

THE GOVERNANCE BRIEF

“ Implementing decentralization reforms requires substantial horizontal and vertical coordination, and increasing coordination between public sector actors and actors in the nongovernmental domain ”

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Managing Decentralization: Interministerial Bodies, Policy Coordination, and the Role of Development Aid Agencies

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Decentralization Reforms and Policy Coordination

The last two decades have seen an increasing number of decentralization reforms in developing and transitional countries in Africa, Asia, and Latin America. These reforms are mostly driven by political considerations (such as building political legitimacy following regime changes, reduction of interregional conflicts), although the objective of improving public services can be observed as well. Being “whole-of-government” reforms, decentralization efforts reconfigure power relationships between public sector institutions, and between the national level and subnational entities. Implementing reforms requires substantial coordination horizontally, i.e., among the national-level government agencies involved; vertically, i.e., between national-level entities and subnational authorities; and increasingly between public sector actors (at national and subnational level) and actors in the private and nongovernment domains.² Horizontal (national) policy coordination has to ascertain the alignment of sectors with the decentralization reforms, by means of functional assignments, structural and procedural reforms at national level, and the transfer of sectoral resources

to subnational authorities. Policy coordination is furthermore essential to ensure that fiscal and civil service reforms establish the prerequisites for decentralization reforms to succeed.³

The multi-level/multi-actor setting and the political implications of the reforms distinguish coordination efforts in decentralization reforms from coordination requirements for other policies. Lack of policy coordination can result in fragmentary and inconsistent reform implementation, and even in re-centralization, driven by the notion that decentralization has failed.

Decentralization reforms, therefore, in many cases involve the establishment of interministerial and/or national-level policy coordination bodies which are expected to serve, inter alia, as venues for discussing policies, negotiating agreements on action plans, monitoring policy implementation, and evaluating policy outcomes. Often such coordination bodies become favored objects of external support by development aid agencies.

Examples of interministerial and national-level policy coordination bodies for decentralization reforms in Asia include the *Regional Autonomy Advisory Council* (Dewan Pertimbangan Otonomi Daerah, or DPOD) (Indonesia), the *National Recon-*

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² Such as community-based organizations, advocacy groups, associations representing business and trade interests, public sector unions, political parties, and the mass media.

³ The following discussion will be limited to horizontal policy coordination at the national level. However, it is acknowledged that vertical coordination (between national and subnational authorities) is a major challenge for decentralization reforms as well, especially regarding service delivery and the implementation of national policies in the sectors.

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struction Bureau (NRB) (Pakistan), and the *National Decentralization Committee*, or NDC (Thailand). Cambodia has a variety of interministerial bodies dealing with decentralization and deconcentration issues, including the *National Committee for Support to Communes/Sangkats* (NCSC) and the *Inter-Ministerial Commission to Formulate a Draft of Organic Laws* (IMC). Important key characteristics of these bodies include their **legal basis** (constitution, statutory law, executive or administrative decision), **representation and membership** in the coordination body (e.g., political vs. administrative members, national vs. subnational members), the **mandates** (limited or unlimited, mandate for policy formulation or for policy implementation), **institutional affiliation and budget sources**, and their **relationship with other agencies** (for instance whether they can make binding decisions and direct behavior of other agencies) (see table on page 6 for an overview of characteristics and features of the coordination bodies discussed here). The variation of coordination structures reflects the diversity of policy constellations in the respective countries, with each country having its own reform rationale and context and its specific constellation of policy actors and stakeholders.

Policy Coordination Effectiveness: Some Country Experiences in Asia

Analyzing decentralization processes in several countries of East and Southeast Asia, the World Bank observed that "... conflicts among central agencies... over the leadership and direction of decentralisation are widespread" (White/Smoke 2005:8).

In **Indonesia**, the performance of the DPOD has been disappointing not least because of systemic inefficiencies of the public administration. Weak coordination and interministerial competition (especially between the Ministry of Finance and the Ministry of Home Affairs) remained significant problems for decentralization (Smoke 2005:44–46), causing inconsistencies between the core decentralization laws. Lack of policy coordination is underlined because more than 5 years after the initiation of decentralization reforms, none of the sectoral laws has been aligned with the decentralization framework. This resulted in a

stalled decentralization policy, which has shifted substantial public resources to subnational authorities but has not achieved a consistent regulatory framework for service delivery and public sector management.

In **Cambodia**, the NCSC does not include all ministries affected by decentralization. It was established as a temporary body whose mandate overlaps with the mandate of other interministerial bodies (such as the Council for Administrative Reform, which until mid-2005 was in charge of deconcentration reforms), creating confusion about responsibilities for key aspects of decentralization and deconcentration (D&D) reforms. NCSC cannot make binding decisions and the outcomes of its discussions have to be ratified or implemented by the other government agencies in line with their respective legal mandates, a weakness the Government itself has recognized (NCSC 2005). Overall, "coordination of key actors is inadequate" (Smoke 2005:46). Another body, the IMC, was created in early 2005 with the specific mandate to prepare the organic laws for the reform of the provincial and district administration. So far, IMC has been lacking consistent and transparent working and decision-making procedures, and its effectiveness as a venue to negotiate policies is still unproven.⁴

In **Thailand**, the NDC consists of central and local government representatives and individual expert members. Overall, it is regarded as a weak body which has not been able to negotiate agreements with strong sector departments which oppose the decentralization reforms (such as health and education). Lack of administrative support (i.e., lack of qualified staff and adequate funding) and lack of political support have been identified as reasons for the unsatisfactory performance of the committee (Nelson 2002, Smoke 2005:47).

In **Pakistan**, NRB is not an interministerial body but a special policy unit established within the Secretariat of the Prime Minister. NRB was neither equipped to coordinate policies with the sectors, nor was it expected to do so as policy coordination remained the prerogative of the Cabinet. As the decentralization process continues, new actors have been joining the policy field, and a more inclusive network arrangement (involving the private sector and civil society) has been suggested (Charlton et al. 2004:64).

⁴ The Government of Cambodia has recently initiated moves to merge responsibility for D&D policies in a new "National Committee for Decentralization and Deconcentration," which is expected to take over the functions of all other coordinating bodies. A draft new law on provincial and district administration includes the establishment of an "Implementing Authority" with a strong legal mandate, institutional capacity, and financial resources to oversee and drive the implementation of D&D reforms (see Rohdewohld/Porter 2006). If realized, the Authority would constitute a significant departure from previous, rather weak, policy coordination settings.

While giving a rather pessimistic assessment of the performance and effectiveness of interministerial and national-level coordination bodies, existing studies and reviews fail to analyze and explain in detail the reasons for unsatisfactory performance. Documented knowledge on decentralization policies, therefore, falls short of supporting the modeling of coordination settings.

The Coordination Dilemma

Policy implementation research has identified various reasons for lack of interorganizational coordination in the context of public policies in developing countries. Constraints to coordination include the perceived threat to the autonomy of the organization, lack of consensus regarding the tasks at hand, and competing demands on the organization stemming from its involvement in a variety of horizontal and vertical networks. Theories of public policy networks (Hanf/Scharpf 1978, Scharpf 1993) provide a more general background to policy coordination, arguing that public policies require "... coordinated policy actions through networks of separate but interdependent organizations" (Hanf 1978:2). Policy is formulated by negotiations and agreements between the organizational actors involved, which are bound together by varying degrees of dependence and interdependence. While classical public policy theories assumed that policy coordination would take place in hierarchically-structured settings in which a superior actor (such as a core ministry, a presidential or cabinet office, the cabinet itself) would have sufficient authority to direct the behavior of other actors and enforce compliance, policy network theories assume that coordination of policy implementation is generated by game-oriented patterns of interactions which are functions of common interests, authority, and exchange relations between the actors. Coordination and cooperation in policy networks do not take place automatically, they have to be induced and the "infrastructure of communication" has to be purposefully established (O'Toole 2003).

For decentralization reforms to succeed, having a formal legal mandate (such as a constitutional stipulation, a decentralization law) and formal structures (such as a national lead agency, a

formal coordinating body) will not suffice unless the organizations affected by the reforms establish directive and nondirective patterns of interaction (hierarchies, exchanges, and trade-offs) conducive for reform implementation. The issue of organizational and individual incentives is crucial in this context: why should an organization (such as a sector ministry) and an individual (working in this organization) support the implementation of decentralization reforms which have the potential of demolishing existing vertical, patrimonial relationships in the sector? New exchange patterns would have to be established in a decentralized policy network to create buy-in to the reforms and to substitute for this loss of patrimonial relationships.⁵

Facilitating Coordination and Network Management: The Role of Development Aid Agencies

Development aid agencies have played a crucial role in conceptualizing and implementing decentralization reforms. Support for such reforms usually becomes an important part of the country's relationship with development partners. Decentralization is also a significant part of the portfolio of development aid agencies.⁶ However, while external support can be crucial and significant for the success of decentralization reforms, it cannot substitute national policy ownership and policy leadership. External assistance can only facilitate policy dialogue leading to better policy coordination; it cannot replace national policy debate between the actors involved, which might result in a consensus on the reform policy. External support furthermore must avoid a "one size fits all" approach and the use of blueprints: understanding of the specific reform challenges and of the political economy issues involved (such as existing patrimonial relationships, individual and organizational power coalitions, formal and informal networks) is a prerequisite for properly targeting support and achieving sustained reform implementation.

Policy research and policy network theories indicate some strategic entry points for donor agencies to support policy coordination and to increase the effectiveness of interministerial and

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⁵ For instance, the current decentralization framework in Cambodia creates contractual relationships between the communes and the sector ministries, which are engaged by the communes to provide technical expertise and to assist in service delivery.

⁶ As aid agencies do not use "decentralization" as a sector category, precise figures regarding decentralization portfolios are difficult to obtain. According to the World Bank website (www.worldbank.org), between fiscal year (FY)1997 and FY2003, the World Bank was involved in around 30 decentralization and subnational development activities with a total volume of about \$500 million. The Asian Development Bank website (www.adb.org) lists 28 activities (mostly technical assistance projects, but including a few loans) with the word "decentralization" in the title.



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national-level coordination bodies.

- In policy networks, **availability of information** is a key factor for achieving cooperation and coordination as availability of information reduces uncertainty for the policy actors involved and allows them to better calculate potential risks. Establishing systems and procedures for gathering, processing and providing information (such as monitoring and evaluation systems) is therefore an important prerequisite for effective policy coordination of decentralization reforms and an important area of external support. The institutions involved, especially the lead agency, require furthermore the institutional capacity to make use of the available information, i.e., the capacity to process data for assessing policy outcomes (whether they are intended or unintended, positive or negative). Again, external resources can support building individual and institutional capacity for policy analysis.⁷
- Since organizations usually feel threatened by the idea of cooperation and coordination, the building of trust can significantly increase the effectiveness of policy networks and improve joint policy implementation. Determining precise “rules of the game” for the interaction between the policy actors, establishing predictable and repeated patterns of interaction (e.g., the format and process of meetings, regular exchange of information), ensuring transparent documentation and reporting of agreements, and applying predetermined rules and procedures to deal with disagreements and conflicts are important elements of building trust and of creating a more stable setting for policy formation and implementation. It can rightly be argued that such functioning patterns of interaction creating interorganizational trust are even more important than the existence of a special-purpose coordination body. Development aid agencies can provide support for setting up such “**infrastructure of interaction**” by providing policy and management advice, as well as technical resources and expertise.
- Development aid agencies providing support to decentralization policies must comprehend

the organizational **relationships and dependencies** between the policy actors in decentralization reforms. This requires thorough analysis through policy studies and policy research. Understanding individual relationships and dependencies of key decision makers is crucial since patterns of patrimonialism and clientelism are said to be more widespread in the public sectors of developing countries, thereby influencing policy formation and implementation.

- **Venues for coordination** are building blocks of the policy networks. Brinkerhoff/Crosby (2002) suggest different kinds of coordination venues: (i) *forums* for information exchange and policy dialogue to achieve policy legitimacy and to build policy constituents, (ii) *arenas* for making policy decisions and allocate resources, (iii) *agencies* charged with taking policy implementation actions, and (iv) *courts* (i.e., venues of assessing and evaluating policies).⁸ Interministerial and national-level coordinating bodies, as discussed above, constitute such forums and arenas, and increasing their human and institutional capacity can be an important contribution of development aid agencies.⁹
- As pointed out by O’Toole (2003) and Brinkerhoff/Crosby (2002), the **segregation of the policy process** in smaller units can increase cooperation and coordination since policies seem less uncertain and risky, the commitment required is more limited, and policy failure becomes less costly for policy actors. Such segmentation of policy also provides for learning opportunities and can help modify policy formation and implementation. Through policy advisory forms of interventions, development aid agencies can facilitate the formulation of policy modules for decentralization reforms based on the general policy outline of the partner country.
- To stabilize policy settings, the presence of a **skilled and energetic actor or facilitator** has been recommended by policy network theories to ensure significant quantities of stable cooperation (O’Toole 2003). This facilitator should have a sense of responsibility for the

⁷ An example would be external support to create information and communication technology networks accessible to national and subnational policy actors to facilitate joint access to data and information as the basis for decision-making. For instance, ADB’s *Sustainable Capacity Building for Decentralization* program in Indonesia includes a component to establish a nationwide information network regarding local government capacity building services.

⁸ Such courts are not necessarily judicial courts, but can include auditing authorities, regulatory bodies, legislative committees, and civil society organizations (“watch dogs”) (Brinkerhoff/Crosby 2002:129).

⁹ Lack of human, financial, and institutional expertise is a standard complaint, explaining the ineffectiveness of coordinating bodies and their support units.

implementation activity as a whole, and skills in encouraging cooperation, e.g., by helping reduce uncertainty and by developing norms among the network participants. While such function is probably less realistic and appropriate for an external actor such as a development aid agency, the latter should consider providing support if a suitable facilitator emerges in the specific national policy setting.

Conclusions

More in-depth research regarding the specific policy coordination settings of decentralization reforms is required for modeling successful coordination strategies.¹⁰ In general, the policy process should provide sufficient entry points for external assistance supporting policy coordination. However, to succeed beyond providing technical infrastructure and financial resources, such support requires a thorough understanding of the dependencies and relationship in the decentralization policy network, and how it is intertwined with other networks. For development aid agencies, one lesson from existing policy coordination support would be to switch more resources from policy content issues (such as fiscal decentralization, planning, financial management, and functional assignment) to issues of policy coordination and policy network management.

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¹⁰ Issues requiring more in-depth analysis include whether different phases of the decentralization reforms require different coordination settings, and how a country's political system (federal or unitary) affects policy coordination.

Interministerial and National-Level Coordination Bodies for Decentralization in Selected Asian Countries

	Indonesia	Cambodia	Pakistan	Thailand
Agency	Regional Autonomy Advisory Council (Dewan Pertimbangan Otonomi Daerah or DPOD)	National Committee for Support to Communes/Sangkats (NCSC)	National Reconstruction Bureau	National Decentralization Committee
General description	National-level advisory body to the President on issues of regional autonomy (decentralization)	Interministerial coordination body to implement the 2001 Commune/Sangkat law	National-level body to oversee August 2000 devolution program	Strategic unit to develop and coordinate policies
Legal basis	Article 224 of Law 32/2004 on Regional Governance (September 2004) Presidential Regulation No. 28/2005 (March 2005)	Articles 87 and 88 of the Law on the Administration and Management of Communes/Sangkats (2001) Royal Decree No. 0501/175 (18 May 2001)	Presidential Order	Article 284 of the 1997 Constitution Chapter 1 of the 1999 Decentralization Act
Membership	Minister of Home Affairs (Chairperson), Minister of Finance (Vice Chairperson), Members: Ministers of Defence, Justice and Human Rights, Administrative Reform, National Development, State Secretariat; Cabinet Secretary; three representatives of the regions; up to three individual experts	Minister of Interior (Chairperson), Minister in Charge of Council of Ministers (CoM) (Vice-Chairperson), Minister of Economy and Finance (MoEF) (Vice-Chairperson), Members: Ministers of Rural Development, Land Management, Planning, Women and Veterans' Affairs, Director General of Administration/Ministry of Interior (Mol)	Expert members appointed by Chairperson	Prime Minister (Chairperson) (can be delegated to Deputy Prime Minister); Members: Minister of Interior, Minister of Finance, Permanent Secretary (PS) of Interior, PS of Finance, PS of Education, PS of Public Health, Secretary General of Council of State, Secretary General of Civil Service Commission, Secretary General of National Economic and Social Development Board, Budget Director of Budget Bureau, Director General of Department of Local Administration; 12 representatives of local government organizations; 12 expert members
Institutional Affiliation	Ministry of Home Affairs (MoHA)	Mol	Prime Minister's Secretariat	Prime Minister's Office

	Indonesia	Cambodia	Pakistan	Thailand
Mission and mandate	To provide advice and opinions on decentralization policy issues to the President	To make recommendations to Mol and the Government of Cambodia on various matters including implementation of the Law on the Administration and Management of Communes/Sangkats; various affairs affecting communes/sangkats (except elections); and preparation and implementation of the decentralization policy	To oversee implementation of the August 2000 devolution program, advise national and provincial governments on local government issues	To implement the 1999 Decentralization Act
Functions and duties	<ul style="list-style-type: none"> • Provide advice on the establishment, abolition, and merger of regions • Provide advice on fiscal decentralization issues, particularly on calculation of regional proportions of shared taxes and of revenue from natural resources, formula for and calculation of untied block grant, and allocation of (tied) special grants to regions • Evaluate the capacity of regions to carry out government functions • Monitor and evaluate regional autonomy policies • Advise on decentralization (regional autonomy) policies 	<ul style="list-style-type: none"> • Ensure interministerial consultations and building of partnership • Provide advice/opinion on further developing the legal framework for communes/sangkats • Supervise/facilitate communes/sangkats funding and development planning • Coordinate implementation of finance, assets, and fiscal taxes of communes/sangkats • Coordinate implementation of functions and powers of communes/sangkats (decentralized and delegated functions) • Prepare strategies for providing and delivering services • Prepare administrative structures and advisory mechanisms of commune/sangkat councils • Determine relationship between the Royal Government of Cambodia (RGC) and provincial/municipal and district/khan administrations and commune/sangkat councils 	<ul style="list-style-type: none"> • Provide support to the Federal Government and provincial governments in implementing the local government system • Interact with government organizations to institutionalize capacity building of local governments at all levels • Process the amendments in the local government laws, proposed by the Federal Government and provincial governments for the approval of the President of Pakistan 	<ul style="list-style-type: none"> • Establish decentralization action plan • Delineate powers and duties in the management of public services between state and local governments • Improve ratio of taxes and duties and income between State and local governments • Regulate and facilitate transfer of functions and officials • Provide recommendations to the Council of Ministers and suggest measurements on finance, fiscal policy, taxes and duties, budget, monetary discipline and finance • Accelerate the enactment of royal decrees; and the issuance of ministerial regulations, notifications, rules, regulations and orders necessary to proceed according to decentralization plan • Consider regulations of subsidized fund allocation to local government organizations as necessary

	Indonesia	Cambodia	Pakistan	Thailand
Functions and duties (continued)		<ul style="list-style-type: none"> • Provide legal supervision • Build capacity and facilitate, monitor, and evaluate 		<ul style="list-style-type: none"> • Suggest and set up an inspection system • Submit a report on decentralization to the Council of Ministers at least once a year
Internal structures	<p>Secretariat with two units: Regional Autonomy and Fiscal Decentralization; located in MoHA</p> <p>Secretary of DPOD = Director General for Regional Autonomy/ MoHA</p> <p>Technical Teams (optional)</p>	<p>Subcommittees to be determined by NCSC</p> <p>Secretariat: Department for Local Administration/MoL</p>	<p>Four divisions (wings): Operations Administration, Good Governance, Media, and Governance</p>	<p>Optional subcommittees</p>
Funding source	National budget (as part of MoHA's budget)	National budget (as part of MoL's budget) External financial, technical, and material resources	Budget of the Prime Minister's Secretariat	Budget of the Prime Minister's Office
Working output	Recommendations, guidelines, endorsement of proposals	<p>Decisions and guidelines</p> <p>Proposal for drafting laws, royal decrees or subdecrees</p> <p>Programs, strategies, working schedules, and time frame for implementation</p>	Recommendations, proposals, workshops and seminars, annual reports	Reports, recommendations, draft regulations
Duration of mandate	Not limited; membership of regional representatives and individual experts for 2 years with an option for extension(s)	Mandate ends 9 months before the date of the elections for the next mandate of the communes/sangkats	Not limited	Not limited

Note: At the start of the decentralization process in Indonesia, an interministerial coordination body was created by Presidential Decree (*Tim Keppres*). This *Tim Keppres* was operational mainly in the transition phase between 2000 and early 2001, and was discontinued after 2001.

Sources: Nelson. 2002. National Committee for Support to Communes/Sangkats 2005. Rohdewohld/Porter 2006. World Bank 2005. Available: www.nrb.gov.pk and www.gtzsfm.or.id.