

**Conference "Access to development funding for local government in Africa",  
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**1. How does the EC relate to local government and decentralisation worldwide? – A short historic perspective**

Since the 1990s the local governance agenda has been increasingly brought to the fore in EC development cooperation as a crucial factor for development. This evolution in development approaches has been translated in several communications and working documents and tools of the Commission<sup>1</sup>, in a substantial increase of financial resources allocated to local governance and decentralisation as well as in a greater involvement of EC services in various thematic networks and diverse reflexion groups. Our participation today is proof of this involvement.

In this sense, it is important to remind that the main objectives of EC development cooperation are to (1) effectively contribute to poverty reduction and the achievement of the MDGs (2) recognize that no major development issue can be treated at one level and that interaction between levels of territory (sub-national, national, global) is essential for public policies cohesion; (3) contribute to good governance –decentralisation being a "cluster" of the good governance field.

During the last decade, the EC has accumulated a wealth of experiences in more than 50 countries in the ACP, Latin America, Asia and neighbourhood regions on which to capitalise. Of particular interest as well is the evolution of the revised Cotonou Agreement<sup>2</sup> that recognises local authorities as actors

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1 EC's commitment to supporting decentralisation and local governance is backed by recent policy documents that incorporate elements and issues related to decentralisation processes and local authority's roles and responsibilities. The EC Communication on Governance and Development (COM 2003, 615 final); The EC Communication on the EU Strategy for Africa: Towards a Euro-African Pact to Accelerate Africa's Development (COM 2005, 489 final);The EC Communication on Governance in the European Consensus on Development: Towards a Harmonised Approach within the European Union (COM 2006, 421 final);governance profiles for ACP countries include indicators related to decentralisation; Reference Document on Supporting Decentralisation and Local Governance in third countries (Europaid, Tools and Methods Series, 2007).

2 The Revised Cotonou agreement explicitly recognizes territorial communities (TC) as being actors and partners of development in their own right. The TC are responsible in providing essential services to the population and to promote local development, and ultimately the realization of the Millennium development goals as well as to mainstream democratic governance at local level. In the same way, the Agreement stipulates in article 33 of the cooperation strategies that cooperation has to concentrate on institutional development, amongst other things, to create the necessary capacity for the implementation of a decentralization policy and for the increase of the populations' participation in the development process.

of development, allowing a more strategic and comprehensive approach. I will come back on this aspect in the second part.

This trend seems to continue and be deepened under the new programmatic period 2007-2013 where an increasing number of Country and Regional Strategy Papers include programmes directly or indirectly related to decentralisation and local governance.

According to an inventory completed in 2007 by EC headquarters, the portfolio of ongoing EC programmes at the end of 2006 in support to **decentralisation and local governance** across all the regions amounted to around 1 billion Euros. This figure, which does not cover indirect support to local authorities via sector programmes (i.e. education, health...), provides however an indication of the relative importance of these issues in EC development cooperation agenda.

*Before discussing the kind of support the EC is providing to Local Government in Africa, let me just say a word on our definition for decentralisation and decentralised authorities.*

EC's definition of decentralisation focuses in a pragmatic way on its functional dimension. It is based on an alignment to national agendas and frameworks as well as on the search for a strategic approach versus a piecemeal and "stand alone" approach.

In this sense, based on EC practice, decentralisation refers to a process involving the transfer of a range of powers, competences and resources from the central government to elected local (sub-national) governments and entails three inextricably linked dimensions:

- **Political:** it involves a new distribution of powers according to the “subsidiarity” principle, with the objective of strengthening democratic legitimacy. In this respect, it refers to situations where political power and authority have been partially transferred to sub-national levels of government and most of the time involves devolution, which is considered a form of political democratic decentralisation whereby distinct bodies are created by law, separate from the central administration and in which local representatives – elected or appointed by the population- are given the powers to decide on a variable range of public matters and gain access to resources which can be utilised at their discretion.
- **Administrative:** The administrative dimension involves a reorganization and clear assignment of tasks and functions between territorial levels to improve the effectiveness, efficiency and transparency of the administration over all national territory. It aims at transferring decision making authority, resources and responsibilities for the delivery of a select number of public services, or functions, from the central government to other (non elected) levels of

government, agencies or field offices of central government line agencies. The administrative dimension is associated with three possible variants:

- **Deconcentration:** transfer of administrative functions from the State to local non elected public structures.
  - **Delegation:** redistribution of authority and responsibility to local units of government or agencies that are not always necessarily branches or local offices of the delegating authority and may be partly or fully independent organisations. In certain contexts, delegation is seen as an instrument of deconcentration.
  - **Divestment or privatization of functions and services:** planning and administrative responsibility or other public functions are transferred from government to voluntary, private or non governmental institutions.
- **Fiscal :** it involves a reallocation of public expenditure to local and territorial authorities and enables them to generate their own revenue according to their assigned tasks

The EC pays particular attention to the balance between the three main dimensions of decentralisation when supporting local authorities.

## 2. How do we support Local Government in Africa?

Allow me to go back briefly to the revised Cotonou Agreement (June 2005) and its article 4: “the ACP states shall determine the development principles, strategies and models of their economies and societies in all sovereignty. They shall establish with the EC, the cooperation programmes, provided for under this Agreement. However the parties recognize the complementary role of and potential for contribution by NSA and LOCAL DECENTRALISED AUTHORITIES to the development process.”

Art 4 says further that NSA and LG shall:

- be consulted on cooperation strategies, especially in areas which concern or directly affect them
- be provided with financial resources in order to support local development processes

- be involved in the implementation of programmes in areas that concern them etc
- be provided with capacity building support.

How do we implement those principles?

### **Consultation on strategies**

We work with 6-year strategies discussed mainly with governments and NAOs. However since Cotonou revised, we have extended those consultations to the widest possible audience and in particular to civil society organizations and local authorities.

In South Africa, consultations have been held in 2005/2006 for our new CSP 2007-2013 which is actually also a joint one with 11 EU Member States. Here, we have been working for long with Local Government bodies (see below), and we have been having a regular and rich dialogue with them. This dialogue has been stepped up while approaching a new programming cycle.

In other countries it might be more difficult to consult extensively but in the end, Local Government bodies have to be proactive and look for direct engagement with donors like the EU.

### **Financial resources**

We have not been waiting for the revised Cotonou Agreement to be in place to make sure that local governments get direct EU funding and are closely involved in cooperation programmes. There are many ways in which EC financial resources are channelled to local authorities in Africa:

- i) through national indicative programmes (e.g. Parad programme in Mali),
- ii) through thematic programmes, managed centrally by our headquarters, such as the new “Non State Actors and Local Authorities Programme” (ex decentralised cooperation instrument) or the Water Facility which since 2002 can provide funds for twinnings between cities/regions of Africa and Europe to improve management of water resources.

Let me speak now of South Africa where we have done a lot for local government:

1) **area based management** - eThekweni project (€30 mil ending this year)- direct budget support to the eThekweni municipality

2) **urban renewal**– urban project in Eastern Cape- (€30 mil - until 2010) - direct budget support to two major municipalities: Motherwell in Port Elisabeth and Mdantsane in East London.

3) **Local Economic Development (LED)** – we have four LED programmes in South Africa for a total of €125 mil: two in Eastern Cape, one in Limpopo and one in Kwazulu-Natal. Those programmes are traditional ones (not budget support) and are directly implemented at provincial government level (Department of Local Govt and Housing in Limpopo, Department of Economic Development and Tourism in KZN and the Office of the Premier in Eastern Cape)

Through those programmes we support mainly through grants

- i) marginalised communities,
- ii) local competitiveness and entrepreneurship and
- iii) the exercise of local government by municipalities.

LED programmes find their inspiration in the system of structural funds in the EU.

4) **Community participation**– one project (€10 mil - starting now) with the Department of Provincial and Local Government to strengthen the system of community participation at local/municipal level (municipal wards etc).

5) **Regional initiatives to link local government from various countries:** we are funding currently a very interesting project called “**LOGO Water**”, which provides support to municipalities, from the SADC region and around the Limpopo basin, around integrated water resource management.

(please see the attached web-site. <http://www.iclei-europe.org/index.php?id=1541>)

**Let me finish by sharing with you some of the lessons learnt from our South African experience**

LED programmes have been and are very successful. Local authorities proved to be able to deal with EU funding and we are confident that major results will be achieved in terms of

employment and sustainable development. However the traditional “project approach” is probably not the optimal one, when it appears that we can rely on national systems and strategies, in line with the Paris Declaration on aid effectiveness. Moreover, those projects were “pilots”, which have been replicated in three provinces, and we need now another approach, at national level.

In this context, we are now putting in place a **new employment creation programme** (2009-2012 - €100 mil) which will operate at national level with the economic cluster (co-chaired by DTI and DPE). Through this programme we will support (through budget support) initiatives launched by the economic cluster. **Local/pilot initiatives if accepted by the cluster will be able to get funding.** Conditions are that two departments at least should cooperate from designing to implementation.

South Africa, at national or local level, does not need traditional cooperation from us but value added through **innovation, best practice models, pilot initiatives, systems development, capacity building, skills development and knowledge transfer.** This might actually also be true for many other African partners.

Thank you for your attention