right of the CG to supervise all regions in Indonesia, as a matter of principle Aceh wished to exercise as many functions as possible "internally", i.e., towards its districts/cities; on supervision, mediation, coordination, and technical support.

Table 4: Additional criteria applied in Indonesia-Aceh 2007-2009

d) Intergovernmental negotiations (Indonesia–Aceh 2009)

Whether by intent or habit, central governments involved in FA processes tend to organize their deliberations and consultations in ways that are familiar or comfortable to them, even if the arrangements tend to place other parties at a disadvantage. The approach seen in Aceh, in the context of the preparation of a government regulation that would clarify the functions remaining in the hands of the CG (in Aceh) is rather different from this pattern, for several reasons. The Governing of Aceh law that flows from the 2005 Helsinki Accord requires consultation with the Governor on 'administrative policies' that directly affect Aceh. Moreover, Aceh has involved itself in development cooperation with EU-GTZ to precisely assist it in giving a proper shape to the FA negotiations, and to prepare it well in working through what is expected to be a year long process, covering 32 sectors. Furthermore, the Ministry of Home Affairs, with considerable vice-presidential oversight, is committed to facilitating a process that works for both the CG (sector ministries in particular) and Aceh.

The regulatory process began in 2007, with a CG draft that contained the effort of the sector ministries to reflect the new governance framework for Aceh. GTZ assisted Aceh in responding to this draft, in a year long effort that saw the establishment of a special team in Aceh (provincial government and experts, aided by GTZ) dedicated to this task, working closely with each of the relevant Aceh sector units. A detailed response, with counter-proposals and justification (using some explicit criteria, see sub-section above) was prepared. Such a response to CG proposals from a region in Indonesia had not been seen in the two previous FA efforts seen since decentralisation reforms began in 1999.

The response from Aceh then set the stage for the joint discussions/negotiations, which was again assisted by GTZ, who sought to give shape to a process that would place the two parties on a level playing field in terms of logistics, rules of the exchanges, technical preparation (see Figure 4).

The negotiations were held in Jakarta, with groups of sectors (normally 2-3) being examined every few days. This approach placed the Acehnese at a disadvantage in terms of readying the Achenese government units, and providing support for them from the original team that facilitated the response to the CG draft. GTZ found it challenging to work with the Ministry of Home Affairs to set a feasible schedule, and to prepare each Aceh government unit with a refresher of the Aceh counter-proposal to the CG draft, the rationale (criteria/considerations) and a negotiating strategy. It was deemed important to try to offset, in each sector specific negotiation session, the generally more technically advanced CG sector representation by providing expert views from academic and other stakeholders. As well, GTZ/MoHA facilitated an introductory session for all of the CG sector representatives on the
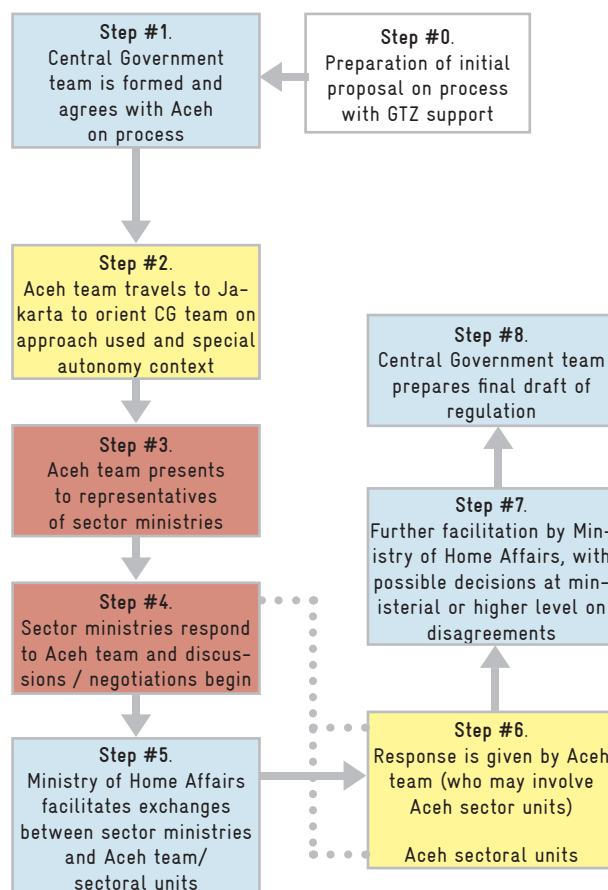
Figure 4: Central Government-Aceh FA negotiation process

background of the Helsinki Accord, the formulation of the law on issues of FA, and the approach/criteria used by Aceh in responding to the CG draft. This turned out to have been a necessary investment, as several CG representatives found it difficult to understand why, or accept, the special status of Aceh; in their view the existing national laws/regulations pertained equally across all regions. Such misconceptions dogged the negotiations in the early stages.

e) Facilitation of consultation with stakeholders (Indonesia 1999-2001)

In the context of the assignment of functions indicated earlier (in the application of the criteria), GTZ offered support on the consultation process required to achieve a sound functional assignment.

The initial input was directed to the coordinating central government agencies (Menkowasbang/PAN and LAN). It stressed the importance of combining the different knowledge and interests of stakeholders in the process, and of involving stakeholders as early as possible in the process. It noted that while decentralisation was widely supported, the criteria to be used, and their relative importance, can generate considerable differences. These differences need to be acknowledged and explored with the view to reconcile/negotiate suitable compromises.

Participant	Role
Sectoral staff from line units	Provide technical arguments and safeguard national interests.
Sectoral staff from Secretariat	Link interests across units and provide standard approach across units.
Sectoral staff from research/training arm	Provide inputs on capabilities and seek additional information to support discussion.
Ministry of Home Affairs	Clarify/impart decentralization principles and ensure integrity of overall effort with framework laws. Provide political arguments for decentralization.
Menkowasbang/PAN, LAN and possibly Ministry of Finance	Link effort to other reforms (civil service, anti-corruption, audits, financing).
Provincial government (Office dealing with autonomy and other units)	Provide technical and political arguments for assignment to provincial level.
District/city government (Office dealing with autonomy and other units)	Provide technical and political arguments for assignment to provincial/city level.
Relevant NGO, Universities, and Technical Assistance	Provide advocacy for most affected or vulnerable groups. Bring academic knowledge and international experiences.
Industry representatives	Ensure that appropriate public-private balance is struck in defining functions and assigning roles.
Moderator	Provide format and support to ensure all parties are heard, considerations are properly weighed and consensus is achieved.

Table 5: Suggested Stakeholder in the FA Process (Indonesia 1999)

It was underscored that the process is clearly a combination of the technical and political. A table (see above) was used to indicate what might be a good mix of participants for the FA process.[15]

GTZ emphasized repeatedly that there can be no mechanical and objective way of applying criteria, making it (i) important that the key stakeholders are part of the analysis and dialogue required to reach decisions and that (ii) they come to a reasonable degree of agreement (and thus commitment to support, in the implementation stage, any decision taken). The process then is of the utmost importance, and it will not bode well if it is rushed or unduly limited.

15 GTZ (1999). Ibid, pg. 2.

f) Unbundling functions (India/Himachal Pradesh 2008/9)

As indicated earlier, the states in India have been under some pressure to get on with devolution to the Panchayati Raj Institutions (2 or 3 levels of local government, depending on the state). Schedule XI of the amended Constitution lists 29 "Subject Matter" that 'may' be devolved from the state level to the Panchayats. Subsequently, state level legislation was promulgated to activate devolution (for instance in Himachal Pradesh with the 1994 Himachal Pradesh Panchayat Raj Act, with functions embedded in Schedule II of the Act). The implementation of this legislation languished for some years, until new energy (plus pressure and incentives from the central government) spurred renewed efforts to devolve in practice.

FORMAT 1: IDENTIFICATION OF ACTIVITIES

subject matter → service → activity

SERVICE	ACTIVITY	SERVICE CENTRE IF ANY	OTHER PHYSCIAL RESOURCES IF ANY	FUNDING SOURCE				
				PLAN (CSS)	PLAN (SS)	NON-PLAN	PRIs OWN SOURCES	OTHERS

Figure 5: Format for breakdown of services into activities – Himachal Pradesh

Format 2/3: Status Quo/Devolution Activity Map

List of Activities (from Format 1)	To be Performed by State Government					To be Performed by CRIs			Performed by CBOs
	State	District Office	Sub-District Office			Zilla Parishad	Panchay-at Samiti	Gram Panchayat	Community-based Orgn. (CBO)
			Tahsil	Block	Village				

Figure 6: Format for mapping activities onto levels of government – HP

In Indian states, the effort to devolve is now centered on an exercise labeled "Activity Mapping;" activities related to devolved service are assigned to one level of the PRI system or to the state government. GTZ[16] has assisted the state in the process since early 2008, and in the analysis surrounding Activity Mapping has introduced the notion of unbundling of the sector in question. This has been understood as the disaggregation of the sector into key services, and then the further disaggregation of each service into its activities (see Figure 5).[17]

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16 The GTZ provides support to decentralisation reforms in Himachal Pradesh through the *Capacity Building for Panchayati Raj Institutions* project (2007-2010) which works with two departments of the Government of Himachal Pradesh: the Department of Panchayati Raj and the Irrigation and Public Health Department.
17 GTZ-PRI (2008). Comparative Analysis of Activity Mapping in Himachal Pradesh.

As Figure 5 indicates, once the activities have been identified, they are matched to other information. These include the connection to specific delivery centres (if these exist – for instance, a health centre would be the site for several services/activities). Other physical resources are also matched up. Because of the tapestry of program/funding sources relevant to service delivery in Indian states (involving also the national level), the funding source is also noted next to the activities.

From the activity table, other formats are used to continue the unbundling process, placing each of the activities with the PRI or state; this is what is referred to as the 'mapping' of activities This mapping can be done for the 'status quo' as well as for the desired institutional arrangement that results from devolution (see Figure 6).
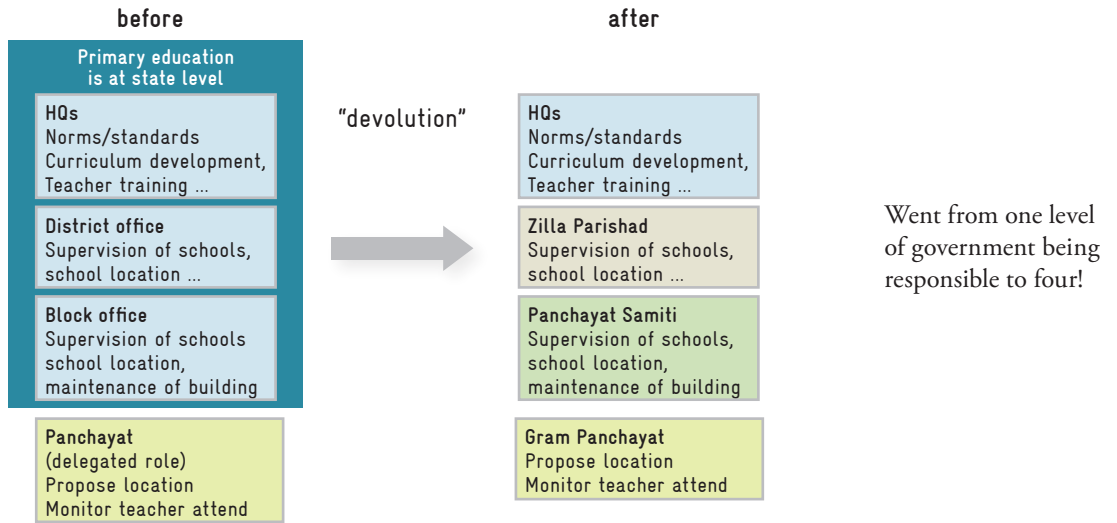

Figure 7: Danger of excessive fragmentation in functions/activities

The unbundling approach used in HP allowed the state government to identify where specific activities are currently taking place, and to propose where the activities ought to reside following devolution. GTZ has noted however that the formats and approaches used can encounter some pitfalls.

It is important to distinguish between the **physical location** of an activity (e.g., conducted at village level) and the **institutional responsibility** for that activity (it may not be the village's function). Hence using the terms 'performed by' may not be clear enough on this point.

Unbundling down to the activity level is often unnecessary, adding only to clutter or complexity. It is advisable to devolve a service in its totality, recognizing (where necessary) that certain elements (e.g., standards) may have to be retained by the state. The excessive disaggregation in Activity Mapping has lead to the situation in many Indian states where it is not clear who really has responsibility for a given service, as the latter is fragmented between the state and two or three levels of PRI (see Figure 7 above).

To get around the problem of fragmentation, it is useful to distinguish between **devolution** and **delegation**, and between **provision** and **production**. One level of the PRI should have responsibility for the service in devolution mode (less any policy/standards role retained by the state). In discharging the devolved function, the receiving PRI level can choose to delegate some tasks (agency mode of decentralisation) to other levels of PRI, or it can choose to use non-state actors to assist in the production of the service (retaining provision responsibility).

GTZ has found it challenging to explain the above pitfalls, and is presently seeking to expand the educational preparation on these issues (e.g., through pamphlets/manuals on the topics) so that state government officials can better recognize the pitfalls and avoid them.

g) Data base of functions (Cambodia 2002-2008)[18]

The Ministry of Interior, in cooperation with GTZ, headed an effort of the Royal Government of Cambodia to prepare a data base of legal provisions in existing government legal instruments that relate to "who does what" at various levels of government; central, provincial, district, and commune (see Figure 8 for data base entry screen). The Ministry of Interior guided this effort by virtue of its cross-sectoral role in supporting commune level governance. Operationally, the data base effort was managed by the GTZ-ARDP advisory team.[19]

The data base relates simply to the legal division of labour, largely within sectors, and should be distinguished from what actually happens "on the ground." The data base also does not seek to make normative claims about where specific functions should be placed.

In developing the data base, GTZ collects legal instruments pertaining to governance, and examines them for any statements relating to government functions. The focus has been on identifying service and regulatory functions rather than internal/back room functions of the government apparatus.

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18 GTZ-ARDP (2004). Guide for utilisation of governmental functions data base, Draft June 21.
19 Support was provided by the Support to Administrative Reform and Decentralisation Program (ARDP), which is currently in its second phase (2007-2010).
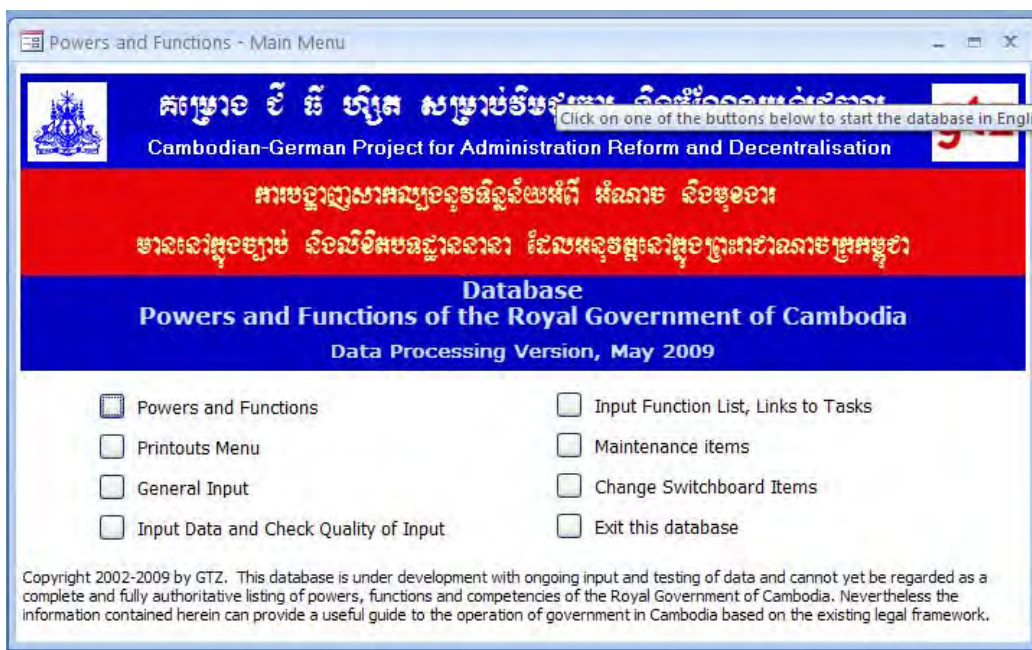

Figure 8: Opening menu of database for Cambodian functions and powers

Notwithstanding its neutral and legal orientation, the data base is potentially a highly useful tool for decentralisation, informing all stakeholders of which governmental functions exist and where they are located in the government system, and on what legal basis. The database disaggregates by sector, line ministry and cross-sectoral criteria as licensing, enforcement and service delivery and of course central, provincial, district, and commune levels. Other descriptors, such as relational category (internal/within same institution, internal-horizontal, internal-vertical and executive government-decentralised government) have been added to allow for a variety of possible searches. Hence the database can serve to inspire thinking on what clarifications or changes might be useful to undertake. It is also useful in identifying gaps and conflicting mandates.

As an integrated knowledge resource, the database is designed to accommodate the needs of a wide range of stakeholders. It is useful for ministry officials engaged in designing commune roles and revised province/district roles. Communes, provincial/district level officials and others wishing to have clarity on who presently has legal jurisdiction can also consult the data base. Development partners, consultants, and NGOs involved in supporting piloting of commune functions or advocacy work can also benefit from a comprehensive view of how governmental tasks are currently defined and assigned, as a basis for raising candidate functions for the commune. Consultants involved in sector legal drafting have made extensive use of the database as a tool to inform their work.

Line ministries are invited to confirm that all of the important legal instruments have been taken into account. The database is made available in CD form (about 600 MB, including hyperlinked soft copies of the relevant legal documents) to all the ministries and to other potential users on request. The database software includes an operational manual for convenience of users.

The database is housed at the Council of Ministers, but so far constitutes a GTZ project research component and information tool in support of the wider discourse on decentralisation and functional reassignment. Since its inception, it has been nominally supported by the Council for Administrative Reform (CAR).

Development and management of the database has not so far been transferred to a local entity, although discussions on such a transfer are ongoing. Both international and national advisors have been employed, for several years, to construct the data base. Absorbing this into the system would require clarifying the FA and wider uses for the data base. Absorbing the effort into the system proper is complicated by weak inter-ministerial coordination for an integrated approach to decentralisation and the related issues of legal and administrative reform. Legislation and regulations tends to be the business of the individual line ministries, who also defend their territoriality in this area.

However, growing interest has been expressed in an integrated approach and the database could be a key tool in the process of recrafting the legal framework with respect to functional assignment.

From the point of view of GTZ, the investment made in this tool, compared to its use to date, raises questions of the appropriateness of investing in a tool that takes several years to develop, and presents challenges to being integrated within the government itself. The tool may best be positioned as an aid to ongoing adjustment of FA, rather than as a key support to a one-off FA process.

h) Simulation of performance expectations – Minimum Service Standards (Indonesia 2003)

Regarding local government functions that have been characterized as "obligatory", the issue of norms and standards attached to such mandatory functions arises, as these functions – under the principle of equity – should be provided in the same quantity and quality throughout the national territory. In Indonesia, GTZ supported the Ministry of Home Affairs in mounting a complex concept development effort that involved two other ministries (Ministry of Health, Ministry of National Education) and several donor-supported projects.[20] To test the implications of the concept for regional governments, GTZ promoted the idea of a model building exercise (MBE). This obtained the support of the relevant government ministries and the other development partners.

Three objectives were set for the MBE:[21]

1. Learn how Obligatory Functions/Minimum Service Standards can best be determined
2. Understand the implications and impact of the application of OF/MSS for the regions
3. Obtain inputs for the enhancement of the concept of OF/MSS and its application nationally.

The MBE fit into the larger decentralisation effort as indicated in Figure 9.

The MBE was a unique opportunity for stakeholders to share their views about the viability of concepts, their application, and what support might be required to make them workable. It represented a marked departure from the way policy had previously been developed – namely, in a centralistic and closed fashion, followed by 'socialisation' at the lower levels of government. It was also a focused effort to involve sector ministries in the conceptualisation of decentralisation reforms, thereby building sectoral ownership and better coordination.

20 Externally supported projects included: USAID-PERFORM, USAID-MSH, the World Bank Dutch Trust Fund, and the ADB funded Basic Education Project.
21 GTZ-SfDM (2005). Providing Policy Advice for Indonesian Decentralisation - The case of the Model Building Exercise for the Development of Obligatory Functions and Minimum Service Standards, SfDM Report 2005-1, February.
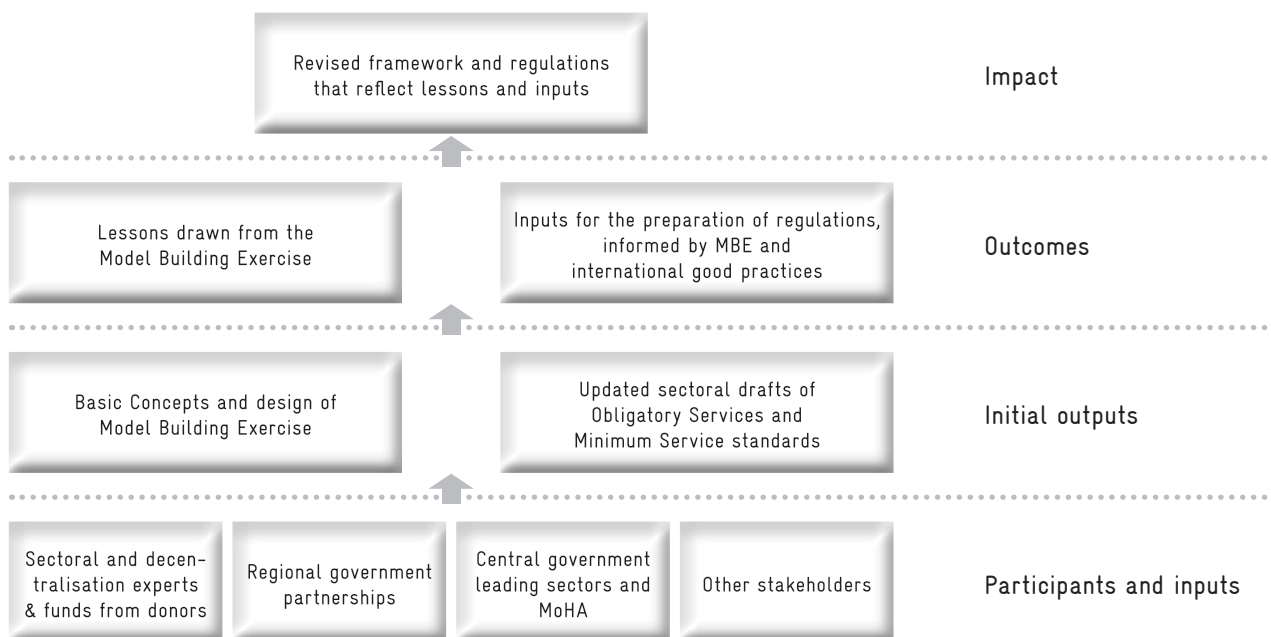
Revised framework and regulations that reflect lessons and inputs		Impact
Lessons drawn from the Model Building Exercise	Inputs for the preparation of regulations, informed by MBE and international good practices	Outcomes
Basic Concepts and design of Model Building Exercise	Updated sectoral drafts of Obligatory Services and Minimum Service standards	Initial outputs
Sectoral and decentralisation experts & funds from donors / Regional government partnerships / Central government leading sectors and MoHA / Other stakeholders		Participants and inputs

Figure 9: MBE linkage with decentralisation reforms (Indonesia)

In keeping with the above intent, the three month exercise, consisting of several workshops and analytical exercises held in pilot regions, provided opportunities to confirm policy directions or to question these, and to put forward workable solutions. These would be captured in framework revisions and practical guidance tools (e.g., on participation of stakeholders, use of best technical expertise available, flexibility in application of criteria etc.).

The external TA and counterpart view of the MBE was not always similar, and this revealed itself particularly in the final phases of the MBE when they could not produce a joint 'lessons learned' document. The two versions produced had much overlap, but it was never entirely clear which lessons were truly internalized by the Indonesian side. On the whole, the style of 'learning' from an empirical exercise was seen to vary considerably between the development partners and the government. The former sought to consolidate their views and express them as a written consensus, whereas government partners preferred to downplay written documentation of lessons (but readily compiled a record of activities), preferring to leave some points ambiguous, whether for lack of understanding, lack of consensus, or anticipation of implications for follow through in policy, regulation, and implementation.

The MBE yielded insights, acknowledged by both donors and government, regarding how OF/MSS 'candidate lists' should be prepared, and how OF/MSS should be introduced. Moreover, the exercise revealed the state of readiness at the central and regional level to come to terms with many of the unanswered questions, of an organisational, technical and financial nature.

Numerous misperceptions about OF/MSS came to the surface during the MBE. For instance, it was learned that some regional actors felt that shortfalls in the achievement of MSS would automatically attract larger transfers from the central government – such a situation would invite perverse incentives/moral hazard. On the other hand, it was also realized that generating unfunded mandates would demoralize regional government and doom the OF/MSS initiative.

Another important outcome of the MBE, was the realisation that regions needed much more preparation to deal with the obligatory functions/minimum service standards concepts. Hence a longer term and more intensive piloting activity was pursued, starting in 2003, and ending in February 2005. This ADB funded TA project[22] was helpful in reinforcing and elaborating the messages of the initial MBE.

i) Raising awareness of FA options in restructuring the state (Nepal 2008-2009)

GTZ has had a long history of support to Nepal in local governance. With the radical changes taking place in the nation's constitution and territorial structures, GTZ has had to adjust its support to place local governance efforts within the context of these larger and dramatic changes. To do this, the GTZ is cooperating through the Federalism Support Programme (FSP), designed to undertake analytical efforts and discussions to explore new institutional arrangements that are federal in nature, including how local government would fit within the reconfigured state.

22 ADB commissioned Research Triangle Institute (RTI) and GTZ to deliver ADB-TA 3967: Local Government Provision of Minimum Basic Services for the Poor.

One of the key issues to be explored in state restructuring is functional assignment between the federal and formative units (provinces), as well as the functional role of the local government. Because of GTZ's commitment to development cooperation, it is working with a number of stakeholders in its exploratory and communication efforts. To date GTZ has supported the following:

• Assisted the local bodies associations (Municipal Association of Nepal (MuAN), the Association of District Development Committees in Nepal (ADDCN) and the Nepal Association of Village Development Committees (NAVIN)) to be in the forefront of these discussions. Several reports have been commissioned, including on Administrative Restructuring and Proposed Federal Regions and Districts, in Nepali, and these are used to raise awareness, discussion, and form the basis for the association's advocacy.

• Broader forums where possible institutional designs have been discussed. For instance, in a joint workshop of GTZ and UNDP on *Designing the Federal State in Nepal* in February 2008, eminent international resource persons as well as national experts were brought together to discuss options. An option regarding FA is provided in Table 6.

• The Federalism Support Programme (FSP) is also linking to the GTZ effort in the Health Support Service Project to explore in more detail what the new institutional arrangements might look like. A comparative study was commissioned which looked at health systems in different federal countries. A recent workshop took place to discuss these matters amongst national actors with the aim to influence the debate.

GTZ's support in this field of state restructuring brings home the lesson that GTZ must support and advise partners in a flexible and demand driven way. In this case GTZ, very much focused on the local scale in previous work, has added a support that addresses some state issues, seeking to join the discussion from both ends. The experience of GTZ in Nepal also underscores the need to empower marginalized groups (women, castes, ethnicities, disabled) as they will also have interests at stake in a new state structure.

1.3   GTZ advisory support characteristics

GTZ support to FA has generally been part of a broader decentralisation/governance effort, rather than being precisely aimed at functional assignment. It appears that as with other development partners, GTZ "runs into the issue" while at work on related topics, rather than designing a frontal approach, fully recognizing what it is seeking to address. GTZ has chosen to respond to the challenge once it has identified the centrality of FA in its support to decentralisation/governance, but it has meant that efforts have been 'under-designed' and under-financed generally, and that the time given to the support has been limited compared to what an unhurried process would require.

The above situation springs in part from a lack of skill set in the Technical Assistance (TA) community for supporting functional assignment, compared to say financing or development planning, but also from the political nature of functional assignment. This has resulted in many externally supported projects that place an emphasis on the issues of planning and financing, while belatedly (if ever) recognizing and dealing with the more fundamental issue of functional assignment.[23] The skill set in partner countries is weaker, but has a similar pattern, resulting in a weak demand for functional assignment support.

There is no professional designation (such as planner) or quasi-professional designation (such as regional economist or finance specialist) for specialists dealing with functional assignment. Most TA staff have grown into the role, learning (sometimes painfully) from project experience. Because functional assignment is an episodic occurrence in OECD countries, there is no ready stock of specialist at work in the OECD context ready to engage with developing country academics and practitioners. A few academics or World Bank analyst have given it attention, and on rare occasion OECD governments have set up task forces with the mandate to address this area of practice to give support to government.

23 For a more detailed explanation of this phenomenon see Ferrazzi, G. (2001). Regional Planning Reform in Indonesia: Keeping Pace with Decentralisation? *Third World Planning*, 23(3): 249-272.

Federal	Provincial	Concurrent (Federal and Provincial)	Local
Defense, foreign affairs, currency, central bank and banking policy, national education policy, national health policy and referral hospitals, citizenship, central police	Education up to secondary level, health, provincial police	Education, natural resources, infrastructure, transportation, communication

Fiscal Federalism | Primary health care, municipal police, drinking water and small irrigation, community forests, local resources such as stone, sand, small infra-structure |

Table 6: Proposed distribution of powers in Nepal

Current or prospective GTZ advisors cannot rely (for themselves or counterparts) on specialized training offers as exist in the field of finance, planning, accounting etc. Functional assignment is often squeezed into 'fiscal decentralisation' but in a perfunctory and formulaic fashion, with little of the richness it exhibits in practice and cross-disciplinary analytical power and skills it requires to support it.

GTZ has found that FA exercises call for specific advisory skills. These typically include:

i. *Capacity Development expertise* (stakeholder analysis, institutional assessment, capacity needs assessment, facilitation of analysis and consultation)

ii. *Sector expertise* (structure of sector and services, technology of service delivery, institutional arrangements, financing)

iii. *Public Administration/Public Finance expertise* (economic principles, civil service structure and procedures, service costing)

iv. *Local Government expertise* (administrative structures and procedures, political relations, financing, civil service, citizen involvement).

Some of these skills can sometimes be found in the same individual, but more often than not a team is required. GTZ has at times offered these skills 'in-house' as core advisory staff, and has augmented these with short-terms advisors with specific skills.

In providing support, GTZ has generally used embedded advisors and short-term consultants in the ministries that are responsible for SNG. This has had the benefit of seeking a coordinated approach across sectors. However, the challenge faced with this approach is the capacity of the coordinating ministry to bring about coherent decentralisation in the face of unaware or self-directed ministries. On occasion, GTZ has been able to combine this coordination ministry connection with one or more sectoral projects. However, the focus of the latter is generally not on FA per se, and therefore the link tends to be tenuous, or requires the FA focused GTZ project to invest in bringing its sectoral cousin to the point where it is an effective partner in FA work.

1.4   A short list of do's and don'ts for GTZ interventions

Do's:

- Start with sectoral departments with interested/committed leadership.

- Make use of donor supported projects already active in sectors, and link these to donor supported projects situated within coordinating ministries

- Precede FA with some awareness raising of decentralisation (modes, types of functions, possible process).

- Use coordinating organisations that are seen as honest brokers and have, or can gain, the capacity to steer the overall process so that there is basic legitimacy and some uniformity in FA approaches across sectors.

- Push the analysis to the requisite resources (funds, staff, assets) in the same process.

- Involve stakeholders, and aim for agreement above all, rather than theoretical purity.

- Use principles, criteria and considerations as guides and not mechanically - use common sense.

- Document the key arguments/justification, to let the conversation build and expand, and to gain confidence and legitimacy.

- Examine the arguments for specific functions but also step back and view the overall roles/relationships between levels.

- Look near and far for inspiring examples where FA has been done and with a reasonable process and outcome.

Don'ts:

- Don't support a local government ministry or other coordinating body in setting (enshrining in law) the FA on behalf of the sectoral ministries – that's just putting off work and making it more difficult later.

- Don't get carried away with unbundling and disaggregating endlessly – just go as far as necessary to apportion functions.

- Don't get too far ahead of counterparts; meet them where they happen to be.

- Don't rush or expect the process to be over and done in weeks or a few months – it can take considerable time.

1.5 Suggested process and tools for GTZ's future support

The state of conceptual development, and the experiences of GTZ to date, suggests that there cannot be a rigid and 'one size fits all' approach to FA. GTZ support will have to meet the participants 'where they are' and to adapt tools and approaches to the particular needs of clients and stakeholders. GTZ supported projects do however have lessons from previous support efforts to draw from as indicated in Chapter 1.2 of this volume, and considerable guidance from the larger body of literature and experiences (see Volume I). Taken together, it is possible to distill a basic program of support for GTZ cooperation projects dealing with FA, spanning a four year project cycle (a typical duration for GTZ projects). This is outlined below, with reference to the GTZ experiences in support of FA.

Year 1

Awareness raising among participants in FA process:	Prepare and discuss basic policy documents and conceptual primers on Decentralization and Functional Assignment (see Figure 3 from Himachal Pradesh)
Ownership building among levels of government involved:	Gain political support and announcements, with direction on emphasis or urgency (modes of decentralization, sectors)
Planning of process of FA:	Hold FA Planning Workshop to specify participants, nature of process, desired outputs and outcomes, schedule, and role of GTZ support. (see Table 2 from HP and Table 5 from Indonesia)

Year 2

Specify/confirm criteria for FA:	Select and explain the criteria to be used in the FA process (See Indian and Indonesian/Aceh experiences in Table 3 & 4 and Figure 4)
Specify and initiate detailed discussion/ negotiation or piloting process:	Jointly (inter-governmentally and with stakeholders) determine the process to be used to come to agreements on FA (see Aceh process in Figure 4). Where uncertainty is too great, plan and initiate pilots, or assess existing initiatives (see Figure 9 for Indonesian piloting)
Unbundle functions to the degree necessary and assign:	Clarify the functions that are to be assigned, and unbundle these where necessary in view of the criteria being applied (see Figure 5–7 in case of Himachal Pradesh).
Anticipate challenges of implementation:	Anticipate the guidance instruments required to ensure success (see Figure 9 for MSS case). Assess the capacity challenges that will be met by key local actors who must implement, and CG actors who must facilitate and supervise.

Year 3

Undertake awareness raising and capacity development among implementing actors:	The new assignment is widely disseminated and explained; relevant regulations need to be made available, along with guidance instruments. Training and more systemic changes (e.g., local government structures) are facilitated.

Year 4

Stock taking of progress and adjustments	Review challenges of operational regulation and implementation. Assess piloting and adjust FA to reflect findings. Adjust capacity development approaches to better meet challenges.

2. Donors and Aid Modalities in FA

2.1 Donor harmonisation in decentralisation support

Harmonisation in DP-supported decentralisation efforts is necessary in terms of the following:

1. Functional assignment support needs to be aligned with finance/planning- related support.

2. Support to a coordination ministry for SNG needs to be harmonized with support to sector policies and programmes provided through sectoral ministries and agencies.

Support to FA may be undermined by donor-supported proposals (through the Finance Ministry) for financing arrangements which do little to firm up the link between functions and finances. In fact, some financing schemes can, by virtue of their complexity and magnitude, suck resources and attention away from fundamental reform, i.e., functional assignment. The current wave of performance-based granting financed by donors runs this risk.[24] Earlier studies[25] have already pointed to the risk that new instruments of donor harmonisation (like SWAP, PBA) could undermine decentralisation efforts by ignoring lower-level (cross-sectoral) planning, by emphasizing fiscal transfers tied to sector-specific purposes, and by favouring

the establishment of sector organisations which run parallel to the local government system. Following their sectoral logic and driven by DP concerns about fiscal prudence when dealing not with one sector ministries but a multitude of local government entities, SWAPs in the past have tend to sideline local-level stakeholders that ought to be involved in decentralisation design and implementation. For functional assignment, it will be important to make the most of the integrated perspective that SWAPs/PBAs allows, and maintain the inclusive emphasis that GTZ and other development partners generally support. The risk of sector programmes with vertical implementation structures undermining functional assignment arrangements is particular high in relation to devolution (which assumes a fair degree of local autonomy in determining sectoral services and sectoral expenditures), while other forms of decentralisation (delegation, deconcentration) can probably much easier be aligned with sector programmes supported by PBAs/SWAPs. There is no inherent contradiction between decentralisation support provided by DP, and the new aid modalities emerging from the Paris Declaration process, however the logic and objectives of decentralisation reforms need to be integrated and reflected in sectoral programmes supported by the new modalities. The new arrangements should allow for unraveling some of the national control mechanisms normally associated with PBAs/SWAPs by consciously maximizing local discretion in planning and decision-making, and through mechanisms that strengthen downward accountability. Where substantial functions in a sector are

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24 Ferrazzi, G. and Steffensen J. (2008). Situating Local Government in Direct Budget Support, International Conference on General Budget Support, Action Aid, Rome, February 26.
25 See OECD (2004), Lessons Learnt on Donor Support To Decentralisation and Local Governance (DAC Evaluation Series), Paris.
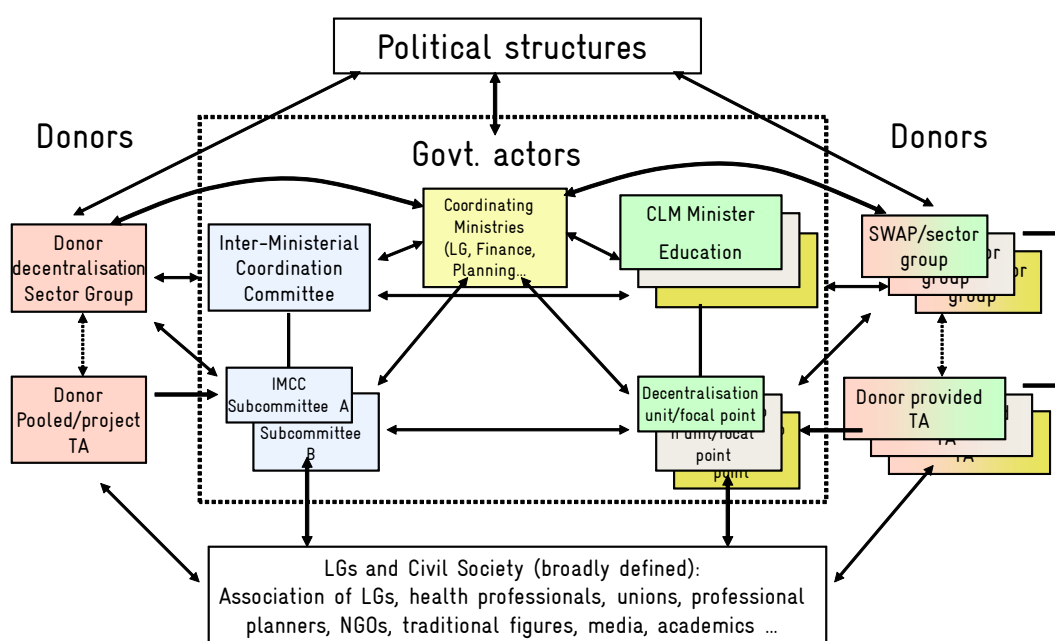

Figure 10: Idealized configuration of donor support for FA

assigned to SNG, DPs might consider establishing PBA/SWAP implementation units and locating TA at sub-national level.

It is important to have donors working toward the same decentralisation vision when they have coordinating as well as sector-based partner ministries. This combination can be powerful if the messages and TC work is complementary. An ideal construction for all of the stakeholders would be as shown in Figure 10. The figure shows that donors can support the sectoral efforts to decentralize (right hand side) as well as the coordinating ministries/committees that seek to guide/coordinate decentralisation cross-sectorally (on the left hand side). Moreover, donors can engage both at the macro policy level, sector wide or cross-sectoral, and at the technical level (for the sectoral or cross-sectoral case). Government institutions will of course have links to civil society, and donors can have indirect links to civil society through their partners, but can in most cases also have direct civil society links.

The configuration shown in Figure 10 is for decentralisation initiatives that are substantial and supported by many donors. The ideal configuration shown may not be possible in most cases, but this ideal construction can serve as a yardstick to assess how fulsome the support effort is in any particular country.

When actors are pursuing separate agendas, the result can be frustrating for all. Rifts are evident in many countries where donors are supporting FA. For instance, a dominant donor will run roughshod over newly assigned functions – preferring to support a different level of government, or do an end run on SNG altogether by 'decentralizing directly to local communities.' When this happens, it is unlikely that support to FA will be effective.

Agreement on aid modalities among development partners is also helpful. Development partners have different instruments they can use in providing support. For instance, International Finance Institutions can offer program loans (budget support) that could set FA as an agreed government action, with FA completion being a disbursement trigger. This may be appropriate, but such an offer is likely to be more effective if combined with adequate technical assistance, generally delivered through bilateral aid. In the worst case scenario, sector budget support for national ministries that encourages them to carry on with centralized arrangements and vertical programmes, even as the FA is being considered or launched, would severely undermine the prospects for FA success. Program loans, investment loans, and TC need to work together, with a sector-wide approach that takes into account decentralisation, and specifically the intended FA exercise.

> **Inter-ministerial Coordinating Committee in Cambodia** | Box 1
>
> With a Royal Decree in 2006, Cambodia established the National Committee for the Management of Decentralisation and Deconcentration, supported by a Secretariat and donors. This committee lead the effort to expand decentralisation beyond the 2001 commune level reforms, to encompass provinces and districts. However, CLMs that have identified functions to transfer to subnational levels have yet to receive policy guidance from the committee. There is no common methodology or time table for FA. Also lacking so far is guidance on the desired emphasis in the mode of decentralisation.

2.2 Policy of GTZ on aid modalities

GTZ's support for functional assignment processes is informed by the corporate policies and strategies that together form the unique approach of GTZ for technical cooperation. This includes GTZ's conceptual frameworks on capacity development,[26] conceptual understanding of Technical Cooperation (TC) as compared to Technical Assistance (TA),[27] and targeted mix of modes of delivery.[28] It is also shaped by GTZ's overall stance on sustainable development.

TC is demand driven, providing its services within process and dialogue oriented participatory projects and programmes that are aligned with the partner country's policies and structures. Services are not just delivered to the partner country, but agreed upon and provided in a flexible process of negotiation and implementation, with joint responsibility for results. There are no rigid plans of operation to be worked through. Rather, learning processes are organized interactively with the stakeholders, providing scope for actively shaping development and responding to changes in the broader environment. Setting approaches and instruments *a priori*, much less a one-size-fits-all approach would not do justice to the complexity, diversity and dynamics of the contexts in which TC operates. Instruments of TC projects include the assignment of long-term and short-term experts, the supply of materials and equipment, and financial contributions and local subsidies. GTZ services encompass technical and organisational advice, policy advisory services, facilitation, training, and knowledge and network management. Of the four modes of delivery used by GTZ,[29] capacity development and networking services/organisation of dialogue events are the most important in the context of functional assignment.

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26 See GTZ (2007). Capacity Development - Empowering partners, promoting potentials. Eschborn.
27 GTZ (2008). Guiding Principles on GTZ's Technical Cooperation. Eschbon.
28 GTZ (2008). Overview of GTZ's Modes of Delivery – a Guiding Framework. Eschborn.
29 These include (i) support for capacity development, (ii) networking services and the organisation of dialogue events, (iii) advisory services to its clients, and (iv) management and logistical services.

In GTZ's understanding, capacity development helps to build capabilities at individual, organisational and societal level so that its partners are able to articulate, negotiate and implement their own reform and development approaches. In doing so, GTZ often assumes the role of facilitator between various state, civil society and private-sector actors, and of mediator in societal conflicts of interest. GTZ shares the responsibility for the reform processes it supports. This holistic approach is a marked characteristic of GTZ's international cooperation activities.

In the context of functional assignment, capacity development takes place for instance through formalized learning events (e.g., the three-day workshop organized for senior government officials from Himachal Pradesh in May 2008); through the facilitation of in-house deliberations within CLMs, coordinating ministries and other government institutions; through providing technical and managerial inputs (like the Cambodian database on powers and functions explained in Chapter 1.2); and through helping coordinating ministries organize their interactions with CLMs (see the Indonesian examples in Chapter 1.2). GTZ also supports the inclusion of non-governmental stakeholders in the functional assignment process.[30]

While each functional assignment process takes place in a particular and specific context and is therefore unique, lessons learnt from FA processes elsewhere can provide insights on the complexities, potential pitfalls and requirements of a successful FA process. Here, networking and the organisation of dialogue events come into play, as exemplified by the exploratory workshop on "Functional Assignment and Activity Mapping" in Himachal Pradesh (Dec. 2007), which brought together representatives from several Indian states and from Nepal, and GTZ advisors working in several states in Asia. Also the MBE in Indonesia, which brought together several CLM, the coordinating ministry, and several development partners in one well-coordinated exercise, is an example of the networking approach that GTZ has been using.

GTZ recognizes that development is about issues of power and vested interests, and that the process of pursing sustainability is about negotiating these interests at all levels; local, regional, national. As indicated above, the change process GTZ facilitates brings all key actors to the negotiating table and in cooperation efforts; government, the private sector and civil society. These actors are empowered so that they can voice their issues and concerns and collaborate effectively.

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30 E.g., the PRI Project in Himachal Pradesh helped the Department of Panchayati Raj to conduct a review session with elected representatives from the local government bodies on the process and tentative results of the activity mapping process in HP (August 2008).

3. Open Issues

The documentation of GTZ experiences has begun to fill the gap in practices, and in particular good practices, in FA and support for FA. However, as the participants in the 2009 Bangkok workshop indicated, there are still some gaps to be filled before GTZ can feel that it has covered the territory adequately. Moreover, additional experiences and information would be needed if GTZ were to develop a particular 'product' or trademark approach to FA. Some of the continuing gaps alluded to are the following:

- Role of stakeholders beyond government, including CSOs and universities.
- The degree to which preset criteria should be determining, and where locally specific criteria/considerations and coming to an agreement become important.
- Mix of roles of the supporting development partner (e.g., GTZ) in designing the processes; raising the capacity of actors involved, particularly local government representatives; and providing technical inputs.
- Making better documentation of processes and elucidated results of FA available, including assessing these for their soundness/eligibility as transferable good practices.
- Designing capacity development interventions for both local actors involved in implementation of new institutional arrangements and CG actors that must facilitate and supervise.
- Mobilizing adequate resources to support FA processes, from OECD and South partners (government/politician practitioners, academics, consultants).
- Assessing, on better empirical evidence, the linkages and potential conflicts between decentralisation reform support (including functional assignment) and the new aid modalities emerging from the Paris Declaration process.

The above should be pursued by plumbing GTZ supported efforts, but could also come from wider contributions, from efforts supported by other development partners, and by adding or deepening case studies where government and local stakeholders alone have been involved. One of the advantages of including the latter is that it may be possible to discern the added value that competent support can bring.

It would be particularly useful to find positive examples of FA processes, and to have more comparisons between country cases. This empirical work could be done through donor or academic organisations, and in turn could be used to spur academic interest in this foundational but poorly understood and supported practice.