



Brussels, 15.5.2013
COM(2013) 280 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Empowering Local Authorities in partner countries
for enhanced governance and more effective development outcomes**

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes

1. BACKGROUND

Centrally-led, top-down development policies and programmes cannot alone succeed in addressing the complexities of sustainable development and fighting poverty. Public and private actors have their role to play especially at local level. In the last two decades, many central governments in developing countries have attributed responsibilities to Local Authorities¹ in country development processes, with a view to allow for the definition of public policies and service delivery on local realities.

However, this political recognition has not always been accompanied by an adequate level of autonomy, capacity development and financial resources, leaving their empowerment incomplete. In many EU partner countries, funding directly channelled through Local Authorities still represents a marginal part of national public sector expenditure and of international development aid.

A certain number of obstacles have to be overcome in order to unlock the development potential of Local Authorities. It is with this purpose that the European Commission reaffirms the importance of Local Authorities in partner countries, in achieving development objectives and proposes a more strategic engagement for their empowerment.²

This Communication integrates the results of *the Structured Dialogue on the involvement of Civil Society Organisations and Local Authorities in EU development cooperation*,³ the EU renewed approach to poverty reduction and sustainable development defined by the Communication *Increasing the Impact of the Development Policy: an Agenda for Change*⁴

¹ In this Communication, the term «Local Authorities» will refer to public institutions with legal personality, component of the State structure, below the level of central government and accountable to citizens. Local Authorities are usually composed of a deliberative or policy-making body (council or assembly) and an executive body (the Mayor or other executive officer), directly or indirectly elected or selected at local level. The term encompasses different tiers of government, e.g. villages, municipalities, districts, counties, provinces, regions, etc. Within this wide context, the focus of this Communication is however put on the municipal level, which is generally the lowest government tier of the public institutional system and the closest to citizens.

² In continuity and complementarity with the Commission Communication *Local Authorities: actors of development* COM(2008) 626 final (8.10.2008).

URL: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0626:FIN:EN:PDF>, with the annexed *European Charter on development cooperation in support of Local Governance*
URL: https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/European_charter_on_development_cooperation_in_support_of_local_governance_paper_P65.

³ URL: http://ec.europa.eu/europeaid/who/partners/civil-society/structured-dialogue_en.htm.

⁴ COM(2011) 637 final (13.10.2011).

and related Communications and Council Conclusions,⁵ as well as the results of the stakeholder consultation carried out on the basis of the Issue Paper *Local Authorities in Development*. Furthermore, the Communication takes into account the international aid and development effectiveness agenda, as lastly shaped by the *Busan Outcome Document*.⁶

The importance of Local Authorities in development

The participation of citizens in decision-making processes that affect their lives and access to accountability mechanisms is fundamental to the promotion of sustainable development and poverty reduction. This is particularly relevant at the local level, where citizens live and work, where basic services are provided and where enterprises are established. Citizens have, therefore, common interests at stake, to set objectives and work together in identifying solutions particularly aiming at improved access to services, a more balanced distribution of available resources, greater social cohesion and enhanced accountability and transparency of public authorities, including to accountability mechanisms.

Being closer to citizens than other public institutions, Local Authorities hold responsibility in mobilising local societies' opinions while acting as catalysts for change. This is particularly true in terms of more efficient public administration, more inclusive development processes, in cooperation with Civil Society Organisations⁷ (CSOs), and solutions to urgent challenges faced by local communities. Such challenges include social exclusion, migration, food security, limited infrastructures, rapid urbanisation, depletion of resources, public safety and violence, environmental and social impact of extractive activities, climate adaptation and mitigation, rule of law and access to justice.

Good governance⁸ at local level is necessary to achieve sustainable development and equitable outcomes. It creates the conditions for inclusive, responsive and effective development processes.

The quality of local governance is primarily linked to the political willingness of central governments to create a conducive environment at local level, through legal and regulatory instruments,⁹ allowing Local Authorities to benefit from a sufficient level of autonomy in exercising power and acquire specific capabilities. Hence, the quality of local governance is also related to the way Local Authorities manage and implement public policies and services on the basis of local policy-making processes and interactions with other public institutions, citizens and private sector and through the allocation of available resources.

⁵ COM(2011) 638 final (13.10.2011), COM(2011) 865 final (7.12.2011), COM(2012) 446 final (20.8.2012), COM(2012) 492 final (12.09.2012) and Council Conclusions (15.10.2012), COM(2012) 586 final (3.10.2012), JOIN(2012) 27 final (3.10.2012), COM(2013) 92 (27.2.2013).

⁶ URL: www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf

⁷ "The EU considers CSOs to include all non-State, not-for-profit structures (include community-based organisations, non-governmental organisations, faith-based organisations, foundations, research institutions, trade unions, women's organisations, cooperatives, professional and business associations, and the media) through which people organise to pursue shared objectives and ideals". COM(2012) 492 final.

⁸ URL: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0492:FIN:EN:PDF>.

⁹ Governance is related to rules, processes, and behaviours by which interests are articulated, resources are managed, power is exercised in society by the institutions in charge of public affairs and participation of all relevant actors is allowed for. COM(2003) 615 final (20.10.2003).

E.g. institutional arrangements, separation of powers, electoral and party systems, appropriate decentralisation policies, intergovernmental fiscal systems, respect of the rule of law.

In natural resource--rich countries, Local Authorities could give their advice on the ways extractive industries operate and on how revenues from the extractive sector are shared between local communities, central government and private operators.

In fragile, crisis and risk-prone situations, Local Authorities have a key role to play to safeguard vulnerable populations and communities, by steering the set-up of local resilience strategies and by enabling the delivery of basic social services. In disaster-prone areas, they can be crucial in prevention, mitigation and preparedness, in addition to managing early responses and delivering basic services to populations. Moreover, they often play an important part in early warning and thus contribute to de-escalating the first stages of violence, through local and traditional dispute resolution mechanisms.

The realisation of Local Authorities' comparative advantage can nevertheless be undermined by negative political factors, particularly related to a lack of effective leadership, high levels of corruption and maladministration, clientelism, and illegal economy, as well as by institutional weaknesses, such as dysfunctional institutional arrangements, limited financial resources, low levels of administrative capacity, inadequate planning procedures and public finance management.

Thus, depending on the country context, linking the public sector at local level to development processes may imply efforts to increase the capacities of Local Authorities and to strengthen local governance structures. It is fundamental to simultaneously empower local public authorities and citizens, to ensure both that the latter have the ability to demand transparency and accountability¹⁰ and that Local Authorities have the means and incentives to respond to citizen demands for effective, transparent and accountable governance, an equitable allocation of resources and access to services.

2. UNLOCKING THE DEVELOPMENT POTENTIAL OF LOCAL AUTHORITIES

Support to the public sector in partner countries towards more effective and efficient design and implementation of national development policies and plans should take into account the important role of the local public sector. Assistance to Local Authorities should aim at enhancing their capacities and means to execute their institutional mandate as defined by law and consequently to exercise their power of initiative as full-fledged policy-makers.

Adhering to the principle of subsidiarity,¹¹ the EU aims at promoting the role of Local Authorities as policy and decision-makers, in favour of transparent and accountable policy-making and service delivery at the local level. This is likely to empower them, and to boost local development via increased democratic participation, justice, human rights, active citizenship, participation of women and youth in the public sphere, and multi-level accountability.

¹⁰ Local CSOs may play an important role in keeping local politicians and officials accountable for the responsive and efficient delivery of public services at local level. Furthermore, the interaction between LAs and CSOs contributes to the creation of a local polity where political and developmental processes take place.

¹¹ According to the principle of subsidiarity, public responsibilities, regulatory functions and spending are transferred to the lowest institutional or social level, closest to citizens, that is able and entrusted to complete them.

Stakeholder partnerships and dialogue mechanisms, made up of representatives of Local Authorities, other actors operating locally and citizens, should be encouraged at local level, as a way to engage in dialogue with relevant central authorities to ensure their needs and concerns are known and taken into account.

It is in this framework that a territorial approach to development should be promoted. Tailored to territorial characteristics and needs, the territorial approach to development is characterised as a dynamic bottom-up and long-term process based on a multi-actor and multi-sector approach, in which different local institutions and actors work together to define priorities, and plan and implement development strategies. Through the guidance of Local Authorities and the mobilisation of additional private and community capacities and resources, the territorial approach to development could trigger a change in the quality of citizens' life and wellbeing, ensuring a balance between socio-economic growth, equity and environmental quality and increasing the resilience of the most vulnerable. Furthermore, this approach could reinforce local political processes, transparency and boost democratic ownership of development, via a continuous monitoring of progress towards sustainability.

3. SHAPING EU SUPPORT FOR IMPROVED GOVERNANCE AND MORE EFFECTIVE DEVELOPMENT OUTCOMES AT LOCAL LEVEL

The EU should work in favour of democratically legitimate, accountable and representative Local Authorities and local leaders in partner countries with a particular focus on municipal authorities in rural and urban areas. The EU should also explore the opportunities for coordination with regional authorities.

In situations of fragility, EU cooperation with Local Authorities is particularly relevant in parallel to wider state-building processes, which are essential to the path out from fragility towards stability. As stated in the Agenda for Change, this is particularly relevant in countries where gross human rights violations take place. In these cases the EU may suspend cooperation with central governments and continue channelling assistance through Local Authorities and CSOs.

Likewise, the EU should support the efforts of governments to create a conducive environment, so that Local Authorities can be empowered in the definition and implementation of local policies and plans and fully participate in sustainable development processes. Together with central governments, the EU should invest in capacity development activities to ensure that Local Authorities, particularly in remote areas with limited capabilities and resources, are able to lead the development of their territories in cooperation with other local actors.

From an operational point of view, the new EU approach would promote enhanced political, administrative and fiscal autonomy of Local Authorities through decentralisation reforms, capacity and institutional development.

3.1. Decentralisation processes

Decentralisation constitutes a particular aspect of public sector reform. It involves the transfer of a range of political authority and powers including revenue-raising, responsibilities in service delivery and financial, human and administrative resources from higher levels in the political system to public authorities at lower level.

Decentralisation is inherently a political question that affects the overall organisation of a state. It aims at better efficiency, equality and social cohesion and can only be decided by a sovereign country. Hence, support to decentralisation from development partners should be envisaged only where there is a political will to initiate and support decentralisation or where decentralisation reforms have already been put in place. At the same time, EU should adapt its sector operations to already decentralised environments, where this is the case.

EU support to decentralisation processes will be based primarily on the understanding of the political economy of the reforms in relation to territorial assets. Moreover, EU support to decentralisation should focus on the establishment of a conducive legal and policy environment for decentralisation and on institutional and capacity development, in order Local Authorities to enjoy a certain degree of autonomy to fulfil their functions as mandated by law.

The expected results should be the allocation of sufficient financial resources to Local Authorities according to national legal frameworks, improved public financial management and mobilisation of revenues at the local level. In parallel, EU assistance should aim at enhancing the capacities of central authorities, deconcentrated public services as well as local political and administrative staff, together with the establishment of mechanisms of political accountability, transparency and mechanisms for monitoring municipal policies.

Example of EU support to decentralisation process: the case of Cambodia

The EU co-funded Programme "Strengthening Democratic and Decentralised Local Government" was implemented in partnership with UNDP from 2006 until December 2011, in support to the Cambodian Government's "Deconcentration and Decentralisation Strategy". At commune level, the Programme has built horizontal cooperation amongst communes, while improving citizens' perceptions of Local Authorities and citizens' well-being. At provincial level, the Programme has encouraged the establishment of 24 legally independent Associations of Local Authorities. At national level, the action has aimed at improving intergovernmental financial transfers. Local Authorities have started using financial resources in an autonomous way.

In this context, the EU should consider fiscal decentralisation as a strategic entry point to progressively build an accountability culture, as it defines the generation and distribution of resources that are used to fulfil citizens' demands. Particular attention should be paid to mechanisms that allow combining of external and domestic resources into fiscal transfer facilities, to support local tax revenue and development planning, budgeting and spending processes of Local Authorities.

3.2. Capacity development of Local Authorities

In order to enhance Local Authorities' ability to contribute to good governance and consequently to achieve development goals at local level, local elected officials and administrative staff have to overcome capacity constraints, such as managing and mobilising public sector resources, leadership skills, public financial management, revenue raising and expenditure, transparency, participation and interaction with other actors.

Capacity for local good governance is affected by factors that operate at three levels: individual, institutional and organisational. At the individual level, local capacity is affected by the skills, training and attitude of local politicians and administrative staff. At the institutional level, capacity depends on structures, operating procedures, which frame and govern the activities of the personnel. At the organisational level, capacity is affected by the policy and legal environment, and by the rules and practices that govern the relations with other actors.

Support to capacity development of Local Authorities will be defined on the basis of a long-term and demand-driven approach, with emphasis on leadership building, inclusive service delivery and sound financial management. This approach will entail the promotion of country-led Local Authorities capacity development within the sectors in which they operate, particularly through the involvement of national Associations of Local Authorities and schools of administration, horizontal cooperation among Local Authorities consisting for example in big municipalities offering technical assistance to smaller ones, and the inclusion of more adequate central-local authorities linkages.

3.3. Sustainable Urbanisation

Because of the rapid growth in urban population, *urban governance* has become another important aspect of good local governance. Local Authorities in urban areas have a decisive role to address the challenges related to urbanisation, such as the needs of citizens living in unauthorised settlements without adequate services and facilities, impoverished quality of life, criminality and social dysfunction.

By the year 2025, approximately two-thirds of the world's population will live in urban areas, with 95 per cent of the urban population growth taking place in partner countries and concentrated in the lowest income groups. Urbanisation has different causes including the migration of people from small towns and rural areas to major metropolitan areas and the rural-to-urban migration to the intermediate towns, as well as the natural increase of existing populations in metropolitan cities.

In its cooperation with partner countries, the EU will seek to promote sustainable strategies to promote non-discrimination and break down the barriers that exclude various groups from access to resources and opportunities offered by urban development, with the view to promote social inclusion, territorial cohesion and environmental protection.

Special attention should be paid to land access as a pre-requisite to sustainable urban development. Urbanisation has a profound effect on land values, so it is important to ensure that municipal finance can benefit from the increased values of land in order to be able to finance services and facilities.

In particular, the EU should encourage the definition of city policies for slum upgrading, to gradually improve, formalise and incorporate slums into the city itself by extending land, services and citizenship to slum dwellers. Furthermore, the EU should seek to improve the administrative ability of Local Authorities to register land rights and interests, to the effective and efficient management of urban land (cadastres, urban property registers). Improving urban land will open property markets. Property and transactions will become more transparent and fiscally taxable, increasing fiscal capacities of Local Authorities, which is a prerequisite for developing urban infrastructure and improving overall quality of life.

3.4. Associations of Local Authorities

Associations of Local Authorities¹² can be instrumental in achieving good governance and development outcomes at local level. Their main functions include (i) advocacy of members' interests in national policy dialogues with central governments and other national stakeholders as well as in international fora; (ii) lobby for decentralisation policies leading to more autonomous and empowered Local Authorities; (iii) coordination and platform for discussion among members; (iv) experience and knowledge sharing with the view to enhance Local Authorities' capacities; (v) quality supervision of Local Authorities performance in matters of local policy-making processes and service delivery; (vi) promotion and coordination of participative local development plans.

In many partner countries, Associations of Local Authorities are still weak. In some other countries national Associations of Local Authorities do not exist.

In the last two decades, international Associations of Local Authorities have started advocating for their participation in the formulation of development policies and in the delivery of international aid at local level. International Associations of Local Authorities have also reaffirmed the importance of local governance and decentralisation reforms in the creation of a conducive environment to play an effective role in local development.

Supporting Associations of Local Authorities in the ACP Countries

Since 2010, in the framework of the Cotonou Agreement, the EU-funded Regional Programme "Supporting and strengthening Local Government Associations at ACP national and regional levels" (ARIAL) has aimed to enable Associations of Local Authorities to take part in the definition and implementation of development policies, through capacity and institutional development activities. During its three-year implementation period, ARIAL has worked towards the strengthening of Associations of Local Authorities at national, sub-continental and continental level. Key outcomes have been: (i) the support of five national associations, namely in Gabon, Chad, Swaziland, Kiribati and Vanuatu, through the Emerging Local Government Association Facility; (ii) the production of a series of capacity development toolkits, tailored on the demand of Associations of Local Authorities, in order to identify funding opportunities, to survey Local Authorities on their needs, to manage projects, to draft communication, advocacy and lobby plans.

The EU should seek to involve Associations of Local Authorities in the programming of national and local priorities as well as in the implementation of related EU-funded programmes, particularly those related to decentralisation. Furthermore, the EU should facilitate the establishment of partnerships between Associations of Local Authorities in partner countries and the EU.

4. A WAY FORWARD: MORE EFFICIENT AND FLEXIBLE MODALITIES OF SUPPORT

The EU should adapt its support to the growing role, potential, and needs of Local Authorities and Associations of Local Authorities in partner countries.

The use of innovative funding modalities facilitating flexible, transparent and cost-effective access to resources at local level should be explored. In the context of support to

¹² The term «Associations of Local Authorities» is to be understood as umbrella organisations based on membership and representativeness at sub-national, national, sub-continental, continental and international level. They may be organised as an autonomous entity in accordance with the legislation in force in the country of registration. Associations of Local Authorities may be composed of a representative body elected by its LA members and a permanent secretariat.

decentralisation processes this could include performance-based grants for local service delivery based on the results of annual assessment of Local Authorities institutional performance. The EU should also support initiatives allowing citizens to identify, discuss and prioritise public spending projects (e.g. participatory budgeting).

The EU uses budget support operations, particularly Sector Reform Contracts, to support improved service delivery. These could to be decentralised in order to better reach the target population or institutions, for example in health, education, water, sanitation, agriculture, or the process of decentralisation itself.¹³ In the design and implementation of budget support, the EU should take into account both central and sub-national government levels. During the implementation, the EU should support systems to monitor the extent to which funding is transferred through government treasury to the most appropriate level of local administration. This may contribute to the improvement of intergovernmental fiscal transfers, strengthening of Local Authorities institutional capacity, procedures and systems in the areas such as planning and financial management, and consequently contribute to the quality of service delivery.

The EU should moreover pay special attention to policy coordination, complementarity and coherence between national and sub-national and sector policies targeted for budget support and to the complementarity with decentralisation reforms and devolution of powers, raising possible concerns in policy dialogues with central authorities.

The EU should continue to support and coordinate decentralised and cross-border cooperation between Local Authorities from Europe and partner countries based on long-term and equal institutional partnerships. Decentralised cooperation between EU Local Authorities and their counterparts in third countries can bring added value to the implementation of development actions, through continuous peer-to-peer learning, transfer of know-how and enhancement of local actors' participation in the public space at local level.

Recognising that many European Local Authorities have started acting as donors, the EU calls on these actors to bring together their expertise to engage in more systematic cooperation activities, in order to enhance the impact of this cooperation at local level, in respect of the principles of aid and development effectiveness. The Committee of Regions, which provides European Local Authorities with a political space for exchanging experiences and good practices as well as for establishing inter-regional relations, could play a key role in this respect. Likewise, European Local Authorities also have an important role to play in promoting Development Education and Awareness Raising (DEAR) among citizens.

Upstream support to public sector reforms should be coordinated with downstream support, to reinforce Local Authorities' roles in policy dialogue and decision-making at national level. The EU should also ensure sufficient flexibility to support Local Authorities' and Associations of Local Authorities' own initiatives.

It is proposed to implement the principles outlined in this Communication to support Local Authorities in partner countries and their Associations at country, continental and international levels. The EU should particularly engage in favour of the empowerment of these actors, to enable them to better respond to citizens' demands and in redistributing more equitably socio-economic benefits at local level. These ambitions should be accompanied by

¹³ EuropeAid's Budget Support Guidelines (2012). URL: http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/documents/bs_guidelines-part_ii-programming.design_management_en.pdf.

the promotion of a conducive environment at national and local levels and efforts to reinforce the capacities of Local Authorities.

At the international level, the EU should continue to support the role that Local Authorities and Associations of Local Authorities play in raising awareness about local and urban development issues and in shaping the international development agenda with a focus on the interests of local communities. In view of the definition of the Post-2015 Development Agenda and the preparation of Habitat III, the international community should better recognise the responsibilities and solutions that different governmental tiers could bring in addressing global and local challenges.