



**Improving Local Service Delivery for the Millennium
Development Goals in Asia:
Pilot of Methodology for Support to National Policy
and MDG Strategies**

Final Draft
4 May 2007

Background

Despite the impressive progress countries of Asia have made in poverty reduction, their achievement of the Millennium Development Goals (MDGs) remains far from assured. In particular, it is in the rural areas where the majority of the poor continue to reside, and where the challenges to deliver the key MDG-related services such as primary education and health, continue to be both most formidable and also least well documented.

In recognition of these challenges and the extensive but fragmented MDG efforts until now, the collective UN Agency *MDG Initiative* offers comprehensive support to national efforts to implement MDG based National Development Strategies and accelerate development, through support in three areas: (i) costing and financing MDG targets plans, (ii) widening the policy and institutional frameworks, and (iii) strengthening the national capacity to deliver MDG based services. With much of UN/UNDP assistance focusing to date on “target setting”, “localizing”, “tracking” and “costing” of the MDG based services, it is crucial that the UN seeks to also assist countries in addressing the more practical policy issues linked to institutional and capacity challenges: *how* local public services needed to ensure the MDG attainment are best organized, financed and delivered, in an efficient and equitable manner; and it must recognize the different challenges faced between and within the different MDG-related services and sectors.

Although there is a general agreement that a large part of basic public services are most effectively and efficiently delivered through decentralised arrangements, until now relatively little attention has been given to the policy and practical challenges of managing increasing sectoral resource allocations for local service delivery. Current discussions of “local capacities” tend to focus on consideration of problems supposedly inherent to local government bodies – and particularly to the human resource constraints. These sorts of constraints do of course typically represent severe challenges, especially in the rural areas, linked to lack of incentives to attract civil servants, the poor access to professional training and skill, and a resulting high turn over of staff, to name a few. However, the capacity of local governments to deliver quality services is also often equally constrained by inappropriate policy, financing or institutional frameworks set – as much by default as by design - by central governments.

Addressing Sectoral Issues of Local Service Delivery for the MDGs

Each sector has its own technical, institutional and financing characteristics. And within each sector, the delivery of any particular service involves a bundle of functions. Thus, for example, delivery of primary education involves setting education standards, curricula, exams; hiring, managing, training and refreshing teaching personnel; procuring school books, and materials; building and maintaining schools and classrooms; monitoring teaching performance; managing school activities; and so on. Decentralization of primary education does not mean that all these functions be assigned to local government – but only those for which subsidiarity arguments are valid. But in practice the appropriate assignment of these functions between levels of government is all too often not made clearly.

If administrative instructions on decentralization sent from central government to sectoral ministries do not distinguish the different operating modalities of different sectors and the functions of different levels, problems can ensue. Clearly, not all sectors should be required to decentralize the same functions, or proportions of their staff or budgets and due attention should be paid to the possible variations in the

decentralization frameworks, i.e. deconcentration and devolution of responsibility assignments. Flexibility, and greater sectoral nuance, is needed. Sectoral decentralization requirements should be decided on the basis of specific functions of departments within sectoral ministries. Finally, it is equally important to analyze the horizontal relations among the various sub-national actors (the local administrations, local councils, sectoral units etc.) and their assigned managerial, planning and other functions.

Determining Functions & Responsibilities: Illustrations*

The examples of issues provided below are simply initial to provoke reflection, and will be reviewed more thoroughly in the course of country studies:

In Health, a number of key public health activities are not matters of local choice (immunization of children) and may need to be either centrally organized or simply deconcentrated (implemented locally according to central directives). Other activities, including media based information campaigns are intrinsically central government ministry responsibilities. Pharmaceutical imports often face economies of scale. Conversely, siting and taking charge of construction and maintenance of health posts is usually best entrusted to local authorities.

In Education, policies and standard-setting as well as management of specific tasks such as exams are most often central government responsibility while local governments might be involved in school management and maintenance. The centralized responsibility for content of curriculum poses some problems to minority cultural, ethnic and linguistic groups that may wish to deviate from the norm. But textbook production has major economies of scale. Conversely, entrusting siting and construction of schools to local bodies better ensures they are built where needed, and that technical designs and unit costs reflect local needs and standards,

In HIV/AIDS, it has been found that decentralization of prevention activities has resulted in dramatically reduced implementation rates. This may be due to inadequate understanding, shortage of necessary skills, economy of scale issues, or simple competition from other budgetary priorities. Prevention activities such as production of television spots require high level skills, and production of posters face major economies of scale.

* Based on UNICEF experience.

Finally, in all sectors, one of the most critical issues is linked to the financing arrangements surrounding the different roles and responsibilities. Merely relying on local resource mobilization will likely increase sub-national inequalities. But designing the appropriate compensating centre-local fiscal transfer mechanisms is complex in practice: overly rigid sectoral allocations from the centre to the local level can undermine legitimate local choices as to what is really needed, while too much latitude for local choice may undermine legitimate central policy goals; determining sectoral allocations based on the wrong norms may encourage inefficiencies and inequities; etc.

Also, in countries relying on ODA to help finance local infrastructure and service delivery, the channels for funding local government led development seem underdeveloped and funding often flows almost exclusively to sector ministries or directly to community/user groups.

Objective

This proposal aims to broaden and inform national policy processes and to contribute to increasing regional awareness of what it takes to establish appropriate sectoral decentralization policy frameworks to improve local delivery of particular public services in order to achieve the MDGs, especially in poor areas where they are most needed.

This objective will be achieved through country research, policy consultation activities with government stakeholders and design of a Pilot Methodology in key MDG sectors (education and health), on the functional assignments of decentralized roles and responsibilities and their financing.

Strategy

Aims

It is proposed that activities in the pilot countries build on the relevant existing knowledge in order to

- (i) document and assess both the opportunities and the challenges and constraints related to local service delivery and decentralization of key basic services, by sector;
- (ii) contribute to the design of a Pilot Methodology to clarify policy and institutional options for decentralized service delivery and, as such, and to assist Asian countries engage in informed national policy debates on implementing strategies for achieving the MDGs.

Focus

There is a broad range of policy issues which need to be addressed¹ but for the immediate future it is proposed to focus on two key areas:

- 1. Institutional Functions:** this module addresses “institutional function” issues between levels of government (and will go beyond the standard “expenditure assignments”). For each service, the module maps out the current pattern of policy, provision and production arrangements for the various functions and how they are defined and actually practiced; identifies any arising problems (e.g. ambiguities, contradictions, overlaps, etc.); and serves to provide guidance to more informed debate on which functions may be best assigned to which sub-national levels and overall how to reform the institutional framework for local service delivery.² This includes the role of the non-state actors, in particular the private sector in producing the services, through formal public-private partnerships (PPPs)³ or various contractual arrangements. Institutional capacity, processes and procedures of the public sector (at all levels) that hinder LGs to effectively engage non-state actors

¹ See Annex I for a description of the wider range of issues or Modules. Subject to funds in 2008 and beyond, it may be possible to design a comprehensive methodology for assessing the capacity for delivery of local services: e.g. module on Public Expenditure Management to address the local systems & procedures for planning, budgeting, procurement, management and operation & maintenance, etc., Human Resource Management and Staffing issues, or on Accountability arrangements for local service providers.

² Matrix in Annex II provides an indicative analytic framework, although the various Actors and Delivery functions will vary for each service.

³ It is important to clarify that Public-Private Partnership (PPP), as addressed in this proposal, is not seen as “privatisation”. Through PPP arrangement the state or public sector engages the private sector and other non-state actors into the delivery of a particular service to its citizens, and at the same time remains solely responsible and accountable for the provision of that service. “Privatisation” infers that the state/public sector not only sells off a public asset/physical infrastructure to a private purchaser but also consciously disengages itself from the responsibility and accountability for the provision to its citizens of the service that is associated with that particular asset/physical infrastructure.

(formal and informal private sector, CBOs, NGOs, CSOs) in service delivery will also be examined.

- 2. Financing:** this module addresses the “financing” issues, analyzing how service delivery functions are financed at each level (transfers, local revenues – on and off-budget – etc), the “mechanics” of fiscal transfers and treasury issues, financial reporting and accountability, donor funding arrangements, etc. Again this module will serve to map existing arrangements, to identify problems (inequities, inefficiencies or lack of transparency inherent in the funding arrangements), and to provide guidance to more informed debate for reform of these arrangements. The issue of PPPs will also be examined as one form or instrument of tapping (to various extents) into extra-budgetary resources for service delivery, acknowledging that this modality requires certain institutional frameworks for “checks and balances”, on the one hand, and for facilitation of domestic financial resources flow to such PPP projects, on the other, to be in place.

Sectoral Focus

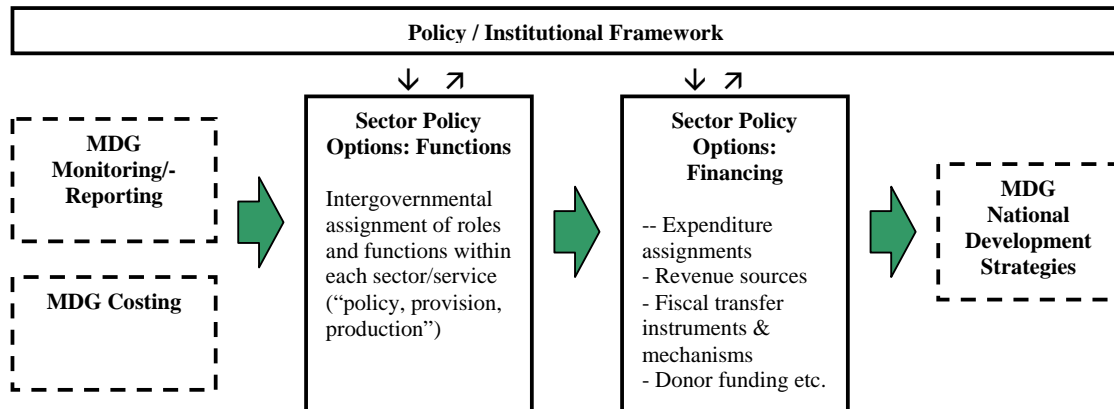
The initial focus will be on basic health, primary and secondary education, and HIV/AIDS focusing on those services that are particularly important for achieving the MDGs (see matrix below).

Preliminary Overview of Sectoral Focus
Health: primary, preventive health services such as: child immunization; vitamin A supplementation for children under 5; antenatal care; safe delivery; treatment of childhood disease (respiratory infections and diarrhea); malaria prevention (bed-net supply), and health education.
Education: primary and secondary education.
In HIV/AIDS, focus on services such as: access to STI, Reproductive Health, couples counseling and HIV testing, and care services for the vulnerable groups; and carry out a review of allocation of national budget for HIV/AIDS (in health and education), including of the essential line items at the provincial and district levels, in order to infer the type of services that are provided. The coordinating role of the provincial AIDS committees vis-à-vis the line ministries, as well as the position of the Global Fund, should be also be analyzed.

For each of these Modules there will be country literature reviews, key informant interviews and consultations.

As such, the aim is to strengthen the intergovernmental dimension of the current efforts to develop the sectoral policies to achieve the MDGs through a methodology/assessment assisting in assigning responsibilities at different levels of central and local government. Also, the aim is to assist in developing the options for financing local service delivery through sectors and local governments in accordance with the responsibilities assigned.

Figure 1: Assessment Methodology - Overview



Policy Consultations

The Assessment

Methodology and the regional research will aim to engage a process of policy discussion with national policy-makers and local practitioners, through national workshops etc.

The effort may help to form or strengthen relationships among various actors interested in both local service delivery and local government reform both within and across countries.

It is proposed then at key points in the country case study process to organize a national seminar with the key policy-makers and non-governmental partners engaged in developing policies for local service delivery:

- Policy-makers from Ministries of Local Government, Education, Health, Finance, Planning, etc;
- Local government – or national association – representatives;
- Researchers and civil society representatives engaged in policy issues related to decentralisation and poverty reduction;
- Local UNICEF/UNDP/CDF/ staff and other concerned UN and donor agency staff.

Depending on funding, it is also hoped to organize one or more informal technical workshops – at regional or sub-regional level – to discuss the evolution of activities and the substantive and methodological issues arising.

Regional Synthesis

Finally, as the exercise concludes, a regional synthesis will be undertaken for each of these modules – to draw lessons (both from the application of the Pilot Methodology and also on the policy issues themselves) for the key MDG-related services as to, for example:

- what the typical functional assignment problems appear to be, and which provision and production functions can best be decentralized (but which not); how relations between levels can best ensure vertical cooperation, etc.;

- what the best balance of financing instruments is needed to balance local discretion and attainment of central policy goals; how best to tap into local resource mobilization without promoting inequity; etc..

Partnerships

In addition to the close cooperation between the UNICEF, UNDP and UNCDF, it is envisaged that other UN agencies, including UNESCAP, WHO and UNESCO, also get involved as part of a unified and harmonized response around MDG-based national development agenda. Also, national stakeholders, LG associations, academic institutions in the region, as well as other development partners such as the World Bank, and interested bilateral donors will be involved.

The framework as outlined in this paper was reviewed in two regional workshops with UN, Government and partners – the UNICEF East Asia and the Pacific Regional Workshop ('Post-Maastricht Workshop'), February 19, 2007 and UNDP MDG Technical Workshop February 16, 2007– and finalized with partners in the pilot countries.

Country Strategy

Research will be undertaken in six countries including at least one to two LDCs, complementing ongoing assistance of UNICEF, UNDP and UNCDF in Asia. In undertaking this selection there will be effort to select a representative sample of countries, from South East and South Asia, reflecting a sample of the range of very different sub-national government arrangements across Asia.

Management Arrangement

A Project Management Team consisting of UNDP, UNCDF and UNICEF regional team working on Decentralization & Local Governance, and Social Policy, will manage the overall coordination of project activities.

At the UN country office level focal points in each country will be selected by the involved UN agencies to coordinate the national project activities, ensure UN inter-agency collaboration and link the regional and national dimensions. The UNDP/UNICEF Country offices will play key role in contributing to building the policy process in the selected countries, identifying and engaging local interlocutors, and together with the Regional teams linking up the project outputs with the ongoing country programmes.

A national project level management team bringing together the various government partners, including in particular the relevant Ministries (Health, Education, Local Government, etc), local government representatives, civil society representatives and the UN team, will act as a link between the project's outputs to the national context, through informing the project with local concerns and priorities, and fine-tuning its activities.

A Consultative Group including specialized UN staff working on specific sectoral and gender issues will contribute to the development of joint UN processes in support of the MDGs and substantive issues related to the implementation of the project.

Costs & Funding

The total budget for the intervention is approximately \$ 235,000 for 2007-08. The secured funding sources as of now are:

UNICEF	\$ 100,000
UNCDF	\$ 50,000
UNDP	\$ 45,000
Sub-total	\$ 195,000
Others	\$ 55,000(to be mobilized for 2008)
Total	\$ 250,000

Indicative Budget

Activity	Item	unit	price	Total
Development of Research Methodology	Int'l Consultant	18	750	13,500
	travel and DSA	1	3,000	3,000
Sub-total				16,500
Finalisation of Research Methodology	20 people 2 days workshop		40,000	40,000
Support for policy processes in countries (6)	Int'l Consultant (13 working days per country)	78	750	58,500
	Nat'l Institutions (40 working days per country)	240	200	48,000
	Travel (USD 2,000 per country)	6	2,000	12,000
Sub-total				118,500
<i>Sub-total per country</i>				<i>19,750</i>
Regional Synthesis	Int'l Consultant	25	800	20,000
Regional Workshop*		1	55,000	55,000
total				250,000

* Subject to funding in 2008

ANNEX I

SUMMARY OVERVIEW OF MODULES

MODULES	PURPOSE
INSTITUTIONAL FUNCTIONS	This addresses “institutional function” issues between levels of government (and goes beyond the standard “expenditure assignments”), mapping out the current pattern of policy, provision and production arrangements for the various functions, how they are defined and actually practiced; and identifies any arising problems (e.g. ambiguities, contradictions, overlaps, etc.)
FINANCING	This addresses the “financing capacity” issues, and covers broader ground than that normally addressed in fiscal decentralisation analysis: local revenue mobilization, the “mechanics” of fiscal transfers, donor funding, and treasury issues.
PUBLIC EXPENDITURE MANAGEMENT	This addresses the local systems & procedures for planning, budgeting, procurement, management and operation & maintenance, etc. which underlie ISD.
HUMAN RESOURCES & ACCOUNTABILITY	This addresses “institutional capacity” issues linked to local staffing & human resource management, and accountability mechanisms for local ISD. (The latter part complements the ongoing UNDP RCB regional initiative on incentives and career opportunities for civil servants at sub-national level, Representation in Decentralized Governance, and participatory methodologies for auditing service delivery).

ANNEX II

Sector/Service:

Actor	Delivery Functions							
	Provision		Production				Policy	
	Planning and Budgeting	Financing	Staff Mgm	Construction	Maintenance	Operation	Regulation standards	Monitoring
Central Ministry								
Tier 1 LG								
Tier 1 line dept								
Tier 2 LG								
Tier 2 line dept								
Village cttee								
User cttee/CBO								
Frontline Service unit								
Private firms/NGOs								