

## Decentralisation

Bringing government closer to the people

Citizen-oriented administration on the ground aligns public services more closely to the local needs of the people and promotes democratic decision-making. This is why many partner countries are undertaking reforms aimed at achieving decentralisation. KfW Development Bank is providing support to these countries by financing infrastructure, building capacity of local governments or shaping fiscal transfer systems.

### Context

Decentralisation brings the state closer to its citizens by transferring responsibilities and decision-making powers, as well as resources, to provinces, districts and other local authorities. The advantages of this process are manifold - the political participation of the population is strengthened and the accountability of those in power to the citizens is enhanced.

When new tasks are allocated to municipalities or other subordinate administrative units, these bodies need adequate administrative skills, as well as sufficient funding, to build and operate critical public infrastructure like schools, health care centres, market places or water points.

Involving citizens in municipal decision-making processes plays a significant role in decentralisation. If free and fair local elections are held, citizens can use the ballot box to hold their elected representatives accountable for their performance or wrongdoings. The media and civil society also play an important role, for instance through participating in drawing up local development plans, annual municipal budgets, and checking whether services were actually rendered. Transferring responsi-

bility and funding to districts is a vital step towards greater democracy. Decisions are not purely made in a distant capital city, but rather closer to home - and are therefore transparent and more easily understood by all citizens. The population learns how decisions on roads, schools and health centres are made and are able to participate to a greater extent in their own districts, and more actively influence municipal administrative decisions.

### The KfW development approach

The acting of government is aligned more closely to the needs of the population through decentralisation. KfW Development Bank is promoting reforms for decentralisation in its partner countries, for example by setting up national transfer systems, which provide districts with additional funding.

Expanding national transfer systems which redistribute funds from the central state to lower levels of government is of huge importance for decentralisation. KfW Development Bank is supporting the setting up or modernising of these systems, and is contributing to their financing. In this way, the municipalities can independently administer the funds they have received. The volume of the allocation differs and depends on the



Decentralisation strengthens local democratic decisions. Source: KfW Photo Archive, photographer: Bernhard Schurian

basic characteristics of the municipality, its ability to perform and the efforts it makes towards reforms. Poorer districts receive large amounts of money to encourage reform efforts, and particularly progressive ones receive high allocations to reward their efforts. Incentives are offered to authorities to encourage them to improve their performance and poverty and inequality are mitigated in this way (see box).

Municipal or local development funds are further instruments employed by KfW Development Bank to support decentralisation in partner countries. As part of a citizen-focused process, districts decide which investments in infrastructure are most urgent. In this way, local residents can determine which projects are particularly useful for them. Building primary schools, health care centres or a water supply system are often addressed first. Development funds appraise the proposals made by the districts based on several criteria and provide funding accordingly. They are supported by experienced experts, such as with tendering for construction services and construction supervision.

The measures which are funded also enhance economic development, for instance through the construction of market places or bus stations. This economic infrastructure enables agricultural products to be more easily transported into urban centres and sold there. This is also an important source of income for the districts, because fees can be collected for the use of the infrastructure.

Setting up local administrative institutions and training centres for local administrative employees is also part of KfW's support for decentralisation. This strengthens local institutional capacities and enables districts to carry out their new tasks successfully.

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Schools are a priority when it comes to using FADEC funds.  
Source: SP/CONAFIL

#### Benin - decentralisation to reduce poverty

Previously, decision-making took mainly place in Cotonou, the capital city of Benin. Yet since a decentralisation reform in 2009, the districts have a say when it comes to important topics like water supply, education or health services.

To ensure that the districts have sufficient resources to fulfil their new role, the Government of Benin has created a special budget line, the "Fonds d'Appui au Développement des Communes" (FADEC). KfW Development Bank has contributed to this mechanism every year since 2010. Disadvantaged districts in which an especially high number of poor people live, receive additional resources from the FADEC. At the same time, the FADEC rewards the municipalities which perform particularly well. This strengthens the efforts of districts to improve their performance.

Initial successes are already visible: sanitation, access to clean drinking water, basic education and rural infrastructure have all improved. This means huge progress, especially for the poorest strata of society. Benin is already a role model for the entire region due to the success of the FADEC. People in remote rural districts now realise that they can influence matters that concern their daily lives and that commitment in local democracy is worthwhile. In the long term, this strengthens the self-administrative competence of communities and the supervisory capabilities of higher level administrative bodies. This contributes to good governance and the promotion of democratic principles and processes.