

# Supporting Capacities for Integrated Local Development

PRACTICE NOTE



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## CONTENTS

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<b>ACRONYMS AND ABBREVIATIONS</b> .....	<b>2</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>3</b>
<b>SECTION I: A CONCEPTUAL FRAMEWORK FOR LOCAL DEVELOPMENT</b> .....	<b>5</b>
1. Decentralization.....	5
2. Local governance.....	7
3. MDG localization.....	7
<b>SECTION II: APPROACHES TO SUPPORT LOCAL DEVELOPMENT</b> .....	<b>11</b>
1. Direct community support.....	11
2. Support to local government.....	12
3. Area-based development.....	13
4. Decentralized sector approach.....	14
A common theme - the 'local' element.....	14
<b>SECTION III: CAPACITIES FOR INTEGRATED LOCAL DEVELOPMENT</b> .....	<b>16</b>
1. Capacities to engage with stakeholders.....	16
2. Capacities to assess a situation and define a vision and mandate.....	18
3. Capacity to formulate policies and strategies.....	20
4. Capacity to budget, manage and implement.....	21
5. Capacities to monitor and evaluate progress.....	23
A lynch pin for success - Local leadership as a core issue.....	23
<b>SECTION IV: CHALLENGES, OPPORTUNITIES AND OPERATIONAL IMPLICATIONS</b> .....	<b>25</b>
1. Challenges.....	25
2. Opportunities.....	25
3. The UNDP response to local development.....	26
<b>ANNEX 1: RESOURCES CONSULTED</b> .....	<b>29</b>
<b>ANNEX 2: THE ELEMENTS OF AN ACTION PLAN</b> .....	<b>36</b>

## ACRONYMS AND ABBREVIATIONS

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<b>BDP</b>	Bureau for Development Policy
<b>BRSP</b>	Bureau for Resources and Strategic Partnerships
<b>BCPR</b>	Bureau for Crisis Prevention and Recovery
<b>C2015</b>	Capacity 2015
<b>CDG</b>	Capacity Development Group
<b>DGG</b>	Democratic Governance Group
<b>EEG</b>	Environment and Energy Group
<b>HDRO</b>	Human Development Report Office
<b>MDGS</b>	MDG Support
<b>PG</b>	Poverty Group
<b>SNV</b>	Netherlands Development Organisation
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNCT</b>	UN Country Team
<b>UNDP</b>	United Nations Development Programme
<b>UN-HABITAT</b>	United Nations Human Settlements Programme
<b>UNICEF</b>	United Nations Children Fund

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## EXECUTIVE SUMMARY

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This Practice Note aims to provide a concise overview of the capacity challenges involved in local development and potential ways to address them.<sup>1</sup> The Note provides a point of reference for discerning where capacity development investments and efforts could be focused, rather than set solutions or a detailed roadmap for capacity development interventions. The optimal mix of support will be context-specific and can be determined through the use of capacity assessment and costing methodologies.

While recognising that local development involves a collaborative effort from different actors – be they governmental, non-governmental or private sector - at the local and national level, the Note will focus primarily on the role and responsibilities of local authorities, who are best-placed to leverage the capacities of these different actors to fulfil their mandate and act in complementary ways to reduce poverty and promote local development.

Doing so effectively, involves playing multiple roles – as convenor, planner, direct service provider, overseer of other service providers etc. – and calls for an emphasis on a key set of functional capacities, as detailed below. The evidence suggests that engaging and inspiring leadership is often a lynchpin for success, pointing to the need to link the individual level with the organizational and societal capacity levels in a more comprehensive approach to engaging on capacity development. Such an approach also means taking into account that local development is heavily influenced by national frameworks and policies, especially (fiscal) decentralization, even in situations where the devolution of power and administrative authority are limited.

Nurturing capacities at the local level means adopting approaches that take into account and build on the challenges and opportunities that play out quite specifically at this level. These include the lack of disaggregated data and the difficulty of retaining capacities because of limited incentives to stay in one's position, but also the availability of significant social capital and commitment to contribute to change, factors that can support local governments in implementing their agenda and monitoring their effectiveness in doing so. Given these elements, one cannot expect capacity development response mechanisms to transfer easily from national to local levels.

Mapping local stakeholders, conducting local level capacity assessments and gathering data on what capacity assets exist locally, are important entry points that start the ball rolling and are processes that engage multi stakeholders necessary for an effective capacity development response.

The broad messages highlighted above are underpinned by a vast and growing body of research and writing on local development, which is as vast as it is complex and differentiated. Within the UN system alone, there are well documented resources to support this work. This Note does not intend to go in-depth on any one specific technical topic. Other materials do that well. The purpose of this Practice Note is to provide UNDP and UNCDF colleagues who work on local development issues from varying angles, a common frame of reference on the key definitional, policy and strategic issues that informs our collaborative work at local levels.

The audience for this Practice Note includes [UNDP](#) and UN practitioners – especially at the country level – as well as interested domestic and external partners engaged in local development issues. Much of the evidence and lessons are drawn from the efforts and results of

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<sup>1</sup> UNDP defines capacity as “the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.” Capacity development (CD) is thereby the process through which the abilities to do so are obtained, strengthened, adapted and maintained over time. For more information please see: UNDP (2007) ‘Capacity Development Practice Note’

local development actors and institutions which vision, lead and manage their own development processes.

This Note draws from, and is complementary to, a growing body of literature and case studies on local development and MDG localization. Many of these sources are presented in the annex on resources consulted. They include the study '[Localizing the MDGs for Effective Integrated Local Development: An Overview of Practices and Lessons Learnt](#),' the significant contribution from UNCDF documentation<sup>2</sup>, and also UN HABITAT<sup>3</sup>, World Bank and SNV materials.

The structure of the Note is as follows:

Section I discusses the relationship between local development, local governance, decentralization and [Millennium Development Goal \(MDG\)](#) localization, which is increasingly used to frame local development.

Section II introduces four approaches to local development and highlights some of their strengths and weaknesses. The approaches covered are:

- Direct community support
- Support to local government
- Area-based development
- Decentralised sector approach

The next Section discusses core capacities involved in local development through local authorities and examples of successful support initiatives. While the Note recognises that technical capacities, related to specific areas of knowledge and expertise such as education or water & sanitation, are very important at the local level, the Note will focus on five functional capacities:

1. To engage with stakeholders
2. To assess a situation and define a vision and mandate
3. To formulate policies and strategies
4. To budget, manage and implement
5. To monitor and evaluate

Section IV looks at challenges and opportunities that facilitate or hamper support to local development, discusses the UNDP response to local development and highlights some operational implications for UN Country Teams.

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<sup>2</sup>Such Documentation includes: UNCDF (2003) *Local Government Initiative. Pro-poor Infrastructure and Service Delivery in Rural sub-Saharan Africa. A synthesis of case studies*; (ii) UNCDF (2005) *Delivering the Goods. Building Local Government Capacity to Achieve the Millennium Development Goals A Practitioner's Guide from UNCDF Experience in Least Developed Countries*; (iii) UNCDF (2006) *Local Development Practices and Instruments and their Relationship to the Millennium Development Goals. A Synthesis of Case Studies from UNCDF Programmes in: Burkina Faso, Guinea, Mali, Niger and Senegal*.

<sup>3</sup> UN-HABITAT (2006) 'Localizing the Millennium Development Goals: A guide for local authorities and partners.'

## **SECTION I: A CONCEPTUAL FRAMEWORK FOR LOCAL DEVELOPMENT**

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This Practice Note focuses on capacities for effective **local development**<sup>4</sup>. It starts from the premise that local development is an important driver of a country's progress towards achieving its development priorities, whether measured against the MDGs or another set of goals. Such development is not just development that happens locally; it is a process that leverages the comparative and competitive advantages of localities, mobilizes their specific physical, economic, social and political resources and institutions (UNCDF, 2006b) and is embedded in national development processes and frameworks, including existing national and sectoral development strategies, the Medium-Term Expenditure Framework and decentralization and civil service reforms.

For the purpose of this Note, 'local' will be used to refer to all sub-national levels of local government, be they rural or urban, municipal, provincial or regional. The Note recognises the varying degrees of complexity and differentiation at the different sub national levels. However, it posits that the capacity development strategies and approaches proposed will have to be differentiated and adapted according to the role, structure and geographic level of government being targeted, in order to be effective and responsive in the reality of application.

Local development is closely related, but not synonymous, to **decentralization, local governance** and **MDG localization**. This section will therefore briefly introduce these concepts, and some examples of UNDP and UNCDF support in these areas, and will highlight their linkages with local development. The rest of the Note will focus on the broader question of local development.

### **1. Decentralization**

Decentralization refers to the restructuring of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of 'subsidiarity'. Based on this principle, functions (or tasks) are transferred to the lowest institutional or social level that is capable (or potentially capable) of completing them<sup>5</sup>.

A review of [National Human Development Reports](#) (UNDP/HDRO, 2006) that focused on decentralization found that effective decentralization can create an enabling environment for local development by

- 1 Allowing local governments to better formulate and implement policies that support priority local needs, including inducing greater productive efficiencies to promote local economic development.

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<sup>4</sup> As highlighted in the executive summary, for the purpose of this Note, 'local' will be used to refer to the sub-national level of local government, be it urban or rural, at municipal, provincial or regional level. The Note assumes that, when applied, the capacity development strategies and approaches proposed here will be differentiated and adapted according to the role, structure and geographical level of government concerned.

<sup>5</sup> There are two basic types: 1) deconcentration is the transfer of authority and responsibility from one level of the central government to another with the local unit accountable to the central government ministry or agency, which has been decentralized; 2) delegation, on the other hand, is the redistribution of authority and responsibility to local units of government or *agencies that are not always necessarily, branches or local offices of the delegating authority*, with the bulk of accountability still vertical and to the delegating central unit. For more information please refer to: UNDP (2004) 'Decentralized Governance for Development: A Combined Practice Note on Decentralization, Local Governance and Urban/Rural Development. Also see: UN-HABITAT (2006a) HSP/GC/21/2/Add.2 'Activities of the United Nations Human Settlements Programme: Progress report of the Executive Director. Addendum: Cooperation with Local Authorities and Other Habitat Agenda Partners, Including Draft Guidelines on Decentralization and the Strengthening of Local Authorities'.

- 2 Empowering communities, by providing a framework for multi-stakeholder participation in local decision-making and in shaping local development policies and programmes.
- 3 Helping improve the quality and accessibility of basic services, such as education, health and infrastructure.
- 4 Reducing the time taken for decision-making as well as certain administrative costs.
- 5 Helping ease inter-district and intra-district inequities, and ensure prioritisation of expenditures to marginalised groups.
- 6 Reducing local and national governments' response time to local or national crises and external shocks.

Experience further shows that, in certain conflict and post-conflict situations, decentralization can prove instrumental in resolving tensions, by ensuring involvement of all different stakeholders and ensuring greater access to decision-making<sup>6</sup>. It can also stimulate local authorities to assume their leadership role, by spearheading the elaboration of a local development strategy and by mobilizing partners and resources for implementation (UNCDF, 2006b).

In the ideal case, national governments will support the political decentralization processes by appropriate fiscal decentralization<sup>7</sup> measures and positive incentives such as, performance-based or targeted budget allocations for the implementation of the MDG/pro-poor agenda or through earmarked grants that target the needs of the vulnerable and marginalised. More systematically, it can use an integrated planning system whereby national resources and public investments finance part of local development plans.

However, in many developing countries, political will is lacking and decentralization reforms have stagnated. Fiscal transfers are often absent or insufficient. As a consequence, local governments continue to be highly dependent on the national government for financial support, reducing local governments to little more than deconcentrated local administration. In the absence of appropriate mechanisms for fiscal transfers, political motivations are often more important than economic ones, resulting in

- Fragmented municipal structures
- Ambiguous assignment of competencies and division of responsibilities
- Unfunded mandates
- Inadequate fiscal equalization mechanisms

#### **Box 1: UNDP and UNCDF support for decentralization**

UNDP and UNCDF are supporting decentralization as a core component of their governance and poverty programmes in a large number of countries. Support ranges from assisting the central government in drafting an appropriate legal framework to raising awareness of local governments, civil society and communities of their rights and duties<sup>8</sup>.

Concerning fiscal decentralization, UNDP and UNCDF have been supporting activities in, for example Armenia, Azerbaijan, Yemen, Bolivia, Georgia, Ghana, Nepal and Uganda. In Nepal, UNDP supported the efforts to [strengthen the linkages between the MDGs and the Poverty Reduction Strategy \(PRSP\)/National Development Plan by applying the Millennium Project's needs-based approach](#). In a separate exercise, UNDP/UNCDF [supported the Local Bodies' Fiscal Commission to further devolve and clarify expenditure responsibilities of local governments](#). In Uganda, UNDP/UNCDF has pioneered the establishment and development of efficient systems of intergovernmental fiscal transfers and local government own source revenues in line with poverty reduction strategies, which have since been adopted as national policy. In China, UNDP is supporting reforms to the local government budget classification system, making it more

<sup>6</sup> However, decentralization alone is often not enough to address the root causes of conflict.

Also, decentralization may involve expanding the local public administration. This will require resources, which may create tensions in a resource-poor country that is emerging from conflict.

<sup>7</sup> For more information on fiscal decentralization, please refer to: UNDP (2005) 'Fiscal Decentralization and Poverty Reduction'.

<sup>8</sup> For a very comprehensive review of UNDP and UNCDF support in the area of decentralization, please refer to the DGP-net e-discussion 'Towards a Local Governance and Development Agenda – Lessons and Challenges'.

transparent and easier to track pro-poor expenditures. Its work highlights the need to improve mechanisms for mobilising local fiscal resources and local spending, including through training around local financial administration, revenue generation and accountability

Source: UNDP (1998)

## 2. Local governance

Local governance refers to the entire gamut of interactions between different players at the local level, ranging from local governments, to private sector, civil society and community-based organisations. Effective or 'good' local governance is brought about by a set of institutions, mechanisms and processes through which citizens and groups can articulate their interests and needs, mediate their differences and exercise their rights and obligations at the local level. It involves effective citizen participation, transparent flows of information, and functioning accountability mechanisms (UNDP, 2004: 4). Decentralization can help set the stage for greater interaction of these different interest groups and their individual and collective 'ability to act' at the local level, which in turn can help empower local actors to exercise their rights and duties in support of local development.

### Box 2: Supporting good local governance

There are many ways to promote good local governance, for example through social mobilization and voice mechanisms, or by setting indicators to measure progress towards certain governance goals, as in the example of Indonesia below.

In 2001, the Indonesian government introduced laws on decentralization and regional autonomy that led to a shift in service delivery. Previously, authorities paid little attention to transparency, accountability, and professionalism. Consequently, the government was not fully responsive to the needs of the people and the people's faith in the public sector was eroded. Changes in municipal management such as modifying planning, programming, budgeting, and financial management procedures have helped local government become more responsive, transparent, and accountable to citizens' needs. This process has been supported by UNDP's Breakthrough Urban Initiatives for Local Development programme. At a meeting of central and local government and civil society organizations, ten core guiding principles for good local governance were established - '[10 Prinsip Tata-Pemerintahan Yang Baik](#)' (UNDP, 2006: 31) and these principles were later adopted by the Association of Municipalities at its annual meeting:

1. **Participation** – encourage all citizens to exercise their right to be involved in decision-making of direct or indirect public interest
2. **Rule of law** – realise fair and impartial law enforcement, honouring basic human rights and social values
3. **Transparency** – building mutual trust between government and communities
4. **Equality** – provide equal opportunities for all people to improve their welfare
5. **Responsiveness** – increase the sensitivity of government administrators to public aspirations
6. **Vision** – develop a clear vision and strategy, in participation with communities, to ensure shared ownership and responsibility for the development process
7. **Accountability** – increase accountability of decision-makers in order to promote decisions in the public interest
8. **Supervision** – increase supervision of operations by involving general public and private sectors
9. **Efficiency and effectiveness** – guarantee effective service delivery through optimal and responsible use of resources
10. **Professionalism** – enhance the capacity and moral stance of administrators to ensure easy, fast and affordable service delivery

Source: UNDP Indonesia (2002)

## 3. MDG localization

The MDGs are increasingly used to frame development processes, including at the local level. 'Localizing the MDGs' is defined by UNDP as the process of designing (or adjusting) local

development strategies to achieve the MDGs (or more specifically, to achieve locally adapted MDG targets).

The drive for localization is motivated by the belief that, unless MDG targets and indicators are brought to the local level (or 'localized'), their national and global achievement will be skewed. National MDG targets and indicators represent national averages. Achieving them would require targeted interventions in pockets of deprivation, which are often very context specific. In order to impact the lives of people, MDG targets and indicators need to be adapted and translated into local realities, and embedded in local planning processes.

What needs to be adapted? Localization does not require the invention or reinvention of a new goal framework. Rather, 'localizing the MDGs' is a flexible process that either adapts and sequences the targets and indicators of existing local development strategies as needed or elaborates an MDG-based development strategy, to reflect local priorities and realities through a participatory and locally-owned process. Efforts to meet the adapted targets and indicators are often negotiated depending on the pool of resources available in a given year, the prioritisation of needs, and the availability of capacity in a given sector.

- i. **Goals** - Different countries face diverse development challenges and respond to them in different ways, displaying large socio-economic heterogeneity and following varying reform and development paths. To reflect these differences, countries can adapt the global Goals to their national circumstances, by adapting global indicators and targets to local needs or by adding specific targets that reflect national priorities. National adjustments can also be made to baseline years, to deal with the unavailability of data at the national level, or varied base years for the collection of data (i.e. multi-year Household Income Expenditure surveys, etc.). Using a prioritisation exercise can help determine which MDGs are most relevant to the local context. In some cases, additional goals can be added (such as good governance), which the sub-national/local level also adopts. This provides coherence and links local development efforts with the national level.
- ii. **Targets** - It is through the adaptation of targets that the needs and priorities at the local level are truly captured. In most countries, this adaptation starts from the nationally adjusted global targets, which are adjusted to the local development context, using a participatory process. In other countries, entirely new targets were developed for the local level. There is no fixed or optimal number of targets that can be developed, but limiting their numbers enables focus and prioritisation.
- iii. **Indicators** - A balance needs to be achieved between developing new local-level indicators and adopting national-level indicators to measure progress towards the targets. Local level indicators can be developed and monitored to better reflect the nuances of the local context. This may also be necessitated due to available data at the national level not being available at the sub-national level or not being at the required level of disaggregation.

Questions worth asking prior to embarking on efforts to localize the MDGs include: what is the added benefit of localizing the MDGs and what is lost if the goals are not localized? A review of the evidence highlights that experiences with full-fledged local MDG processes are few, and relatively recent, and that their impact has not yet been assessed (Hooper, 2007). However, based on experiences with local development strategies, the value-added of localizing the MDGs can be expressed as follows:

- i. **Localization provides an encompassing definition of poverty as well as a clear framework for integrated local development planning that adopts a more holistic, multi-sector approach to poverty reduction and human development.** The MDGs entail a wider definition of poverty beyond income poverty to include issues of environment, education, health and, as articulated in the Millennium Declaration, concerns

of governance, peace and security, and gender equality. This encompassing definition lends to integrated, multi-sectoral planning. Though some of the MDGs are sector-driven (such as MDGs 2, 4, 5), in essence they are strongly inter-linked. For example, the adaptation of Goal 1 on poverty to the local level requires looking at the different ways poverty manifests itself at the local level and correlates with issues of employment, health, education, environment and infrastructure development. Similarly, adapting Goal 2 on education requires considering issues of poverty, gender, health, and even environment. Establishing these inter-linkages at the local level provides a more integrated framework for development. Goal 3 on Gender Equality is integral to all other MDGs and thus lends to integrated planning as well.

- ii. ***Localization links global, national and local levels through the same set of goals which allows for comparisons and benchmarking, and provides a target-based, measurable framework for monitoring and reviewing local development results.*** National MDG-based strategies are easily linked to local level strategies and vice-versa through the same framework of the MDGs, providing a common frame of reference not only for planning and budgeting but also for measuring achievement and progress on the basis of globally, nationally, and locally agreed upon targets. An example are the Vietnam Development Goals – an adapted version of the MDGs – which set targets for monitoring progress on the Comprehensive Poverty Reduction and Growth Strategy (a home-grown version of a PRSP) as well as establishing sub-national targets to reflect lagging development progress among ethnic minorities and women.
- iii. ***The MDGs are an effective tool for advocacy, mobilization of resources, including efficient and sustained investments for local action, and harmonization of assistance.*** With their clear deadline, clear set of measurable targets and indicators, and the linkages between the global, national and local levels, the MDGs provide exposure and visibility to local development issues and are a good starting point for awareness-raising campaigns. Examples of these can be found, amongst others, in the Kukes region in Northern Albania and in Nigeria, where activities targeted at the youth helped mobilise support for the MDGs. Furthermore, a local MDG plan that is formulated by a broad range of development partners, including central and local government, civil society, donors, NGOs, and the private sector and that gives voice to a broad cross-section of society will be a vehicle to enhance the coordination and effectiveness of assistance to the local level.
- iv. ***Localization facilitates mutual accountability.*** The MDGs, whether global, national or local are underpinned by the Millennium Declaration and the principles of good governance therein. To achieve the goals and to sustain progress requires a well functioning, inclusive and accountable governing system. It is an agenda that strengthens local efforts to monitor one's own development investments, hold leaders accountable and track results on a continuous basis. It can also motivate the central government to promote better monitoring at the local level, as is the case in the Philippines, where the Government has been promoting a list of [14 'Core Local Poverty Indicators' \(CLPIs\)](#) that it states should be used as a minimum for monitoring local poverty trends (Dept. of Interior and Local Government, Government of Philippines, 2005).

#### **4. Local development**

So how do decentralization, local governance and MDG localization come together in a framework for integrated local development?

The term local development tends to be used both for the process and for the outcome of the complex interactions and actions of different stakeholders at the local level to promote human development. As highlighted above, these interactions do not take place in isolation, but are framed by national frameworks and policies, especially (fiscal) decentralisation, even in situations where the devolution of power and administrative authority are limited. Promoting local

development in an integrated manner therefore involves paying attention to all these factors simultaneously through a comprehensive capacity development approach.

As a **process**, local development involves a range of different stakeholders – civil society organizations, local communities, local governments, private sector companies, national governments – that act together to promote access to quality basic services and inclusive economic growth. For such concerted efforts to be successful, local actors need to be empowered and capacitated to improve their situation – either through direct action or indirectly through voice mechanisms. This can be promoted by, and in turn promotes, institutions for **good local governance**, thereby contributing to greater accountability, transparency and efficiency in decision-making to promote better policy making and implementation. **MDG localization** can be used to frame and monitor local policies and plans and ensure that local strategies and plans are in line with national policies and frameworks.

Provided that the necessary financial resources are available, empowerment, effective institutions for local governance and capacities for effective policy-making and implementation, can work together to improve access to quality basic services and promote an enabling environment for inclusive economic growth at the local level. As mentioned above, the extent and nature of **decentralization reforms** determine the space available for interaction and ‘ability to act’ at the local level, in particular the role of local governments, vis-à-vis other actors and the resources available to them.

When talking about local development as an **outcome** or result of a functioning system at the local level, it tends to be used to refer to:

- access to quality basic services and hence achievement of the MDG
- local economic development

In this Note, local development will be used to refer to the broader integrating process referred above, unless otherwise specified.

## SECTION II: APPROACHES TO SUPPORT LOCAL DEVELOPMENT

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This section will introduce different approaches to support local development and will highlight some of their strengths and weaknesses. It is complemented by the Action Brief on ‘[Capacity for Integrated Local Development Planning](#)’ (UNDP, 2007c) which provides a detailed analysis of key lessons and limitations for each of these approaches.

Approaches to local development are based on some of the ‘basic principles’ promoted by development paradigms such as sustainable human development<sup>9</sup>, sustainable livelihoods<sup>10</sup> and local level early recovery.<sup>11</sup> It takes human development as both a means and an end, aims to empower the poor and other marginalised groups, promotes accountability and ensures sustainability through local ownership and broad stakeholder participation. Local development takes a multi-sectoral approach with attention for economic, political, environmental and social factors.

Approaches to local development can be divided into four broad categories<sup>12</sup>:

- Direct community support
- Local government support
- Area-based development
- Decentralised sector approaches

### 1. Direct community support

The direct community support approach - also referred to as community-driven development - takes the social unit, in this case local communities, as the entry point to support local development. It is often used when ‘conventional’ service delivery channels do not succeed at meeting the needs of the poor and in post-conflict or transition situations. By channelling resources directly to communities, it aims to empower them to prioritise, decide and act to support their communal interests. Less far-reaching, but related, is community-based development, which gives communities less responsibility and focuses more on collaboration, consultation, or sharing information with them on project activities. The World Bank is a key proponent of this approach<sup>13</sup> but UNDP also supports a large number of community-development

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<sup>9</sup> ‘Sustainable Human Development’ is a paradigm of development that puts people, their ongoing needs and aspirations, at the centre of its concerns, that not only generates economic growth but distributes its benefits equitably and that regenerates the environment and empowers people.’ UNDP (2006a)

<sup>10</sup> ‘Sustainable livelihood’ is defined as ‘a livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation: and which contributes net benefits to other livelihoods at the local and global level and in the short and long term.’ Thomson, Anne (2000). Paper prepared for FAO e-conference and Forum on Operationalising Participatory Ways of Applying a Sustainable Livelihoods Approach, p.1.

<sup>11</sup> ‘Local Level Early Recovery’ is defined as follows ‘LLER is aimed at identifying/activating, harnessing and leveraging local capabilities for planning and utilizing (community-owned/controlled, as well as externally-provided) resources in order to meet a “bundle” of (immediate and medium-term) development-oriented social and material needs/priorities as being determined by crisis-affected communities themselves - and that in a manner that enhances self-reliance, prevents re-surfing of conflict, facilitates inter-connectivity between the communities concerned and local government and other recovery/development actors, other than that it optimizes the chances of sustainability.’ Klap, J et. al. (2007) ‘Consultancy Inception Report on Local-Level Approaches to Early Recovery’ (DRAFT).

<sup>12</sup> This section draws from: World Bank (2004a) ‘Discussion Paper for International Local Development Conference’.

<sup>13</sup> As of 2003, the two approaches combined comprise 25% of the World Bank’s projects. For more information, please refer to: World Bank (2005) The Effectiveness of World Bank Support for Community-Based and Driven Development. An OED Evaluation.’

projects, for example through its Local Initiative Facility for Urban Environment<sup>14</sup> or the Global Environment Facility Small Grants Programme.<sup>15</sup>

Experiences with direct community support approaches show that they can contribute to:

- a more efficient allocation of resources for local priorities;
- stronger beneficiary ownership;
- more transparent and cost-effective management of resources;
- strong social capital and networks.

Drawbacks of the approach include the risk of undermining local government capacities by focusing on the strengthening of parallel structures, as well as the risks of 'elite capture' and weak accountability because the poor may not have the capacities to participate fully in the process and as a consequence may not benefit from them. Also, the sustainability of infrastructure is often questionable due to a lack of linkages to local government budgets to cover costs of maintenance and other recurrent expenditures (World Bank, 2005: xii).

## 2. Support to local government

The support to local government approach, which is promoted by UNCDF and UNDP<sup>16</sup>, takes sub-national (e.g. local or regional) governments as its entry point. By strengthening the capacities of these bodies to fulfil their mandate, it has the potential to influence the decentralization process (political, administrative, fiscal and market) and to increase the willingness of local governments and deconcentrated sector agencies to collaborate.

Support tends to be a combination of:

- capacity development for local government and civil society and community counterparts to formulate local development plans;
- full or partial funding for investments in small-scale infrastructure and social services to enable implementation and show the effectiveness of the approach;
- monitoring of the implementation of the plans to permit downward and upward accountability and the learning of lessons to improve the planning and budgeting cycle the next time around.

Lessons learned during the process are fed back to the national level to support decentralization and other public sector reforms.

UNCDF has a wealth of experience in this area: it has applied this approach in 20 least developed countries and has benefited between 20-25 million people. Through its [Local Development Programmes](#), UNCDF aims to develop improved procedures and systems, e.g. for local planning and budgeting, that will enhance the pro-poor delivery performance of local governments, in terms of their effectiveness, efficiency and accountability. It introduces these procedures alongside budgetary resources, which stimulates learning-by-doing and credible policy piloting. Key features of the approach include:

- **Ownership of funds.** So-called 'local development fund' resources are 'owned' by local governments and they make the allocation decisions;
- **Procedures for planning the use of funds.** The availability of local development funds is an incentive for local governments to promote a more comprehensive and participatory local government planning and budgeting process, which is funded by a combination of ODA, fiscal transfers and local revenues.

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<sup>14</sup> For more information on LIFE: <http://www.undp.org/governance/programmes/life/index.htm>

<sup>15</sup> For more information on GEF: [www.sgp.undp.org](http://www.sgp.undp.org)

<sup>16</sup> This approach is often used in conjunction with support to the national level, e.g. to develop decentralization policies and frameworks, and the community level, for specific projects.

- **A hard budget constraint.** Local development funds provide a fixed and known amount to support the implementation of the local development plan. This hard budget constraint is often missing in other donor programmes - with the exception of a few social investment programmes – whose implicit soft budget constraints discourage sound prioritisation, efficiency and local resource mobilisation;
- **Integration with the local budget cycle and process.** Local development plans help to integrate the local development fund with local government budget cycles and procedures, to ensure ownership and sustainability (UNCDF, 2005: 52).

### 3. Area-based development

Area-based development can be defined as: “targeting specific geographical areas in a country, characterised by a particular complex development problem, through an integrated, inclusive, participatory and flexible approach’ (UNDP/RBEC, 2003).<sup>17</sup> In an area-based approach ‘area’ and ‘problem’ are linked in a sense that the problem to be addressed is area-specific and therefore defines the project’s or programme’s geographical area of intervention, which is typically smaller than the country itself. An example is UNDP’s support to addressing Chernobyl’s development challenges, which are closely related to the accident at the Chernobyl nuclear plant in 1986. Cross-border programmes also fall under this definition, as long as two (or more) individual countries recognise that there is an area-specific problem within their borders, even if the area spills over into neighbouring countries.

Applying an area based development approach is only appropriate if a problem can realistically and effectively be addressed at the level of the area. Problems that can be solved at the national level, for example through legislation, should be addressed at that level. In this respect, successful programmes apply a bottom-up approach to development that feeds into policy and institutional reform at the national level through a combination of horizontal and vertical linkages, thereby linking micro-level issues with macro-level considerations

The problems to be addressed through area-based development fall into four main categories:

1. *Conflict-related:* related to pre- or post-conflict situations affecting a specific area of a country that require preventive development actions, post-war reconstruction, peace-building and reconciliation, reintegration of returning refugees, internally-displaced people, former combatants, etc...
2. *Disaster-related:* natural and/or man-made disasters that affect a specific area of a country, such as earthquakes, hurricanes, floods, drought, land erosion, nuclear disasters, etc..
3. *Poverty-related:* related to “spatial poverty traps” that have emerged as a result of geographical isolation, climate, terrain, demography, economic restructuring, etc..
4. *Exclusion-related:* related to groups/categories of people concentrated in a specific part of a country, such as regional ethnic minorities, that feel or are marginalised and excluded from participating in society.

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<sup>17</sup> ABD approaches are “integrated” in the sense that they address area-specific problems in a holistic manner that fully takes into account and takes advantage of the complex interplay between actors and factors in that area. Even though the problem may be sector-specific, addressing it through ABD requires an inter-sectoral or multi-sector approach. The “inclusive” aspect stems from the fact that activities target “communities” rather than specific target groups within those communities, even though the target communities may have been selected because of the high prevalence of a particular disadvantaged group within that community. By targeting entire communities, the ABD approach is non-discriminatory. Lastly, ABD approaches are “participatory” in the sense that the successful resolution of the problem requires the inclusion and participation of all stakeholders in the area in the resolution process (UNDP/RBEC, 2003)

#### 4. Decentralized sector approach

A decentralized sector approach aims to develop local-level organizations, whether governmental, non-governmental or private, to deliver basic services that meet the needs of the poor. This approach takes a sector as its entry point, rather than a social unit or a political entity. On the supply side, it helps to define appropriate technical standards and levels of service, establish criteria for their use, and promote appropriate technologies and organizational systems for service delivery and management'. It also trains local professionals, public and private, to manage service delivery and provide advisory services to local service delivery organizations to improve the quality of local service provision. On the demand side, the approach tries to promote greater consumer power through local-level accountability mechanisms (e.g. parent teacher associations), marketed service delivery and local-level contracting of services.<sup>18</sup> A major drawback of this approach is that it does not promote better coordination and coherence between different sectors and levels and hence does not always support an integrated local development agenda.

##### A common theme - the 'local' element

The fact that there are distinct approaches to local development gives rise to the question: what is different about development at the local level? The evidence suggests that there are several characteristics that have a bearing on differentiating 'the local' from 'the national', often by scope or degree of intensity. One can therefore not expect capacity development response mechanisms to transfer easily from the national to the local level.

1. Limited capacities, the poor status of socio-economic infrastructure, including financial services and the very limited local tax base make progress at the local level difficult. This calls for integrated approaches that mobilise all available resources and stakeholders.
2. Disaggregated data is often scarce and hence the costing of local development strategies and their programmes/projects is challenging and has to rely almost solely on surveys and other forms of direct client feedback, which could be subjective and hence skew or misdirect development efforts.
3. The existence of decentralized legislative frameworks and strategies does not necessarily translate into enhanced authority and competencies for fiscal and administrative management. These capacity needs must be addressed. Moreover, it must be assessed whether the decentralization legislation is combined with a supportive fiscal decentralization policy. The absence of such legislation and/or strategies could define the level of isolation and lack of access to policy and services at local levels.
4. Gender, ethnic, linguistic, economic and racial identities can manifest themselves more visibly and immediately at local levels, and these differences have to be addressed in multi-stakeholder engagement forums and in access to information, training and basic services in addition to the utilisation of culturally appropriate approaches.
5. Geography, with rugged terrain, long distances between communities, and uninhabitable areas, limits possible capacity interventions, or increases time and cost in application.
6. There is often less formal institutional presence at sub-national levels, particularly at community and village levels. This mitigates the need for enhanced coordination and networking. Development strategies, as well as the policy and programme forums that

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<sup>18</sup> For more information on local accountability in the context of service provision, see: UNDP (2007) Capacity Development Action Brief: Supporting Local Service Delivery Capacities and also World Bank (2004) World Development Report 2004: Making Services Work for Poor People.

discuss them, need to create room for the involvement of informal groups, even where formal local structures may not.

7. Technical depth in terms of knowledge, skills and exposure to problem-solving and participatory planning, as well as engagement in decision-making are often weak, including the risk of brain-drain due to weak incentives/motivation factors to remain in one's locality. In some cases, as surveys indicate, the non-monetary incentives to stay in one's own village, and the commitment to the development of one's local community, compensate for this.

## SECTION III: CAPACITIES FOR INTEGRATED LOCAL DEVELOPMENT

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As highlighted in Section II above, there are several entry points to support more integrated approaches to local development, involving different stakeholders at both local and national levels. While acknowledging that the capacities and efforts of each of these actors are important, this section and those that follow focus on the role of local government as a catalyst for integrated local development. The multiple roles of local government, as convenor, planner, negotiator, manager, direct service provider, overseer of non-governmental service providers etc., speak to an essential characteristic of effective local development - leveraging the relevant functional capacities within local governments to ensure that all stakeholders (national government, local government, private sector and civil society) contribute to the goals of poverty reduction and human development at local levels.

This section will discuss the functional capacities that cut across sector or thematic areas, while recognising that they need to be complemented by technical capacities, related to specific areas of development applications, such as education or local public administration and public expenditure management. These more technical capacities will be subject of separate technical notes.

The evidence suggests that five functional capacities are of key importance. They are the following capacities:

1. To engage with stakeholders
2. To assess a situation and define a vision and mandate
3. To formulate policies and strategies
4. To budget, manage and implement
5. To monitor and evaluate

Given the complexity of local development processes, the optimal mix of capacity support will be highly context specific: it will depend on the issues to be addressed, the stakeholders involved and the entry point for support. A capacity assessment can be a useful starting point for answering these different questions and designing effective capacity development response strategies.<sup>19</sup>

### 1. Capacities to engage with stakeholders

As pointed out above, local government cannot promote successful local development on its own, but needs to build and maintain relationships with all relevant local stakeholders. Relationships that are of particular importance are:

- **'Links between local governments and traditional authorities.** In many countries, especially in rural areas, customary authorities continue to play an important role in local governance even though their democratic legitimacy may be contested.
- **Links to other local non-state actors.** Where there is significant local NGO activity, attention should be focused on encouraging cooperative arrangements with local governments.
- **Institutional links for co-provision.** Where two or more tiers are jointly involved in service provision, a major underlying theme will be the development of mechanisms facilitating communication and cooperation between institutions at these different levels.
- **Organizational constraints.** Where local governments are large, a major focus may often be on improving internal relations and efficiency' (UNCDF, 2005: 22-23).

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<sup>19</sup> For more information on Capacity Needs Assessments see: UNDP (2007b) 'Capacity Assessment Practice Note' and UNDP (2006b) 'Capacity Diagnostics Users Guide'

Ensuring a broad consultation process<sup>20</sup> throughout all phases of the planning process and implementation can help make optimal use of these different relationships. To do so effectively, requires a number of capacities.

**a. Capacities to identify relevant stakeholders**

To be able to engage different stakeholders, local governments first need to know who they are and what role they (can) play. Conducting a mapping of civil society and community organisations, such as women's organisations, can be a valuable tool to identify other actors at the local level and to assess their strengths and weaknesses. Examples which such mapping exercises are numerous. For example, within the framework of the SNV-UNDP partnership to strengthen local actors in MDG and PRS 'Civil Society Needs Assessment' was undertaken in 12 regions in Albania. Its results were used to prepare and plan training sessions and were shared with other development partners. In Kenya, an assessment of local level institutional capacities for MDG implementation was produced which helped formulate activities at the district level. In Honduras, a capacity assessment of local planners was produced and shared with local actors (SNV and UNDP, 2007a).

**b. Capacities to mobilise stakeholders**

Mobilising stakeholder involvement may start with an awareness-raising campaign about the importance of local governance and participation. Different strategies can be used, such as announcements on the local radio or town-hall meetings, to name a few. Special attention to the participation of women and other marginalised groups may be needed, for example through focus group discussions.

Throughout implementation, local governments also need to be able to work with resources that are directly available to them, using the experiences and expertise of different groups e.g. planners, community workers, the private sector, as well as communities themselves, to contribute to local development activities. An example of support to multi-stakeholder capacities can be found in Albania where UNDP and SNV assisted local government officials and civil society representatives in all 12 regions of the country. Skills were developed to ensure that they could facilitate participatory sessions and participate meaningfully during the different aspects of the MDG localization process (UNDP, 2006a: 48). In Vietnam's Thua Thien-Hue province the SNV-UNDP partnership has built the capacities of local government officials to undertake participatory planning as well (SNV and UNDP, 2007b).

Sometimes it is only through such collaborative 'learning-by-doing', including learning from mistakes, that a lasting and effective process of development can be achieved (Hamdi, 2004). The example of the Local Agenda 21 in Turkey (Box 3 below) highlights the value of working with existing community mechanisms and networks to bring partners together.

**Box 3: Local Agenda 21 and the Millennium Development Goals**

[Local Agenda 21 \(LA21\) in Turkey](#) has been praised as one of the most successful in the world. Launched in 1997 with support from UNDP and International Union of Local Authorities (IULA) the project continued into a second implementation phase in January 2000. The third phase links LA21 to the MDGs, called 'localizing the UN MDGs and [WSSD Plan of Implementation](#) through Turkey Local Agenda 21 Governance Network'. The Turkish LA21 governance network includes metropolitan municipalities, provincial municipalities, district municipalities, sponsoring organizations, a youth component, plus steering committees involving central government bodies, e.g., the Prime Ministry, State Planning Organization, Ministry of Interior, Ministry of Foreign Affairs, Ministry of Forestry and Environment, as well as the General Secretariat of the European Union.

'LA21 City Councils' are a unique governance mechanism in Turkey that brings together central and local government with civil society in a collaborative framework of partnerships. The City Councils have established a participatory platform from which local visions can be created coupled with action plans. Broad

<sup>20</sup> See also: UNDP (2006f) Multi-Stakeholder Engagement Processes. Conference Paper, Madrid 27 – 29 November.

participation has helped the sustainability of the project from development through to evaluation. Membership in the councils can include hundreds and sometimes thousands of organizations – providing platforms to discuss and develop priorities and identify problems in a city. At the neighbourhood level there are ‘Neighbourhood houses’ as well as neighbourhood committees that provide a means of facilitating participatory neighbourhood processes. Also women’s LA21 councils exist in over 30 cities with a national network to facilitate raising awareness and the involvement of women. Similarly youth LA21 Councils have been established in all partner cities to promote youth participation in LA21 policies and strategies. A Council for the Elderly and Council for the Disabled also exist. A number of cities have established ‘LA21 Houses’ which serve as a venue for meetings and activities by local stakeholders.

The programme has enabled a new local governance model to be established in Turkey where LA21 has demonstrated itself as a trigger for social transformation – accelerating decentralization and democratisation in the country. The most important lesson to be drawn from the project continues to be the immeasurable value gained from the involvement of local stakeholders and wider community as ‘partners’ with a view to integrating social, economic, and environment policies and leading to a more open, participatory governance at the local level. Strong ‘ownership’ of the project amongst local authorities and stakeholders has been accompanied with real commitment from all parties to champion the process at national and local levels.

Source: Turkey Local Agenda 21 Governance Network 2005

## 2. Capacities to assess a situation and define a vision and mandate

To prioritise actions and investments at the local level requires elaborating an integrated plan and budget. This planning and budgeting process starts with data collection and analysis, followed by visioning and priority setting. What are the key capacities involved?

### a. *Capacities to gather, disaggregate, and analyse data for planning purposes.*

A realistic local development plan will logically start from an analysis of the main poverty challenges and their casual factors. This requires collecting, disaggregating and analysing data. If there is sufficient time and resources, a local authority may decide to conduct its own assessments, such as through household surveys, internal auditing (e.g., of budget expenditure, staff skills), etc. In some cases, data collection will be restricted to the use of secondary data, which may be more useful and affordable than primary research and will speed up the assessment process.

Whatever the source of the data, it needs to be disaggregated as far as possible (e.g., by gender, age, and to district or village/community level). National statistical data often obscures sub-national variations between ethnic groups or genders and masks pockets of marginalisation and deprivation. Disaggregated data helps identify these differences and provide greater focus on vulnerable groups that are most likely to be at risk of poverty and social exclusion, such as, single-parent families, families with many children, ethnic communities, refugees and internally displaced people, the long-term unemployed, female-headed households in rural/urban settings, and the elderly. Using locally-adapted targets with disaggregated indicators, allows for greater specificity in tracking vulnerability trends, monitoring the true face of poverty, and identifying and addressing other development challenges for specific regions/localities.

#### **Box 4: South Africa’s Provincial Analysis of Social and Economic Factors**

South Africa’s Eastern Cape profiled the dimensions of local poverty as part of its own development strategy, the [Provincial Growth and Development Plan \(PGDP\)](#). A history of underdevelopment and institutionalised racism left the province with difficulties not faced in other parts of the country. The Eastern Cape had supplied labour for South Africa’s mining industry while remaining a fairly agriculturally dependent area. When the mineral trade declined, unemployment followed and welfare dependency increased.

The PGDP was developed as a mechanism for combating these problems. First, an overview of the socio-economic situation was needed before determining the policy options to address them. Geo-spatial and demographic assessments traced the natural environmental and economic diversity between provincial districts. Development indicators helped to account for differences in basic service delivery, poverty and inequality. This process allowed for an understanding of how the economic sectors selected for growth in the PGDP would be impacted by the province’s socio-economic profile, including local health services, energy

sources, education and infrastructure. This stock-taking process revealed that in contrast to other provinces, poverty rates in the Eastern Cape were significantly related to gender, race, geography and natural resources. It provided the qualitative and quantitative backdrop to explain how the province's social and economic status quo would affect the plan's 14 tailored targets and 10-year development vision.

Source: Eastern Cape Province (2003)

It is important that local actors (local government officials, civil society organizations, the private sector and other relevant stakeholders) are able to gather, disaggregate and analyse such data and have the ability to identify challenges and opportunities based on the evidence it presents. For this they need skills to conduct a gender-sensitive baseline assessment, to understand quantitative and qualitative data, and to use data to monitor and review progress. Developing even the most basic capacities in these areas enables all stakeholders to participate more effectively in the local development process. Such capacities have been nurtured, for example, through the SNV-UNDP partnership on strengthening local actors in MDG and PRS processes. In Benin, three pilot municipalities identified local indicators to monitor progress towards the MDGs in their municipality and started to collect data to measure progress made. A municipal guide on monitoring the MDGs has been formulated based on these pilots. In Malawi, a training manual for monitoring and evaluation of the MDGs was drafted while in Macedonia 'Local Leadership Groups' were trained to use methods and techniques for monitoring MDG-based programmes (SNV and UNDP, 2007a). In countries where data at the local level is lacking, innovative means have been found to collect data for local planning<sup>21</sup>. The Utilisation of DevInfo has also been helpful, though further effort is needed to strengthen the capacities for the department of statistics to collect data at sub-national levels and to update the system periodically.

#### **Box 5: Tanzania's DevInfo monitoring system**

**DevInfo** is a ready-made platform to promote database integration. Its adaptability to local context and incorporation of globally accepted indicators has led many countries to utilise the software. In Tanzania, DevInfo is used to support the poverty monitoring system: the Tanzania Socio-Economic Database (**TSED**). The system provides a user-friendly platform to access data on over 300 indicators disaggregated by sex and geographical location (i.e. urban, rural and administrative unit). TSED is used for producing analytical studies such as the National Poverty and Human Development Report and as a resource for stakeholders to engage in evidence-based policy-making. TSED users include National Bureau of Statistics, government ministries and institutions, UN system, members of Parliament, other development partners, non-governmental organizations, universities and research institutions, civil society organizations, private sector, and the press.

Source: UNDP (2006a) and TSED Website

Once the data has been collected, it is necessary to understand how different factors are impacting the poor, categorising the *types* (outline which area or sector is affected) and *level of impact* (the scale) and whether this is positive or negative. Analysis of institutional and policy frameworks and their impact on each of the targets laid out in the local development strategy is an important part of examining the causal factors behind existing trends. The outcomes of the analysis need to be presented clearly to decision-makers and stakeholders in order to identify possible policy options and activities and to begin the prioritisation process.

#### **b. Capacities to guide a visioning and priority setting exercises**

Having obtained an accurate picture of the current situation will help identify and priorities those areas that require immediate attention and those that can only be addressed in the medium and longer term. Developing a long-term vision can help guide this priority-setting process and can help ensure overall coherence. It involves consensus building, negotiation and dialogue and the ability to manage expectations. Making a quick projection of available financial resources can be instrumental in this respect. This calls for basic accounting skills and the ability to make simple financial projections by extrapolating available data.

<sup>21</sup> Please refer to Hooper (2007) for several other examples of local-level data collection and monitoring systems, such as the Community-Based Monitoring System.

### 3. Capacity to formulate policies and strategies

Depending on what is legally required and what may already be in place, a local government can choose to elaborate a medium-term development strategy (e.g. for a five-year period) that will detail all results to be achieved and the actions require to do so, or it can immediately move to the elaboration of action plans for short-term interventions based on the priority areas identified. Annex 2 details how such an action plan can be developed.

#### **a. Capacities identify understand, influence and monitor fiscal and administrative decentralization policies**

The design of fiscal and administrative policies and the implementation of reforms tend to be orchestrated by national ministries, with little involvement from the local level. To ensure that reforms will bring benefits to the local level, local governments need to lobby for a seat at the national policy table. This requires that local authorities and other local actors understand the policy, legislative and procedural provisions that are applicable and are cognisant of their rights and obligations. This can be achieved through awareness-raising and information campaigns at the local level or by ensuring that the central government involves local actors the design of its public administration reforms. Local Government Associations can be very instrumental in this respect since they offer a platform for local governments to exchange knowledge and experiences and speak to the government with one voice.

#### **Box 6: Supporting public administration reform**

In Montenegro, UNDP is involved in a multi-partner [Capacity Development Programme](#) (CDP) that supports the government's public administration reforms. It has in-built mechanisms and procedures designed to ensure full participation by all partners in key operational and overall policy decisions. The CDP delivers a wide range of technical assistance and support to the beneficiary ministries, a considerable amount of which is in the form of 'soft services' such as coaching, mentoring, and team building. This has facilitated the overall transfer of know-how, learning, and the mainstreaming of advice and other forms of assistance/outputs into ministries' operations. The CDP offers an example of what can be achieved by a relatively modest, but speedy and flexible pilot programme response to urgent needs in a complex and rapidly changing policy environment.

#### **b. Capacities to link local development processes to national strategies and finance and to each other**

A key to sustaining the results of local development initiatives is to ensure that local development plans are well-embedded in national plans and budgets; otherwise they will lack the political support or resources to be implemented. In a similar vein, local priorities need to be taken into account in national-level decision making. As the example of Vietnam shows (Box 7 below) the MDGs have much to offer in this respect since they offer a common set of goals through which the local and national-level can be linked.

#### **Box 7: National frameworks to support the local agenda: the example of Viet Nam**

Viet Nam's formulation of '[Viet Nam Development Goals](#)' is one example of a national framework that supports the local level agenda. The Vietnam Development Goals are an adapted version of the MDGs representing the country's core vision of development and its international commitment to achieve the MDGs. The Goals set targets for monitoring progress on the Comprehensive Poverty Reduction and Growth Strategy (a home-grown version of a PRSP) as well as establishing sub-national targets to reflect lagging development progress among ethnic minorities and women.

To link local and national processes, local authorities need to be able to ensure a two-way engagement between the local and the national level. This requires the right mix of skills, including the ability to share information, lobby, advocate, and build relations. Having financial resources available to travel to the capital, attend meetings, and invite government officials to visit the local level can help facilitate this. Again, mechanisms for inter-municipal cooperation, such as Local Government Associations, can play a valuable role here. They can also facilitate the exchange of good practices and knowledge between different actors.

#### **Box 8: Local government organizations and networks**

Globally there is the [United Cities and Local Governments \(UCLG\)](#) organization that is working in partnership with the UN to promote local development. Regionally there is a number of associations, for example, the [United Cities and Local Government Africa \(UCLGA\)](#) in Africa; [City Net](#) for the Asia-Pacific; [Congress of Local and Regional Authorities](#) in the Council of Europe a Pan-European network that includes local government beyond EU member states; the [Council of European Municipalities and Regions](#) for local government in the EU; and the [Federation of Latin American municipalities, Cities and Associations of local government](#) (for Latin America as well as the Caribbean. There are also thematic networks such as the [International Council for Local Environmental Initiatives](#) - local governments for sustainability' that supports capacity development in local governments globally, focusing on sustainable management approaches, tackling climate change, sustainable tourism development, amongst other areas, through training programmes, exchanges and events. The [Arab NGO Network for Development \(ANND\)](#), for example, is a regional focal point for the 'Global call to action against poverty' which aims at raising the awareness of civil society in Arab countries and developing their capacities to monitor and advocate for the social and economic policies of their own governments. Moreover, ANND, as a regional focal point of [Social Watch](#), is part of its global campaign on the MDGs and encourages and supports its members to elaborate relevant national targets and improve appropriate indicators.

#### **4. Capacity to budget, manage and implement**

##### **a. Capacities to elaborate a realistic budget**

Since no plan will be implemented without the budget to support it, the ability to prepare (and then implement) an integrated budget, and to manage it effectively and accountably is especially crucial. In Armenia, UNDP, UNCDF and SNV have supported the introduction of performance-based budgeting in 5 municipalities. The initiative has helped develop the capacities and skills of municipal staff and community council members through training and adaptation of budgeting software, and has led to a commitment of the municipalities involved to cost-share investment projects that ensued from the prioritisation exercise that was part of the project (UNDP, 2006a: 31). Participatory budgeting has also been implemented with great success in Brazil where it has spread to over 100 cities (UNDP, 2006e). Integrated planning includes the facilitation of inter-sectoral working groups - through training, information access and improved procedures - to negotiate and provide input to MDG-based local development strategies.

##### **b. Capacities to manage for better service delivery**

Improved access to quality basic services is one of the key indicators of successful local development. In many countries, the state (at all levels) is failing to provide its citizens with (quality) basic services. As a consequence, the number of private providers – both for profit and not-for-profit – is mushrooming and alternative ways of service delivery need to be explored.<sup>22</sup> There are examples where private provision is benefiting the poor, but in the absence of policies, regulations and adequate accountability mechanisms, this risks being the exception rather than the rule.

Local governments have an important role to play in promoting access to quality basic services, if they have the capacities to manage the supply and demand for these services.

This involves creating regulatory frameworks for service provision, including for accounting and procurement<sup>23</sup> and promoting public-private partnerships for service provision.<sup>24</sup> Also important is

<sup>22</sup> For additional information see: (i) UNCDF (2003) *Local Government Initiative. Pro-poor Infrastructure and Service Delivery in Rural sub-Saharan Africa. A synthesis of case studies.* (ii) UNCDF (2005) *Delivering the Goods. Building Local Government Capacity to Achieve the Millennium Development Goals A Practitioner's Guide from UNCDF Experience in Least Developed Countries.* (iii) UNCDF (2006) *Local Development Practices and Instruments and their Relationship to the Millennium Development Goals. A Synthesis of Case Studies from UNCDF Programmes in: Burkina Faso, Guinea, Mali, Niger and Senegal.*

<sup>23</sup> For more information on procurement capacities see: UNDP (2006c) [Draft Procurement Capacity Assessment User's Guide.](#)

stimulating the participation of the community in overseeing providers (for example through parent teacher associations) and in overseeing the work of the local government, to create mutual accountability.<sup>25</sup>

Given the limited financial resources that are available to local governments, public financial management – including raising local revenues through local economic development – will also be an important area of responsibility. UN Country Teams can support local authorities to plan and manage their budgets, to lobby the central government for financial authority and to develop proposals for grants from external funding sources or, in the case of UNCDF, provide a local development fund facility to the local government. Also important during this phase are the project management capacities, including the ability to understand and apply rules and procedures, including for accounting and procurement.

UNCDF has extensive experience in supporting the implementation of local development strategies and can serve as model for local development. What makes UNCDF's experience particularly notable is their track record of success in Least Developed Countries where capacities of local and national stakeholders are weak. Box 9 provides an example of UNCDF's work in 'delivering the goods'.

#### **Box 9: Sirajganj Local Governance Development Fund Project in Bangladesh**

The aim of the Sirajganj Local Governance Development Fund (SLGDF) in Bangladesh is to contribute to poverty reduction by increasing access to basic infrastructure for the rural population of Sirajganj District. Union Parishads received technical and financial assistance to improve their performance and accountability; to conduct participatory planning processes at local (Ward) level; to formulate, and to select and implement LDF schemes. The project's five components are: i). Provision of funds directly to the Union Parishad level on an annual block grant basis as a pilot for fiscal decentralization; ii). Promotion of participatory planning processes at Ward level; iii). Provision of support and incentives for the Union Parishads to improve their performance and accountability; iv). Support for the formulation, selection and implementation of local community schemes; and v). Analysis, documentation and dissemination of lessons learned to key actors at sub district (Upazila), national and donor levels.

The SLGDF was extremely successfully in showing the role that local governments – long bypassed – can play in pro-poor service delivery, and that their performance can be promoted with the right support. Thus far, the project has over 2.5 million beneficiaries. Another sign of its success is the demand for replication. The Government has requested UNCDF and UNDP replicate the project in 5 other districts and committed government funding into Union Parishad accounts from 2005 with a pledge to increase amounts over a period of 5 years. SLGDF has achieved widespread recognition by the Government of Bangladesh and by donors with the approach being adopted by them in other projects. The World Bank, European Commission, Swiss, and Danida have cited SLGDF as a model to promote as basis for collaboration in new programming.

Source: UNCDF (2003b)

Since local resources tend to be limited, this can be complemented by external resource mobilisation. This requires capacities to negotiate with national governments/ministries of finance, donors and international businesses to obtain subsidies or loans for local projects or attract foreign investments. Decentralised cooperation can also be an important strategy.

#### **Box 10: Mobilising resources, developing partnerships**

In the Kukes region of Albania, UNDP supported local government officials in developing their resource mobilisation and partnership capacities (project brief preparation, donor liaison and research, networking, and others) to assist in the implementation of the Regional Development Strategy. With UNDP serving as a

<sup>24</sup> For additional information on PPP from a capacity development perspective please see: UNDP (2007d) 'Capacity Development Services in Application: Public Private Partnership for Local Service Delivery' .

<sup>25</sup> For more information on oversight and anti-corruption measures, see: UNDP (2006d) [Anti-Corruption Practice Note](#). For more information on accountability relations in local service delivery, please refer to: UNDP (2007c) Capacity Development Action Brief: Supporting Local Service Delivery Capacities and also World Bank (2004d) World Development Report 2004: Making Services Work for Poor People.

broker, the Commune officials in Zapod, which is part of Kukes, were able to develop a partnership with the "Helping Hands and First Data Western Union Foundation" which is the development and charity arm of the Western Union Corporation. [The partnership helped construct a school](#), which was one of the main priorities of the commune, as identified in the Kukes region MDG Regional Development Strategy.

## 5. Capacities to monitor and evaluate progress

Participatory monitoring and reporting of local development plans, budgets and results has shown to deepen local ownership and commitment among a broad base of stakeholders. The ability to codify good practices and lessons learnt from local development processes and to feed these back into local and national development strategies, poverty reduction strategies and sector plans, is an important component of such capacity development efforts. This documentation and monitoring of progress and results facilitates revisions/amendments to respective implementation strategies - based on whether targets were met for the given period - and is a driver of state-citizen and national-local accountability mechanisms. The collection of information can be supported by the provision of monetary and non-monetary incentives. UNCDF has extensive experience with incentive systems for local government to ensure participation and effectiveness of local development planning and implementation. In Nepal and Tanzania, there are systems in place to award local governments with greater funding allocations based upon the type and quality of information they share with their communities. Such information includes the posting of annually approved projects at the local level, making available project timeframes and budgets, and providing copies of all relevant documentation (budgets, work plans, supervision and payment arrangements) to project management committees (UNCDF, 2006c: 196).

[Participatory Impact Assessments](#) and Community Score Cards<sup>26</sup> are useful tools to collect information on progress made.

### Box 11: Local Urban Observatories

Since 1999 UN-HABITAT's [Global Urban Observatory](#) has been helping local authorities set up their own local urban observatory to gain an accurate picture of their development needs and to track progress. Local urban observatories (LUO) bring together city officials, citizens and businesses to ask the simple question 'how well is my authority achieving results that matter?' In Santiago, Chile for example, the LUO helped the municipality develop indicators for monitoring progress against the authority's strategic plan for 2010. Baseline data and development targets were produced for 73 indicators. As a result of the monitoring system, the allocation of municipal resources has become more transparent and public awareness of the impact of decisions on the economy and the environment has grown. In cases where a broader range of stakeholders has been involved, LUOs have strengthened networks between citizen groups and the local authority, such as in the city of Ahmedabad, India.<sup>27</sup>

### A lynch pin for success - Local leadership as a core issue

Successful local development requires having a local 'champion' that can rally different stakeholders around a common cause and can manage tensions that may arise from the local development process. For example, it is not uncommon for a planning process to create expectations that improvements will come about immediately, but many case studies have shown that this can take longer than expected, especially where fundraising, training and capacity development are required before action can be taken.

Such delays in implementation risk undermining the legitimacy of the local government, especially where it has only recently been elected. Having a strong local leader can help build trust and legitimacy and greater support for implementation. Local leaders also play a key role in

<sup>26</sup> A practical example of the application of community score cards can be found in Bangalore, India. This case study is documented in "Localizing the Millennium Development Goals: A guide for local authorities and partners" UN HABITAT, 2006. p. 53.

<sup>27</sup> A detailed description of this case can be found in Hooper (2007).

negotiating consensus and motivating teams and can set the example for ethics and values in the local administration.

Recognising the importance of leadership for effective local development highlights the value of linking the individual level with the organisational and societal capacity levels, in a more comprehensive approach to engaging on capacity development. UNDP has wide experience in supporting local leadership development, ranging from working with indigenous leaders in Latin America to supporting leadership for the MDGs in Eastern Europe. More information on this topic can be found in the UNDP Practice Note on Leadership Development.

## **SECTION IV: CHALLENGES, OPPORTUNITIES AND OPERATIONAL IMPLICATIONS**

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Deepening capacities of local authorities to support inclusive local development requires taking into account the following challenges and opportunities emanating from the context in which such support takes place. From the evidence available, the following factors have been identified:

### **1. Challenges**

- Although many countries are implementing decentralization reforms, as outlined in Section I above, the responsibilities and resources that are *de facto* transferred to the local level are not always sufficient to support effective local development. This poses a particular challenge at the local level, since revenue-raising and resource mobilisation capacities tend to be limited. Attention for inclusive economic growth and partnerships are important areas of support for local development.
- The local development process can easily become ‘politicised’, meaning that the agenda is captured by a leader or group trying to serve its own political end. In such cases, rather than promoting the inclusion of the poor and marginalised, local development can lead to further exclusion. Women are especially vulnerable to this. Politicisation is difficult to address at the local level because of limited oversight and accountability mechanisms and because of informal and traditional power relations and long-standing vested interests.
- Democratically elected local authorities may not be re-elected. This can happen at all levels of government, but poses a particular challenge at the local level, since there will be fewer qualified people to take their place (especially since the well-educated tend to seek their luck elsewhere). Attention needs to be paid to putting in place systems and procedures that can be run irrespective of who manages them. Coupling support to local authorities with support to the local public administration can be a solution.
- Corruption can hamper local development. Special attention should be paid to ethics and values of local authorities. Supporting the creation of incentive systems for good performance can prove effective in tackling this issue. However, the difficulty of dealing with corruption at the local level should not be underestimated. Those involved in local government tend to be closely connected at both a professional and a personal level and are likely to protect each other. Also, information to monitor performance may not be readily available to those outside the system, making it challenging to maintain oversight.
- Local development, like other change processes, often leads to resistance, especially if it involves a redistribution or reassignment of resources. This can create tensions and lead to conflict. Similarly, raising expectations and failing to deliver on them can also create frustrations. Developing and supporting some quick pay-off outputs could mitigate such tensions. UNCDF’s Local Development Funds are an example of how this can be supported.
- Although donors acknowledge the importance of local government for local development, there is a tendency to continue supporting community projects. Promoting such parallel processes can undermine the credibility of local governments.

### **2. Opportunities**

- The mapping of civil society and community organizations – including women’s organizations - is a valuable tool to identify other actors at the local level, and to assess their capacities, strengths and weaknesses. This, in turn, can be the entry point for a capacity development intervention. Bringing civil society on board can help determine priority issues and mechanisms through which to address them.

- In addition to involving non-state actors, local development benefits from putting poor people at the centre of service provision, with special attention for women and other marginalised groups, who tend to have even less voice than others. Community-driven improvements to service provision have demonstrated to local government and service providers the possibilities of improving or extending provision to the un-served by working in partnership with community groups (UN-HABITAT 2005) and of increasing its sustainability. For example, a study of 1,875 households in rural communities in six countries (Benin, Bolivia, Honduras, Indonesia, Pakistan, and Uganda) suggests that water system durability is significantly higher when communities control investment decisions and contribute part of the investment costs, ensuring that they both get what they want and are willing to pay for it (World Bank 2001).
- Community involvement also helps build social capital and promote transparency and accountability. It reduces the risk of 'elite capture' by dominant local elites, and creates a system of checks and balances through the exchange of information between community based organizations and other formal institutions (World Bank 2001).
- Support for local development can be provided through local training institutions and local NGOs. Involving local knowledge and training providers will strengthen their capacities and will lead to a stronger supply of such services.
- Inter-municipal cooperation, whether within or between countries, opens up opportunities for learning and sharing of experiences. Local Government Associations and decentralised cooperation are powerful examples of this. Through study visits, peer-to-peer learning, capacities of local governments can be strengthened.

### 3. The UNDP response to local development

Given the core functional capacities presented in the previous section and the challenges and opportunities summarised above, what are key areas for UNDP support to local development?

As highlighted by the UNDP strategic plan 2008-2011, capacity development support is UNDP's overarching contribution to development, also at the local level. This is not limited to the role of local governments and capacity development services support, which was the focus of the previous section, but also includes support for community development, civil society and the private sector, in order to ensure an integrated approach. Specific interventions depend of course on the local context and on local demand, but can include:

- **Support for local economic development/income and employment generation, e.g. by:**
  - Supporting local governments in developing appropriate regulatory frameworks for economic development
  - Planning and promoting investments in transportation and public utilities infrastructure
- **Support for local service delivery:**
  - Strengthening capacities of local governments to plan, budget and monitor and develop regulatory frameworks (including for procurement);
  - Strengthening capacities of service deliverers, including public-private partnerships
  - Strengthening capacities of communities to monitor and evaluate service delivery and inform decision-making
  - Support for resource mobilization and provide small grants for investments (e.g. GEF, LIFE, UNCDF, ART-GOLD, MVP)
- **Support for good local governance and empowerment**
  - The development and promotion of voice and accountability mechanisms that empower the poor and other marginalized groups to monitor the performance of local government and service deliverers and hold them accountable for results.

- Supporting procedures and mechanisms for participatory planning and decision-making
- **Support for public administration reform at the local level**
  - Support for the development of incentive mechanisms to retain staff and fight corruption
  - Support for institutional reform and change management at the local level
- **Support for conflict resolution and mediation at the local level, including around natural resources**
  - Support for dialogue processes and multi-stakeholder forums

In each of these areas, a capacity assessment can help determine the optimal mix of support required. Based on the outcome of the assessment, capacity development strategies can be defined and a unified monitoring and evaluation framework put in place.

What are the operational implications for UNDP and its UN partners?

- **Ensure coherence and complementarity of support efforts**  
The United Nations system is well-positioned to support local development processes because of its country office structure and the broad range of expertise available through its various agencies, funds and programmes. Yet, no UN agency, fund or programme alone has the ability to support all aspects of local development. Furthermore, in light of recommendations of the High-level panel on system-wide coherence and its call for a 'One UN' approach at the Country level, UN country teams (UNCTs) are becoming more closely aligned in programming and better coordinated to support an integrated approach to development.

Within the UN system, UNDP and UNCDF have most experience in supporting decentralisation and local governance to promote local development, especially through the development of cross-cutting capacities such as the ability to engage in multi-stakeholder dialogue, prioritise and plan. However, technical capacities for service provision and local development are also important. Here UN agencies, funds and programmes with a sectoral expertise can play an important role. Collaboration and coordination should also be sought with other non-UN organisations working on local development.

It will be a key challenge for the UN at country level to coordinate these different activities and ensure that they will be mutually reinforcing. Conducting a capacity assessment and identifying capacity development strategies can help guide this process.

UN Country Teams can also play a role in promoting greater donor coordination through donor roundtables or other policy mechanisms.

- **Create multi-disciplinary teams**  
Local development is a process involving a range of different capacities. This implies that UN Country Teams will also need to have a variety of skills and knowledge. Creating multi-disciplinary teams of technical experts and capacity development specialists can ensure that local governments will receive an optimal mix of support.
- **Working with local training institutes and consultants**  
UN Country Teams should try to engage local training institutes and consultants to expand the supply of capacity development services available to local governments. By working together with local service providers, or by offering them training on certain tools and methodologies, can contribute to the sustainability of support.

- ***Adapting capacity assessment and costing tools to the local level and designing simple and easy to manage M&E systems for capacity development at the local level***  
Ensuring effective capacity development interventions requires having a clear framework that will allow local actors to assess their capacities, cost interventions, and monitor progress. This will also allow UNCTs to design optimal response strategies.
- ***Joint outcome evaluations that are country-led, not agency-led***  
UNCTs should increasingly aim to carry out joint outcome evaluations in the area of local development that are led by national or local actors, rather than the UN system. This will provide important feedback on the relevance and effectiveness of the UN approach and will contribute to evaluation capacity development.

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## **ANNEX 2: THE ELEMENTS OF AN ACTION PLAN**

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Action plans for short-term interventions need to be developed for each of the priority areas identified by the priority and visioning exercise, without losing focus on the policy coherence between the different actions plans, and between each plan and the long-term agenda, for example by ensuring that changes to sanitation and water policy take account of the potential impact/contribution to health and environment targets. It is also important to ensure that the local development process links to national strategies and finance, and that local needs and assets are recognised and embedded in national plans and budgets.

Each action plan can be broken down into 8 components. These components must be adapted to local conditions and realities, and ultimately be applied through a process of “learning by doing.” It may well be overambitious in some contexts to try and include all 8 components to the depth described below and so the list below should be adapted as necessary.

- 1 **Aims and objectives** - The identification of required indicators, the potential sources for data collection, and methodologies for collection (surveys, focus groups, etc.). In addition, it will be important to identify relevant stakeholders related to the data being collected (i.e. Ministry of Health for health related goals) as well as other (non-state) stakeholders operating in each sector (health unions, NGOs, etc.).
- 2 **Desired outcomes** - Each action plan will have to specify its desired or expected outcomes, possibly including broad targets for each outcome, as this can assist the process of monitoring progress. For example, the desired outcome of a poverty/income-focused action plan might be defined as ‘reducing the proportion of unemployed people by 50% within the next five years’. These outcomes might be intermediate targets or steps towards contributing to the longer-term achievement of development goals and targets. However, it has to be underscored that expected outcomes need to be realistic and consistent with available and projected resources and the presence of an enabling environment.
- 3 **Key actions and policy requirements** - The plan should outline each key activity required to meet the specified priorities and those activities required to achieve the desired outcomes. This part of the action plan should also include any *preparatory* activities that have been identified as necessary to enable the implementation of a plan – such as capacity development, advocacy, as well as fundraising activities. Establishing priorities will have identified those major areas that require specific policy responses, including whether standards and regulations need to be revised or new ones introduced in order to provide a more supportive institutional context for action to take place (i.e. microfinance best practices related to interest rates and repayment modalities).
- 4 **Assigning roles and responsibilities** - The baseline assessment will have identified many of the key institutions and stakeholders already involved in achieving the targets set forth in the local development strategy, and ideally it will have clarified those additional groups which need to be brought in to respond to identified challenges and gaps. The process of assigning roles and responsibilities to particular activities will need to be inclusive of all key stakeholders, taking into account their relative resources, capacities and relevance to a particular target and activity. Each action plan should identify and involve those parties that are required to make a decision in each policy area, as well as those who will be impacted by the change, e.g., changing land tenure rights to take account of informal communities will require careful dialogue between local planners, slum dwellers, local residents and other stakeholders to ensure that the system is accessible and understandable for the communities as well as realistic for the local authority to implement.

The process also needs to identify mechanisms that can be used to support horizontal cooperation (intra and inter-municipal cooperation) and vertical cooperation (regional, national and global links) such as establishing local committees or working groups, joining regional networks and municipal exchanges, etc. National local government associations can also assist in this exchange, as well as international networks such as UCLG and the [International Council for Local Environment Initiatives](#) (UN-HABITAT 2003).

- 5 **Timeframe** – Detailed action plans need to be defined for short-term priorities that will specify monthly and even weekly activities and resources required to achieve the desired outcomes. Sufficient time needs to be allocated to allow for capacity and resource development, especially since the lack of skills or finance may have been identified as major barriers to progress.
- 6 **Budgeting and financial forecast** - Each action plan should seek to calculate the financial resources required to achieve the desired outcomes. In traditional systems this would be calculated by technical officers within a local authority. However direct community involvement can greatly assist the process of planning ahead financially, ensuring that the needs and interests of the poorest are reflected in the process. Such involvement can also improve the effectiveness and accountability of financial management within a local government.
- 7 **Accessing resources** - Each action plan will remain simply that – a plan – without the necessary resources to implement the proposed activities. As noted in the G8 Gleneagles summit on, achieving the MDGs will require significant additional financial resources.<sup>28</sup> Therefore an *essential* part of any plan will be to identify real and potential sources of funding in order to carry out the work.

*Local funds* include local sources of funding – such as revenue generation, local taxation and charges, establishing municipal bonds, providing micro-credit and supporting the establishment of local credit groups. As with other elements of the action plan, the implications of different sources need to be assessed for their potential poverty and wider impacts. Improved financial administration and transparency can make a significant contribution to revenue generation. Simplified procedures and a progressive tariff structure, based on ability-to-pay, have allowed Kenyan municipalities to increase the revenues they have obtained from business licenses. In Uganda, market fees are the main source of revenue for many local governments. (Blore, Devas and Slater 2004). However, despite the ability of local governments to raise funds, as UNCDF notes: “there is a fairly widespread, but mistaken, belief, especially in countries creating local governments for the first time, that local governments both can and should be fiscally self-sufficient. The paradox of decentralization is that the degree to which service expenditure responsibilities are ideally decentralised is much greater than the degree to which fiscal revenues can be decentralised. Virtually all local governments worldwide require central transfers to bridge this fiscal gap” (UNCDF, 2005: 47). Besides central level transfers, public-private, public-NGO, public-public partnerships and inter-municipal cooperation can all help to bring additional resources to implement a local action plan, not only in terms off finance. Local government needs to take the lead in assessing the pros and cons of involving different partners and ensure that they will make an important contribution to actualizing the development plan, especially that the focus on the poor remains at the forefront of local development planning. It may be that a range of partners is required in order to make programmes/project and sectoral action plans viable.

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<sup>28</sup> For more information, visit the Gleneagles Summit Website:  
<http://www.g8.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1119518704554>

*External funds* should also be identified in the plan. Potential sources can be regional, national and even international. Some examples, such as the [Global Environment Facility](#), the World Bank Social Investment Fund, and [Community Led Infrastructure Finance Facility](#), are discussed in more detail in the background study accompanying this Note.

- 8 **Monitoring and review** – A crucial part of implementing an action plan is the periodic assessment of each plan, which should be applied as standard practice to ensure that the plan is moving towards its desired objectives as well as to assess whether it is having any unforeseen outcomes or impacts.