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The Promotion of Decentralisation and Local Governance in Fragile Contexts

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Abstract

The promotion of decentralisation and local governance has long since been an established part of bilateral and multilateral development cooperation. In the context of fragile statehood, however, this area of development cooperation is frequently faced with the general suspicion of encouraging separatism, exacerbating conflicts, and thereby promoting the disintegration of the state. At the same time, fragile contexts create demand for institutional solutions concerning the distribution of tasks, responsibilities, resources and political power between the various different levels of the state.

This paper provides an overview of the challenges regarding support to decentralisation and local governance in fragile contexts. It discusses risks and opportunities, and develops suggestions on how development cooperation can better rise to the challenges surrounding the promotion of decentralisation in fragile states. Against this background the authors advocate an ambitious approach which understands the promotion of decentralisation as being a contribution to overcoming fragility and to the structural alleviation of conflict situations.

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Abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
DAC	Development Assistance Committee (of the OECD)
EU	European Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
INCAF	International Network on Conflict and Fragility (of the DAC)
KfW	KfW Development Bank
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PSGs	Peace-building and state-building goals
US	United States
USAID	United States Agency for International Development

1 Introduction

The international stakeholders in bilateral and multilateral development cooperation have been supporting decentralisation and local governance in their partner countries for many years. At the same time however, this field has experienced clear changes and will continue to do so (Smoke, 2015; von Haldenwang & Faust, 2012). Global development trends, such as demographic change and the worldwide trend towards urbanisation (Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungn [WBGU], 2016), are contributing to this, as well as the appreciable diversity of the institutional, cultural and economic framework conditions in partner countries. In terms of the promotion of decentralisation, cooperation with emerging countries (the so-called 'rising powers'), for instance, has to be configured differently from cooperation with low-income countries. Countries in which the state finances itself primarily from returns on the exploitation of natural resources have a different requirement for advice and financing than countries with a diversified economic and financial structure. In countries in which decentralisation is only just starting in the shape of new and major reform, development cooperation has to fulfil other tasks than it does in countries in which multi-level systems of government are already a reality.

Decentralisation refers to the transfer of responsibilities, resources and political decision-making authority to intermediate or local levels of government (von Haldenwang & Faust, 2012). The support of decentralisation in contexts of fragile statehood represents a special challenge, however, and from two points of view. Firstly, all over the world, increasing numbers of states have already taken their first steps towards a decentralised structure of government, such as holding local elections or granting sub-national authorities certain fiscal powers. The majority of the cases in which this has not yet taken place (or not in any organized way) can be categorised as fragile states.[1] Secondly, this group poses particular challenges to development cooperation in terms of the development of state structures; with regard to the provision of government services; and, last but not least, also in terms of the safety of the development cooperation personnel. This has gone so far that in some cases, decentralisation (and therefore the promotion of decentralisation) in fragile contexts has generally been suspected of being 'contraindicated', because it results in centrifugal forces that can provide encouragement to separatism and therefore exacerbates conflicts and ultimately pushes fragile state structures beyond their breaking point. On the other hand, in fragile contexts in particular, there is frequently a demand for new models of political-institutional order, and, in particular, for institutional solutions regarding the distribution of tasks, responsibilities, resources and the power to shape policy between the various different levels of state authority all the way down to the local municipality. Hence there is a case to be made for understanding the promotion of decentralisation not only as a risk, but also as being a possible contribution to overcoming fragility and conflict.

This paper provides a systematic – and systematising – overview of the challenges surrounding the promotion of decentralisation and local governance in contexts of fragile statehood. Based on a review of the available literature and on a series of interviews with development cooperation practitioners, the paper discusses the risks and opportunities and develops suggestions on how development cooperation can better rise to the challenges.

1 This is certainly the case when the term 'fragile state' means just that (namely, a state 'at risk'), rather than the extreme case of disintegrating statehood.

The discussion is as follows: in Section 2, the concept of fragility is presented with its various dimensions and is placed in the context of the debate on decentralisation. To date, academic research has provided few conclusive results on the impact of decentralisation in fragile contexts. As a starting point, we suggest an approach which addresses three of the key dimensions of fragility: authority (controlling power); legitimacy; and capacity. Section 3 demonstrates that, in this context, decentralisation has to focus on specific goals which would probably not be a priority in contexts which are characterised by a lesser extent of fragility. Building on this, Section 4 identifies three functional areas of state governance in which decentralisation is able to contribute to the elimination of deficits surrounding statehood: the political decision-making level; the administrative implementation level; and the level of the mobilisation of societal resources. Section 5 highlights the fact that, in the case of decentralisation and local governance in fragile contexts, other stakeholders play a role than those in contexts with a lower degree of fragility. This also influences the partner structure of development cooperation programmes. Section 6 examines the specific risks that the promotion of decentralisation and local governance face in fragile contexts. In the context of these discussions, the final section, Section 7, addresses the question as to how the promotion of decentralisation can be configured appropriately under these circumstances.

2 Decentralisation and different constellations of fragility

Towards the end of the 1990s, weak states threatened with collapse became one of the principal topics in international politics. From the perspective of development policy, violent conflicts were initially the key focus, and particularly the question of how development cooperation could prevent their formation, contribute to their elimination, or, as a minimum goal, at least avoid the risk of conflict-exacerbating effects (*do no harm*). “Crisis prevention, conflict management and the promotion of peace” became established as a new area of action in development cooperation. Following the events of 11 September 2001, a separate line of debate emerged which propagated *state-building* as a medium to prevent the loss of state control in the face of terrorist or criminal networks active at the international level. From the mid-2000s onwards, the two debates experienced increasing convergence (Grävingholt, Gänzle, & Ziaja, 2009). Today, ‘state fragility’, as it is now known at the international level, is seen as a key obstacle to development, and there is agreement that it exists in a variety of forms.

There is no internationally acknowledged, authoritative definition of fragility, however. Despite this, ever since the DAC (Development Assistance Committee of the Organisation for Economic Co-operation and Development, OECD) principles on international engagement in fragile states dating from 2007, a common basic understanding among the development organisations of the OECD member states can be assumed to exist. Accordingly, states are defined as fragile when they no longer have the will or ability to fulfil key functions regarding the fighting of poverty and the promotion of development, or in guaranteeing their population security and human rights (OECD & DAC, 2007, p. 7). The *State-building Guidance* of the OECD dating from 2011 did not so much explicitly stress the factor of a lack of *will*; it rather highlighted that, in fragile contexts, trust and mutual obligations between the state and its citizens were weak, and that frequently only small and exclusive coalitions of rulers partook in political power (OECD, 2011, p. 21).

Based on the same basic approach, the "New Deal for Engagement in Fragile States", which was agreed between OECD donors and fragile states at the end of 2011 in Busan, formulated five *Peace-building and State-building Goals* (PSGs) for the countering of fragility: *legitimate politics*; *security*; *justice*; *economic foundations,* and *revenues & services* (International Dialogue on Peacebuilding and Statebuilding, 2011).

2.1 The dimensions of fragile statehood and their relationship with decentralisation

Building on the above-mentioned attempts to conceptualise state fragility, the academic debate has suggested a limited number of separate 'dimensions' of state fragility, which can be used to identify different fragility problems (see Grävingholt, Ziaja, and Kreibaum (2015) for an overview). In particular, three dimensions of fragility can be distinguished as follows:

1. A *capacity* dimension of fragility: the state has a weak ability to provide basic services;

2. An *authority* dimension of fragility: the state monopoly of violence is weak, which is expressed in high levels of political or criminal violence;

3. A *legitimacy* dimension of fragility: the rulers' claim to represent a 'good' or 'rightful' political order is not acknowledged by members of society.

In all three dimensions, the ability of state institutions to interact constructively with the population is the key focus of consideration. Hence the fragility of the state relates directly to the relationship between state and society. State-building – which aims to contribute to overcoming fragility – cannot be limited to matters of administrative and bureaucratic functionality alone, but must also focus on the relationship between the state and the population in terms of each of the dimensions of fragility. In this respect, the World Development Report dating from 2011 identified *Legitimate Institutions and Governance* as key issues for the development of security, rule of law and employment in fragile contexts (World Bank, 2011, p. 2). The latest results of the research by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) also suggest that the strengthening of state legitimacy is of key relevance in terms of overcoming fragility in differing initial contexts.[2]

From a political economy view on external support, this gives rise to a particular challenge: on the one hand, overcoming fragility should lead to *stabilisation;* on the other, however, it involves the political *transformation* of power relationships[3], which implies (at least temporary) instability. The ultimate goal is *resilient* statehood, which means a situation in which states are able to cope productively with the pressure to change – including sudden exogenous shocks – without system crises, and are able to implement

2 See Grävingholt et al. (2013); Zulueta-Fülscher (2013); Fiedler (2015); Mroß (2015); von Haldenwang (2016).

3 The concept of 'political settlements' which has been introduced to the debate surrounding *state-building* takes the particular relevance of power relationships in contexts of fragile statehood into account and aims at enabling an adequate analysis of state fragility. See, for example, Brown and Grävingholt (2011).

adequate adaptive measures. The path to achieving this, however, means walking the fine line between stabilisation and destabilisation.

Decentralisation as a systemic reform of the vertical division of power within the state is especially subject to this area of conflict. In general, every case of decentralisation reform amounts to a change of power relationships. On this basis, it can provide a conscious response to fragility problems stemming from the fact that competing groups in the population perceive the central governmental division of power to be deficient. In fragile states in particular, decentralisation is associated with big hopes. Fragility is frequently the long-term result of extravagant claims by the central government to the benefit of a small ruling elite. Decentralisation, in this view, divides power, multiplies the centres of power, and therefore increases the opportunity for otherwise marginalised groups in the population to partake in political power. It should be noted, however, that decentralisation can also refer to reforms that extend the reach of the central government to areas of the country that have previously escaped its control.

In addition, in weak institutional contexts decentralisation can also contain the seed of state disintegration. It is frequently seen by the part of the elite which has control over the centralised authority (and also by part of the international community of states) as being a clear ‘contraindication’. This applies to ‘federalisation’ in particular, which is often viewed by proponents and opponents alike as being a precursor of secession, and is therefore vehemently supported or dismissed depending on their position.[4] Even if there are situations in which the solution can be seen to be legitimate and appropriate in terms of the structure of a state (for instance, because the current structure does not have any legitimacy) and finds international support (such as in the case of Kosovo, East Timor and South Sudan), in most cases of development cooperation with state institutions, this option is considered unacceptable by both contractual partners.

2.2 Decentralisation in the international debate

How can the ‘success’ of decentralisation be measured? Several criteria have been suggested for consideration, above all economic growth, (equal) access to public services, political inclusion, and the reduction of corruption (von Haldenwang & Faust, 2012). In these different contexts, there have been numerous conceptual and empirical contributions to the debate in recent years. It nonetheless remains the case that, although we have plenty of anecdotal evidence in the form of case studies, there is little robust evidence on the effects of decentralisation – in particular with regard to the group of especially fragile states (Brinkerhoff, 2011).

There is (as yet) no theory of decentralisation in fragile contexts. In the view of the fragility dimensions mentioned above, however, it is obvious that the functions of decentralisation in the areas of service provision and political inclusion are of particular

4 Despite its constitutional ‘otherness’, in the political debate, federalisation is often treated as an extreme sub-form of decentralisation; sometimes, both are discussed as though they were opposites, as has been the case in South Sudan. The boundaries can in fact be seen to be rather fluid, also in terms of the very differently configured federal arrangements.

importance, as will be discussed in more detail below. The effects of decentralisation on corruption are also of interest from the point of view of state fragility.

In development research, numerous studies place decentralisation in the context of constitutional legitimacy through citizen-centred government and local governance. Sometimes studies of this kind are funded by donors or international organisations (for example, Helling, Serrano, and Warren (2005), as commissioned by the World Bank; and Brinkerhoff and Azfar (2010), as commissioned by the United States Agency for International Development (USAID)). Communitarian approaches, but also concepts of direct democracy, frequently place the nexus of local governance and legitimacy at the heart of their deliberations (Mansuri & Rao, 2013). These studies are often based on the assumption that decentralised structures facilitate accountability and civic monitoring, and that the direct participation in political decision-making processes on the part of the citizen strengthens the legitimacy of the regime. What is not always taken into consideration, however, is that undemocratic and informal patterns of behaviour – clientelism, nepotism and corruption – can also thrive at the local level (Díaz-Cayeros, Magaloni, & Ruiz-Euler, 2014).

For many post-conflict countries, *the promise* of stronger civic participation through the strengthening of local structures is in fact a principal feature of the new discourse surrounding the state. This can be seen, for example, in the process of democratisation and decentralisation in Indonesia following the end of the Suharto dictatorship (Horowitz, 2013). In this context, the empirical evidence on *impacts* is based primarily on individual case studies. Methodologically sound studies are more the exception than the rule, and they do not generally address especially fragile countries. For example, de Mello (2011) explores whether (fiscal) decentralisation in Brazil and Indonesia affects social capital. While this does appear to be the case in Brazil, the results for Indonesia are inconclusive. In Ecuador, Faust and Harbers (2011) find that local governments with stable majorities and the support of civil society are more likely to demand further governmental competencies from the central government. In this case, the underlying assumption of causality goes from local legitimacy to deeper decentralisation, and not the other way around.

Having said this, legitimacy is not just a local phenomenon but, in fragile contexts, frequently a question of the tension between weak national unity and a regional striving for autonomy. Tensions of this kind often occur in countries where the national borders have been defined by external (colonial) powers, in multi-ethnic states such as Indonesia, or in countries in which resource-based wealth is distributed unevenly between regions, such as Sudan/South Sudan. For the debate on *state-building*, the positive or negative effects that decentralisation can have on national unity are of interest (Ehrke, 2011). Bird et al. consider this question on the basis of a sample of 34 countries with independence movements. Their findings are sobering: "No one as yet has any very clear ideas or evidence concerning the impact of decentralisation on national unity" (Bird, Vaillancourt, & Roy-César, 2010, p. 27). The extent to which a heterogeneous and fragile state structure can be stabilised and democratised with reforms; the extent to which regional autonomy movements can be recognised as legitimate; and, in response to such autonomy movements, which constitutional policies may be acceptable or even worthy of support – questions such as these can only be answered in the appropriate context, and the research into decentralisation provides no clear standards of assessment (Brinkerhoff, 2011; Brinkerhoff & Johnson, 2009; Lemay-Hébert, 2009).

Stewart (2010) and others have shown that horizontal inequalities along ethnic or geographical boundaries in a society are generally likely to increase the risk of violent conflict and can even result in civil war. Under these circumstances, can decentralisation actually provide a contribution to the prevention of ethnic conflicts, as has been suggested many times since the ground breaking work of Lijphart (1977), or does it increase the risk of violent (secessionist) movements, which has been the line of argument in some of the recent literature? This issue has been addressed by Brancanti (2006), who used quantitative methods to examine whether political decentralisation diminishes violent inter-group conflict or encourages it. Brancati concludes that, in general, political decentralisation has a positive impact as long as it successfully counters the development of radical regional parties with the appropriate institutional precautions. The research by Brancati only focuses on democracies, however, which is a significant limitation in this context, because democracies are generally characterised by their provision of considerable incentives for the observation of formal political rules.

Many of the contributions to the research into decentralisation are based on fiscal approaches to federalism (Blume & Voigt, 2011; Boadway & Shah, 2009; Weingast, 2014), and on theories of *Local Fiscal Choice* (Oates, 2005; Olson, 1969). In this respect, the discussions focus on the extent to which decentralised government affects the *performance* of the state (for example, Ehlert, Hennl, & Kaiser, 2007) and the quality of public services (for example, Charbit, 2011; Mansuri & Rao, 2013, in reference to the member states of the OECD). The basic assumption is that decentralisation increases the efficiency and the demand-orientation of the public sector. Here, the key drivers are the competition between sub-national units and the superior configuration of public services to local demand profiles. Since insufficient services are a key attribute of fragile statehood, there is an expectation that local structures are in a better position for, and are also quicker at, eliminating these shortcomings and responding to the needs of the population.

Tranchant (2008) supports the view that fiscal decentralisation can make a strong contribution to the alleviation of conflicts in weak states. By studying sub-national budgetary data he concludes, all other things being equal, that if local municipal authorities have greater spending power, ethnic conflicts are less likely to occur. However, the more capable state institutions are, the more this effect is reduced, which Tranchant interprets as evidence that effective suppression provokes rebellion, whereas in contexts of great institutional weakness, local authorities with a greater room for fiscal manoeuvre are better able to meet local needs and therefore reduce the risks of conflict.

However, the empirical research does not provide any clear findings in this case either: in a wide-ranging statistical analysis, for example, Sepulveda and Martinez-Vazquez (2011) find that greater fiscal decentralisation can in fact be associated with higher rates of poverty. For countries with a tax rate lower than 20 per cent of GDP, decentralisation also leads to an exacerbating of inequality. In contrast, a comparable study by Saavedra (2010) demonstrates that decentralisation has a positive impact on the ability of the population to access medical services and drinking water. Faguet (2008) concludes that decentralisation in Colombia and Bolivia has resulted in an increased level of investment in public services, targeting poverty. Caldeira, Foucault and Rota-Graziosi (2012) see a similar effect in

Benin, but they also found that regional disparities increase with decentralisation. This effect is also observed by Rodríguez-Pose and Ezcurra (2010), whose research is based on a sample of 26 countries (including seven developing countries).

The result is congruent with the theoretical assumptions: without compensatory mechanisms (provided by central government), decentralisation means regions with a higher potential for development develop more quickly, and that *ceteris paribus*, the heterogeneity of living situations within the national territory increases. While this development can have its positive side in terms of the competitive attributes of fiscal federalism, in a situation of fragile statehood, it may place additional burdens on the governmental system of the state, and should be addressed appropriately by the international cooperation.

In the context of fragile statehood, considerable relevance can be attributed to the *security* of the population. In most cases, this is perceived to be a key task of central government, insofar as it concerns the implementation of the "state monopoly on the legitimate use of violence" (Weber, 1976, p. 29). In many countries, however, the police and other law enforcement bodies are subject to complete or partial sub-national authority. Furthermore, in especially fragile countries, traditional authorities, guerrilla groups and paramilitary groups etc. are frequently themselves responsible for the de facto security and law enforcement. Therefore, the question of whether decentralisation contributes to the security of the population is in no way trivial. Dreher and Fischer (2011) researched the impact of decentralisation on inland acts of terrorism in 110 countries (period of study 1998-2004), and found that while fiscal decentralisation reduces the frequency of acts of terrorism, political decentralisation has no statistically significant effect on terrorism.

In terms of the impact of decentralisation on corruption, the view that decentralisation tends to worsen corruption rather than reduce it, prevailed for a long time. The underlying rationale is that a greater number of stakeholders are involved in the distribution of state funds and the provision of public services. In recent times, however, two comparative studies (Altunbas & Thornton, 2012; Ivanyna & Shah, 2011) have concluded that decentralisation is associated with lower levels of corruption. In this respect, local processes of political accountability (elections, civic monitoring), appear to play an important role (see also Ferraz & Finan, 2011).

The literature discussed in this section is based primarily on comparative statistical analyses. As previously stated, it provides little robust evidence on the impact of decentralisation on the dimensions of state governance which may be especially relevant to fragile contexts. All the same, there are also several case-specific analyses of decentralisation, many of which can be seen to highlight its positive effects. Recent evaluation research also concludes that the promotion of decentralisation can be associated with success in the field of development (see Grävingholt, Leininger, & von Haldenwang, 2012). Is it therefore possible to distil some clear-cut messages from the mass of evidence?

Unfortunately, the answer to this question is 'No'. Just like large-N analyses using statistical methods, case studies and evaluations based on qualitative research have to subject their research to a methodically accurate and clear examination. This means that qualitative research faces the same challenges as quantitative research: it has to identify clear 'cause-and-effect' relationships between complex variables (causality and attribution); it must demonstrate that all the key explanatory variables have been taken into account (endogeneity); and it must show that with the available data, it actually measures the phenomenon which is to be measured (validity). Only very few studies fulfil these requirements and – when they do – as outlined, the results do not always point in the same direction.

2.3 Decentralisation and the three dimensions of state fragility

Different fragility contexts entail different requirements for the promotion of decentralisation and local governance. This section addresses in turn the particular requirements of decentralisation for each of the three aforementioned dimensions of fragility (authority, legitimacy and capacity). As a general challenge, external interventions need to find the right balance between the necessary transformation of the state and its stabilisation in each individual context.

Weak authority: In countries in which violent conflicts determine the lives of the population, *peace-building,* or the transformation of violence into the peaceful management of conflicts, invariably becomes the key focus of state governance (Grävingholt, Ziaja, & Kreibaum, 2012). In this respect, measures which aim to achieve a transfer of competencies and responsibility for resources face two challenges: firstly, in terms of the 'do no harm' approach, they should not contribute to further exacerbating conflicts. With fiscal decentralisation approaches this can be the case, for instance, if existing conflicts of distribution are further exacerbated due to interventions in the transfer system (Organisation for Economic Co-operation and Development [OECD], 2014). In the event of political decentralisation, if the level of trust in democratic decision-making processes is low, it may be the case that elections at the local level are perceived to be the one-sided implementation of majority interests at the expense of minority interests. This means that the redistribution of resources and political decision-making competencies has to be embedded in a structure of governmental and civic *checks and balances*. If structures of this kind do not exist, step-by-step reforms are probably more appropriate than a so-called '*big bang'* decentralisation.

Secondly, as far as possible, the decentralisation process should be configured so that it makes a *positive contribution* to solving the conflict situation and, in particular, promotes peaceful conflict management. It is possible that the involvement of traditional authorities or civil society organisations can be an effective way of including broadly-based population groups in planning and decision-making processes. A detailed analysis of the local constellations of stakeholders and power that are affected by the reforms is certainly very important. The strengthening of the democratic and constitutional processes in the areas of public policy and governance is an important component of state modernisation but, if the processes are relatively new and the level of trust in public institutions is low, the local level may acquire additional relevance as a place where collective action takes place.

Weak legitimacy: Lacking legitimacy of the state (and its central government) is a further characteristic of fragile statehood. This may be related to the aforementioned lines of conflict (ethnic, religious, territorial …), but also to the control of the state by individual groups (*elite capture*), to the systematic violation of human rights, to corruption and mismanagement, or to patently undemocratic processes regarding the determination of elite groups and/or control by elite groups. In such a situation, during the promotion of decentralisation, every level of cooperation with the central governmental authorities has to be reviewed in order to ascertain whether illegitimate patterns of behaviour are being strengthened. In South Sudan for example, a review of this kind culminated in a suspension of the cooperation with the central government in several areas. In some countries, the donor community finds itself in the opposite situation: individual parts of the national territory are controlled by autocratic warlords, religious groups or guerrilla associations, and so on, which dismiss all claims to legitimacy on the part of the central government even if the government is based on democratic and constitutional processes. This seems to be the situation in some parts of Afghanistan, for example.[5]

Moreover, in fragile contexts, it is not only the *lack of* legitimacy which is a problem, but the *source of* legitimacy as well. This means that the legitimacy of the political systems might come from sources which run counter to all principles of democratic and constitutional government – examples of which include radical religious or ethnic ideologies, militaristic values, or the charisma of dictatorial autocrats. In respect to the promotion of decentralisation and local governance, this means that the *transformation* of legitimacy may be just as important as its *strengthening*. In cases in which undemocratic or informal patterns of legitimacy become evident, ensuring transparent processes for the selection of political leaders, political decision-making, public administration and jurisprudence should also be clearly identified as goals of decentralisation.

Moreover, development cooperation itself can sometimes contribute to deficits of legitimacy as regards the state. In this context, for instance, support may be provided during violent conflicts and in the period following their cessation which ensures the provision of state services (such as basic education, healthcare), legitimised by the aspiration to provide humanitarian aid. This generally leads to the opening of a market for private service providers (most of which are non-governmental organisations (NGOs)). The return and/or transfer of these tasks to the state's system of government is frequently problematical.

Weak capacity: Fragility is almost always associated with limited state capacity[6] – while governmental capacities are typically distributed unevenly within the national territory. Even in very fragile contexts, the state and its services may have a strong presence in some regions, while others are characterised by the almost complete absence of the state. This certainly appears to be a widespread perception in countries like Mali. To be sure, even in the industrialised nations of the northern hemisphere and in the less fragile countries in the southern hemisphere, a certain degree of heterogeneity in the local living situations is considered to be normal. In such countries, however, the state is able to draw on compensatory mechanisms and specific transfer payment systems, which ensure that the population is able to access a minimum level of basic state services throughout the country. In countries with particularly weak capacity, the state is not able to do this. This means that the elementary starting points for the processes of decentralisation are lacking: local structures which – at least theoretically – are able to collect public funds, budget them effectively, and align their spending to the public good.

5 References to individual countries are partly based on information obtained from interviews with development cooperation personnel in December 2014 and January 2015.

6 Stable autocracies with limited legitimacy but a high level of capacity are an exception to this rule.

In many fragile states, addressing the capacity dimension of fragility is a key concern of international engagement that extends also into the support to decentralisation and local governance. The local provision in such areas of basic state services as medical care, access to drinking water, education, energy and telecommunications is often prioritised because their absence is immediately felt by the local population and requires urgent solutions. In cases where the political lines of conflict are particularly strong and the state's claim to legitimacy is contested, external support is often couched as a 'technical', rather 'non-political' intervention. Such an approach of viewing decentralisation mainly from the perspective of service provision can constitute an interesting option in terms of political communication. This should not, however, tempt the stakeholders to overlook the *political* character of decentralisation. The reforms have to be negotiated with the ruling elites at all relevant levels of the state. In this respect, it is necessary to remember that the transfer of power that takes place in the process of decentralisation is generally perceived to be a zero sum game. It is only in the later phases of the reform that a more realistic picture of decentralisation as *multi-level governance* with shared power resources takes hold. In a highly politicised and fragmented environment, however, the communication of decentralisation as a 'technical' reform can be one way of advancing with reforms to the state and providing urgently required services. This approach is currently being taken in Afghanistan, where reforms are labelled *deconcentration* or *sub-national governance* rather than decentralisation.

3 Goals of decentralisation in fragile contexts

Very different expectations are associated with decentralisation at both the theoretical level, as shown above, and at the practical level. For some, the reforms are primarily a vehicle for democratisation, political participation and the strengthening of civil society. Others principally view decentralisation as a way to improve public services and thereby foster economic growth and social development. A third perspective, which is frequently taken up by international financial organisations, envisages decentralisation as offering an opportunity for more efficient government, involving less waste of public funds. These goals exist alongside each other. It is implicitly assumed that they complement each other. Public debates about possible conflicting goals only occur rarely. According to our knowledge, there have not, as yet, been any donor publications which discuss these problems from the perspective of state fragility.

Conflicting goals come to light especially clearly if one realises that decentralisation can be associated with very differing concepts of the state, which are also often promoted by different donors at the same time. Put in more simple terms, it is possible to distinguish between poverty-oriented and potential-oriented approaches.

– If fighting poverty is understood as the core task of the state, decentralisation should contribute to a more just distribution and the provision of better access to public services. Equality and solidarity should play an important role in the transfer of tasks, competencies and resources. This belief is frequently held by representatives of marginalised regions in the countries in question. Bilateral donors such as Germany also tend towards this belief (BMZ, 2008).

– In contrast, office-holders from more prosperous regions and larger cities often take a more potential-oriented position, emphasising the role of the state with regard to economic development. In their view, the state should mobilise the potential for development as broadly as possible and provide the sub-national units with more leeway to do so. In this respect, the key concepts are competition, autonomy and local economic development. International financial organisations frequently carry out programmes which are aligned in this way (for instance, see International Monetary Fund [IMF], 2009).

Both concepts differ in terms of their primary goal, the reach and depth of the 'desired' state intervention, and also in terms of the instruments used. On this basis, it is often the case that state transfer schemes include both poverty-oriented and potential-oriented allocations. Sometimes, (in Colombia and Indonesia, for example), they are combined: regions that have achieved successful economic development and have higher tax receipts receive lower funding for fighting poverty in the next fiscal cycle.

Finding the right balance between the two extremes is a general challenge for developing countries. Weak central governments are sometimes forced to distribute a considerable share of their annual budget to the sub-national levels without retaining the ability to control the use of the resources appropriately (for instance, see Schüzhofer (2016) with reference to Ecuador). This fosters corruption and clientelism. In fragile contexts, therefore, a coexistence of divergent goals and approaches can have an especially negative impact if it places an added burden on an already weak state apparatus and exacerbates conflicts of distribution unnecessarily. Decisions regarding distribution therefore face two requirements: on the one hand, the state requires sufficient expertise in order to make and implement decisions on the basis of the best possible information while, on the other hand, the state requires sufficient legitimacy for its decisions to be accepted as authoritative. In this respect, the promotion of decentralisation and local governance in fragile contexts has to be aligned to strengthening the effectiveness and legitimacy of the state *at every level.*

The five peace-building and state-building goals which are formulated in the "New Deal" (*legitimate politics*; *security*; *justice*; *economic foundations*; and *revenues & services*) have been suggested as the basis for overcoming fragile statehood in its multiple dimensions. Politics and justice are especially related to the legitimacy dimension of fragility; security addresses the authority dimension; whereas economic foundations as well as revenue & services are important elements of the capacity dimension. Well-designed decentralisation should be able to contribute to the reduction of fragility in a variety of ways:

i. Improving the **security situation** and ensuring public order: the upholding of the state monopoly on the legitimate use of violence and guaranteeing security for the population throughout the national territory are especially important in many fragile contexts. To achieve this, it is often necessary to incorporate local stakeholders and structures, since the central government frequently lacks the authority to be able to achieve this alone.

ii. Ensuring the **provision** of basic services: in addition to security, in fragile states, access to drinking water, food, healthcare, education, energy, and telecommunications is vital for large parts of the population. In addition to sectoral policy competencies, two aspects are of primary relevance in this context: on the one hand, it is important to strengthen the ability of the state to mobilise the revenues required for the financing of public services through taxes and levies. This is particularly salient at the local level, which is frequently characterised by weak public finances. On the other hand, the governmental *checks and balances* have to be developed so as to ensure that the use of the funds is oriented to the public good.

iii. Strengthening the **legitimacy** of state institutions at every level: improvements to the security situation, the provision of public services and economic development can be of decisive importance for increasing the credibility of state institutions and thereby overcoming fragility. Nonetheless there are long-term limits to the possibility of securing sufficient legitimacy through the 'output' of the state alone because there are always winners and losers when distributing goods or services. The greater the number of 'losers' (irrespective of whether merely felt, relative or absolute), the more important it is to legitimise the political processes where decisions on the distribution are made. In this respect, decentralisation offers two opportunities: on the one hand, it shares the responsibility for decisions over several levels of responsibility, which not only increases the resilience of the state, should one level fail, but also increases the chances of disadvantaged groups to influence the logic of distribution. On the other hand, decentralisation which involves the local legitimation of political representatives can give those parts of the country which feel disadvantaged a voice at the central governmental level.

iv. **Promoting economic development**: economic growth and employment are key vehicles for fighting poverty and promote political and social integration. In post-conflict situations in particular, the rebuilding of infrastructure is an important task which involves central government as well as local stakeholders. In fragile contexts it is typically the case that in certain regions, the state is the most important – and sometimes practically the only – employer. This creates one-sided dependency relationships and fosters nepotism and corruption. Economic growth can contribute to a diversification of the structures of power and influence if it increases the number and variety of economic stakeholders. Studies on non-fragile states provide evidence that decentralisation can promote growth and economic convergence if local authorities are responsive to, and held accountable by, local constituencies (Blöchliger, Bartolini, & Stossberg, 2016).

Yet it cannot be assumed – at least over the long term – that the 'legitimacy dividend' from the effective provision of services in fragile states will automatically come about. In the short term, in cases of acute, multidimensional fragility, the improving of physical security, basic services and economic development are irrefutable needs, and in terms of the potentials outlined above, it is necessary to examine whether and to what extent the promotion of decentralisation and local governance can make a useful contribution to achieving these. In the longer term, the promotion of decentralisation in all types of fragile statehood can only realise its potential if – in addition to the immediate strengthening of the functioning of the state – it also contributes to the strengthening of government institutions at every level in terms of their legitimacy, so that the population gains substantial opportunities to participate and voice their opinions or concerns.

As in research into democratisation in general, the experiences of fragile states in the area of decentralisation also suggest that the postponement of appropriate *political* reforms to an undetermined moment of 'sufficient' stability involves a high risk of freezing the current power structures in place, which increases fragility rather than reducing it over the long term.[7]

4 Decentralisation in specific areas of state governance

Linked to the question of the goals of decentralisation support in fragile contexts, it is possible to identify three functional areas of state governance in which decentralisation can contribute to limiting fragility:[8]

i. In the **area of political decision-making**, fragile states frequently have particular shortcomings in terms of political participation, the inclusion of significant parts of the population and the accountability of the government. In addition to especially fragile states and those which are characterised primarily by their legitimacy deficit, this is also striking in countries whose fragility is primarily expressed in shortcomings regarding the state's ability to control violence. Latent deficits in legitimacy can be a gateway for the rekindling of old conflicts and new violence even in countries in which the general perception of the state is characterised by deficits in its capacities, as was the case in Mali in 2011. In such cases, support to decentralisation and local governance may contribute to the vertical distribution of decision-making authority in the state according to the principles of subsidiarity, thereby bringing the state closer to the affected population groups. This strengthens the possibilities for participation, the opportunity to involve all of the relevant groups, and the possibility to monitor the decisions and actions of the authorities. Clearly, without the declared willingness of the ruling elites to engage in such a form of power-sharing and power control, these positive effects will only occur very rarely. Crises of fragility which occur repeatedly in various different fragile states in different forms nevertheless provide opportunities to make rulers understand that the long-term gain in stability from an effective division of power and control ultimately outweighs the short-term costs.

   If key central government actors show no willingness to engage in the political dimension of decentralisation, however, a continuing commitment to the promotion of decentralisation in fragile states has to be considered and justified very carefully. Such a commitment would then have to focus on the 'technical' areas of policy implementation and the mobilisation of state revenue, and would therefore run the risk of promoting the state's capacity to rule over the population instead of a structural configuration of state-society relations. However, disengagement from a current project also has to be considered carefully. As long as the political dynamics entail a chance for serious decentralisation reform, it would be frivolous to abandon existing approaches and channels that could only be rebuilt with difficulty and possibly with a critical loss of time – especially if one considers that the trust that has been built due to

7 In this sense, the multi-donor evaluation of the international promotion of peace for South Sudan assesses the engagement in the area of the promotion of decentralisation between 2005 and 2010 to have been a missed opportunity (Bennet et al., 2010, p. 103).

8 These considerations connect with the experiences when dealing with fragile states which were included in the OECD policy guidance on state-building in fragile contexts (OECD, 2011).

the quality of the commitment in the 'technical' area could allow for particularly credible reform advice in situations where windows of opportunity are being opened.

ii. The area of the **policy implementation**: in particularly fragile states and those with key deficits in the capacity dimension, the strengthening of administrative capacities and the development of competencies at all levels are important approaches that the promotion of decentralisation can offer. This includes increasing the actual capabilities of the state as well as improving the conditions that could enable political and fiscal decentralisation to succeed.

In fragile states whose political *commitment* to decentralisation reform seems possible but is not yet certain, the area of policy implementation can provide an initial opening for international engagement. This enables the political dynamics to be strengthened with decentralisation and, in the event of a positive political development, more competent local stakeholders will be available for taking on new tasks and responsibilities.

Fighting corruption at all levels of the state is another important factor in the strengthening of administrative capacities, which can also increase the legitimacy of the state. Fighting corruption at the intermediate and local levels of the state is sometimes also pursued in states with questionable legitimacy, however, to re-establish trust in the ruling class and to overcome crises of legitimacy. In most cases, this primarily involves symbolic actions at the level of public relations (both at home and abroad) rather than the serious intention of actually preventing corruption and the private appropriation of public funds up to the highest levels of the state. The promotion of decentralisation must therefore avoid partaking in political campaigns of this kind.

iii. The area of the **mobilisation of state revenues and the reform of domestic financial relations**: in recent years, a new topic, the generation of domestic state revenues, has become a focal point of the discussions surrounding the fight against fragile statehood. In this respect, in 2014, the OECD dedicated its annual report on fragile states to the topic of domestic revenue mobilisation (OECD, 2014). According to the OECD, there are four key reasons for this: it firstly involves the financing of basic public services to promote human development and thereby reduce poverty, while at the same time reducing capacity-based fragility; secondly, the reduction of dependency on financial contributions from donors, the future levels of which, according to current projections, are by no means certain to increase, given the growing expenditures for in-donor refugee costs (OECD, 2016); thirdly, a functioning system of administration is an important pillar of the 'contract' between the state and society – with mutual rights and obligations; and fourthly, the ability of a state to raise taxes at all levels both effectively and exclusively is also an expression of its legitimacy and authority. In this respect, 'exclusively' means the monopoly of the state as the only body which is able to use coercion for the purposes of raising financial revenue. In fragile states, in contrast, 'protection money' and other forms of informal forced payments are standard practice, particularly at the local level.

In this area, the promotion of decentralisation can offer relevant approaches which supplement the ability of the central government to raise revenue and bring it closer to the population. On this basis, the development of local taxation powers and the structure and implementation of fiscal decentralisation can be key components in supporting all forms of political and administrative decentralisation. In particular, this also includes the provision of support to, or the reform of, the domestic financial relations. In fragile states in particular, contributions from donors are highly relevant to the successful provision of services at the local level. With limited budgets, this level frequently has little scope for the financing of infrastructure. However, this is also associated with important reform efforts for the reconfiguration and rationalisation of the transfer systems. In this respect, steps which strengthen the transparency and accountability of the public budgetary institutions at every level can also contribute to the legitimacy of the state.

5 Challenges and risks of promoting decentralisation in fragile contexts

The promotion of decentralisation in fragile states finds itself in an area of tension between the perception of new opportunities and big risks. The opportunity is to be found in the strengthening of an institutional arrangement which contributes to the elimination of fragility, supports the resilience of statehood, and is therefore equipped to fight poverty and enable widespread socio-economic development. Other opportunities, for example, in terms of strengthening the technical dimensions of decentralisation, can be mentioned, but in fragile contexts, they are subordinate to the overriding goal of strengthening resilient statehood through constructive state-society relations.

On the risks side, these can be seen to range from the ineffectiveness of the commitment, via the misappropriation of resources, to security risks for one’s own personnel (seconded and local), and to the exacerbation of state fragility and conflict escalation as unintended side-effects. The above sections have discussed the ratio and logic of decentralisation support in fragile states, and have therefore systematically (although not exclusively) highlighted its opportunities. For this reason, the following section will consider the risks and challenges in greater detail.

5.1 Choice of partners

In countries which are not primarily characterised by fragile statehood, it is frequently the case that decentralisation is principally viewed as a major reform task by the *central government.* The key focus of development policy is the cooperation with the central government – with the typical partners being the Ministry of Finance, the Office of the President (if responsible for coordinating the reforms), the Ministry of Home Affairs (if responsible for human resources), the central auditing authorities and supervisory bodies, as well as key government ministries (education, health, public works and infrastructure) which are usually affected strongly by the decentralisation. In some cases, support is also given to parliaments, associations of municipal or intermediate governments and even individual municipalities or intermediate governments, in the form of pilot projects or in a context of donor coordination.

In the context of fragile statehood, a 'classic' structure of partnership is frequently neither possible nor appropriate, however. As stated above, as partners to the reforms, illegitimate central governments are only worthy of limited consideration. This also applies to illegitimate stakeholders at the sub-national levels. Sometimes there are no partners at all who are in the position to make or implement decisions for the whole of the national territory on a comprehensive basis, oriented to the public good. In such cases, the use of formal structures of partnership is either impossible or only possible to a limited degree, and it is necessary to improve the conditions for effective structures of partnership through offering networking and dialogue.

If the donor community or the central government is unable to access every part of the country, involving other stakeholders can be appropriate. In places where reconstruction or substitute service provision by the international donor community is the key focus of the efforts (especially in post-conflict countries), donors or international organisations are frequently reliant on collaborating with non-governmental actors in the implementation of measures at the local level. In many cases, this also includes traditional or religious figures of authority. In certain regions of Afghanistan or Pakistan, for example, this is considered to be normal. If the corresponding stakeholders, as in the aforementioned countries, represent values which diverge considerably from the western understanding of universal human rights, cooperation of this kind is associated with moral dilemmas and political risks, however. But on the other hand, ignoring stakeholders of this kind is neither a realistic option nor does it contribute to a peaceful resolution of real-life power struggles. The banning of certain stakeholders from all official communication, which is a consequence of the 'terrorist lists' maintained by the European Union (EU) and the United States (US), can make it even harder for development cooperation to deal appropriately with the arising goal conflicts.[9]

At the same time, unresolved questions of power are also a key attribute of fragile statehood. These can almost never be overcome by focusing on civic self-organisation alone. Ultimately, in fragile contexts, the promotion of decentralisation can only take place through cooperation with governmental stakeholders. At the same time, though, it is often the case that resistance to decentralisation also exists within the central government. This is evident in Afghanistan, for instance, where the central government has blocked the transfer of powers to the subordinate regional authorities and – along with other objections – has stated that certain provinces are controlled by local power elites which dismiss all claims of the central government in Kabul to legitimacy.

In this context, the coordination of donors and cooperation with international organisations (including NGOs) are of decisive importance. They provide an opportunity to inhibit *moral hazard* conduct by national partners and to enhance the structural effect of donor-specific approaches. In Nepal, for example, the willingness of the various donors to try to achieve political decentralisation following the conclusion of peace and the first post-conflict elections differed considerably. This meant that, during the political conflicts surrounding a new constitution, the chance of a concerted effort to help the diverse local interests to achieve representation, rather than those of the elites in the capital city, was missed.

9 See Grävingholt, Hofmann, and Klingebiel (2007).

Strengthened coordination and cooperation can also contribute to gaining control over the increased costs which result from the increased fiduciary risks of cooperation in fragile contexts. Unfortunately, at the practical level, the international cooperation with fragile states in particular has little in common with this description. Under pressure due to urgent situations and difficult framework conditions, many donors are generally unwilling to accept the additional (initially) high transaction costs of strengthened donor coordination. In processes of decentralisation in particular, it is also the case that the donors enter into the reform process with different institutional experiences and guiding principles. In extreme cases, this results in a 'policy patchwork' which, in terms of the interplay between the different levels of government, creates more problems than it solves.

5.2 Unrealistic expectations of effectiveness and fiduciary risk

Fragile statehood is a framework condition which by definition involves imponderables and unforeseen changes. As a rule, development cooperation in fragile states is confronted with the fact that desired effects are less likely to occur. Institutional weaknesses, volatile power relations and problematic security conditions frequently stand in the way of the assumed logic of causal chains. These contexts apply to the promotion of decentralisation in particular, which on the one hand should address fragility directly, but to which minimum institutional requirements also apply. In this respect, achieving the agreed target indicators is difficult, especially when – as in Nepal or Pakistan – there are no elected or otherwise legitimate representatives on location with whom steps can be implemented, and when no changes to this initial situation are in prospect. There may also be doubts surrounding the sustainability of local infrastructure improvements because no resources are provided for maintenance in the state budget, as in Afghanistan. Sometimes the cooperation may involve other local representatives; in the case of longer-term or larger-volume programmes, however, questions can also be raised regarding the mechanisms of transparency and accountability which could counteract the risk of misappropriation or other cases of malpractice.

On this basis, in recent years, the finding that support for fragile states is urgently needed but is also highly exposed to the risk of failure has resulted in a new international debate surrounding the treatment of risk in development cooperation.[10] The guiding principle here is the assumption which is also formulated in the New Deal: that in many cases, the risks of non-commitment can exceed those of commitment (International Dialogue on Peacebuilding and Statebuilding, 2011, p. 3). The logic of these considerations is that in fragile states, activities can be undertaken even if – with the same prospect of success – they would be omitted in non-fragile contexts. To this end, the development policy implementation process would have to be adjusted accordingly through a more flexible use of targets and indicators, for example. Ultimately, realistic expectations of success which take the difficulty of the framework conditions into account are also important. This applies both to the communication with the public as well as in terms of the relationship between clients and contractors.

10 Please see the study commissioned by the International Network on Conflict and Fragility (INCAF) of the DAC entitled "Donor approaches to risk in fragile and conflict affected states" (Williams, Burke, & Wille, 2013).

From the perspective of financial cooperation, another major risk is the misuse of funds, which is generally higher in fragile contexts than in developing countries with relatively functional institutions. However, in this case, differences may be gradual rather than categorical, because states that are not especially fragile can also have a high susceptibility to corruption. In general, the same considerations apply here as those that apply to the risk of ineffectiveness.

In this context, fiduciary risks are not necessarily a criterion for or against supporting decentralisation. They do, however, influence the configuration of this support. Higher risks in a fragile context generally make the comprehensive and sole use of partner systems (for example, procurement and monitoring) through basket funding or budget support difficult. Under certain circumstances, it may then be necessary to make stricter specifications as a donor and to strengthen one's own monitoring functions.

5.3 Personal safety and access

The safety of personnel is of particular importance for development cooperation, especially in contexts characterised by violence and civil war. In this respect, many procedures have become established in recent years which aim to protect seconded and local staff from immediate danger as far as possible. In practice, however, the risk assessments and approaches of international stakeholders differ very considerably.

The withdrawal of personnel which invariably takes place in certain risk situations has a particular impact on decentralisation projects with a major 'on-site' presence. Procedures for 'remote management' have been developed in conformity with internationally discussed behavioural recommendations (Williams et al., 2013, p. 62), but they are obviously not an adequate replacement for on-site presence. Over the short term, they can be used to bridge limits to access. Over the long term, however, this is not possible without a loss of contextual adequacy, relevance and effectiveness – which is why the topics and expectations have to be adapted as required.

All in all, security threats and the associated precautions, as well as de facto restrictions on access to certain parts of the country represent significant limitations to work in fragile states which suffer from violent conflict. These have consequences for the individual personnel, for the choice of partners, and for the implementation and monitoring of the measures.

5.4 Conflicts of interest, unintended effects and political risks

The promotion of decentralisation (and the support of governance in general) in fragile states should not simply aspire to avoid negative side-effects. What is actually required is a more ambitious approach which explicitly understands the promotion of decentralisation as being a contribution to overcoming fragility and the structural alleviation of conflict situations. Superficially, the 'withdrawal' to the more technical areas of decentralisation support (administrative capacity, the provision of basic local services) may appear to be the less risky strategy. There are certainly no clear-cut answers to the question of whether this perspective still applies, however, if the 'risk of non-action' discussed in the *New Deal* is included in the overall analysis. In terms of the development of the strategy and of the measures, donors should address the question of the extent to which a decentralisation project can be explicitly designed to contribute to overcoming fragility and conflict situations, and which configuration of the portfolio is helpful in such a case. An a priori limitation to sensitivity to conflict would indeed result in an unsatisfactory juxtaposition of decentralisation support and fragility-related *peace-building and state-building*.

Closely associated with the risk of unintended effects is the danger – when choosing local partners – of involving stakeholders who themselves pose a risk to the overcoming of fragility and violence because they represent other goals or values than those held by the central government. This makes the risk assessment particularly difficult because the potential 'costs' of the non-integration can sometimes be as clear as the opportunities of a successful integration, which means that both scenarios appear to be highly relevant. In such cases, generalist answers can only address procedural, and not factual, concerns. According to international *good practice*, decisions concerning the inclusion or non-inclusion of certain stakeholders should be initially taken in collaboration with all relevant external stakeholders (whereby a 'division of labour' may well be part of such an agreement). Moreover, decisions should be taken primarily in view of the consequences for the country concerned.

6 Conclusions: promoting decentralisation in fragile contexts

Beyond platitudes, there are no blueprints for decentralisation. This applies to promoting decentralisation in fragile contexts all the more. On the basis of the above discussion, it is clear that the promotion of decentralisation and local governance under conditions of fragile statehood involves particular challenges. The effects of decentralisation are themselves hard to ascertain, even under favourable circumstances. With weak partners, a lack of access to many parts of the national territory, high levels of violence and poor infrastructure, achieving any reliable proof of effectiveness is even more difficult. At the same time, the risk of the misuse of funds, corruption and dead-weight effects can be seen to increase. In this respect, it would be naive to believe that decentralisation always represents the best possible solution as regards the reform requirements of fragile states.

The outlined findings not only apply to decentralisation support, however, but also affect virtually all measures of development cooperation with fragile states, so far as they claim to tackle structural impediments to development. Furthermore, the promotion of decentralisation is exacerbated by the fact that heterogeneous conditions in the national territory, regional conflicts, unresolved questions of power and the absence or failure of institutions have a particularly negative impact on the local provision of public services and opportunities for participation. If one accepts these particular challenges as a matter of principle, it quickly becomes clear that the promotion of decentralisation and local governance is a necessity in many areas. There are virtually no areas of basic service provision in which the implementation of policies is possible without the existence of local structures. This not only means sector-specific institutions – although these can sometimes form the core of the local community, such as local irrigation organizations – but a basic set of local communication processes and local governance which make collective action possible in the first place.

In fragile contexts, in most cases, decentralisation cannot therefore be exclusively configured by the central government, as is quite possible and even common in less fragile contexts. The major reforms of the transfer of powers and (especially!) resources to sub-national levels must be embedded in measures which are directly aimed at strengthening local self-government. The fact that in many cases it is only possible for part of the national territory to be covered is an inevitable consequence of fragile statehood itself. Yet with locally focused approaches, the risk that the reforms are perceived as donor-driven and donor-funded also increases. The lack of *ownership* on the part of national stakeholders and *moral hazard* behaviour at the local levels are possible consequences. In such contexts, it is therefore all the more important that donors act on a coordinated basis and envisage the transfer of the service provision to responsible public bodies in their planning.

An important aspect of the promotion of decentralisation in this context relates to the *sequencing* of measures. In the overwhelming majority of countries, decentralisation is implemented in the form of a sequence of territorial and sectoral reforms. Although this question is raised anew in any process of reform, so far there have been almost no studies that have systematically discussed sequencing in decentralisation reform (Bahl & Martinez-Vazquez, 2006; Falleti, 2005; Faust, von Haldenwang, & Neidhardt, 2009).

It is generally possible to differentiate sectoral sequencing from spatial or territorial sequencing, although combinations of both forms occur. In the first case, competencies are transferred to individual policy areas (frequently starting with education and basic health care), before the sub-national levels then take on responsibilities on a broader basis. In the second case, individual sub-national units are initially entrusted with tasks – either in the form of pilot projects or because they belong to certain categories (for example, larger cities). In some countries (as in Peru) the transfer of competencies is preceded by a kind of licensing process, in which the municipalities or regions have to demonstrate that they have the facilities and resources so as to be able to carry out the tasks in question.

With regard to conflict and post-conflict countries, Schrottshammer & Kievelitz (2005) emphasise the temporal heterogeneity between situations of conflict in the national territory, and see the strengthening of local initiatives and structures as a way of responding to this heterogeneity. In such cases, a de facto regional sequencing of reform steps may arise due to security and access problems. On a similar basis, elites with certain government ministries as their power bases can also enforce a de facto sectoral sequencing. This is not the same as the strategic sequencing of reforms and, for this reason, it is particularly important to take the further reform steps into consideration at an early stage and to achieve agreement regarding the process and its end-points through negotiations with stakeholders.

In the case of fiscal decentralisation, it is considered the 'golden rule' for the transfer of responsibilities to go hand-in-hand with the relocation of fiscal resources. In fragile contexts, however, this principle is not always applicable. It is often the case that local stakeholders perform tasks before they have formally been transferred to them because the central government has failed to do so. Therefore, it can also be useful to transfer a limited amount of resources to local authorities, *without* them being entrusted with certain responsibilities at the same time. In Ecuador, an approach of this kind saw funds being made freely available at the local level from 1997 onwards (Frank, 2007). Of course, the basic conditions of local financial management and accountability must be fulfilled for this purpose but, where these do exist, the transfer of funds can enable local authorities to respond flexibly to the specific needs of the local population. The fact that some of the funds may be misused can be considered acceptable as long as the risk of misuse is not significantly higher than in the area of central government expenditure. Of importance in every case is the transparency of the allocations.

Another question in this context refers to the use of different modalities. In the promotion of decentralisation, a wide range of modalities for technical and financial cooperation commonly comes to use – ranging from upstream policy advice at the ministerial level to the financing of infrastructure projects or community development funds, to the use of aid workers at the local level. In fragile contexts, these modalities have to be adjusted to the generally elevated fiduciary risks. This may mean, for example, that for certain regions, recourse is made to *remote management*. It is of decisive importance that opportunities for accountability and monitoring are used on a broad basis – if central governmental authorities are unable to carry out their supervisory and control functions, it may be possible to use stakeholders from civil society. Modern methods of data collection such as geo-information systems, communication data, and so on, are increasingly available in fragile contexts and can be used to reduce risks. In general, in fragile contexts, having flexible access to a wide range of modalities appears particularly useful.

Above all, however, a particularly high degree of flexibility in implementation is required for the promotion of decentralisation in fragile contexts. This refers to the choice of partners, the definition of the areas of intervention, to the respective mix of modalities, and not least to the formulation of, and any necessary adjustment to, the goals and indicators in the project. One way to approach the specific challenges of fragile statehood is the implementation of short-term *change projects* which are embedded in larger programmes.

A significant part of the special need for action which decentralisation and local governance projects entail in situations of fragile statehood is context-dependent and can only be derived from a careful analysis of the challenges posed by the specific context. Beyond this general plea, the following specific suggestions can be derived from this study:

- In configuring their country portfolios for fragile states, donors should expressly address the question of the extent to which decentralisation projects can be explicitly designed to provide a contribution to overcoming fragility and conflict situations in terms of the development of strategies and the development of measures. In this respect, the strengthening of partners who are not only *sufficiently* legitimised, but whose legitimacy is also based on key principles of rule of law and good governance would appear to be particularly important.

- An adequate procedural framework for the necessary flexibility and willingness to take risks in fragile contexts remains a largely unsolved task in the area of international development cooperation. An important first step would be a more flexible handling of the goal indicators so that projects are not implemented on the basis of indicators which cannot be achieved due to changed circumstances or might not even be desirable any more. Instead, in such a case, previously agreed procedures should allow indicators to be adjusted to changed circumstances.

- To avoid unwanted dead-weight effects and to increase the structuring effect of the individual measures, the coordination of donors and the cooperation with international organisations in the promotion of decentralisation and local governance are particularly important. In fragile contexts, different goal-related systems and structural ideas which are introduced by the bilateral and multilateral donors in the process of decentralisation can sometimes exacerbate conflicts and should therefore be avoided as far as possible.

- In cases of a temporary direct delivery of basic services at the local level by the donor community, it must also be ensured that provisions for the transfer of service delivery to the relevant local authorities be included in the planning from the outset.

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