**REGIONAL EU SEMINAR (Quito, 10-13 June 2013)**

**DECENTRALISATION AND LOCAL GOVERNANCE IN LATIN AND CENTRAL AMERICA:**

**Exploring relevant EU response strategies in a differentiated cooperation context**

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| **SUMMARY OF THE MAIN MESSAGES** |

*The regional seminar in Quito took place in the context of evolving societal dynamics in the region and major policy changes in EU cooperation. These changes require a fresh look at how to better integrate the local level in the development process; how to engage in a strategic way with local authorities; and how decentralisation can be used as an instrument to foster improved development and governance outcomes. Through highly interactive exchanges, participants to the seminar (EU Delegations, experts and local level actors[[1]](#footnote-1)) co-produced the summary of key messages presented below.*

1. The exchange seminar proved a most ***timely event***, mainly for two reasons. *First*, because Latin and Central America have now accumulated three decades of experiences with processes of decentralisation and related support programmes. This has profoundly affected the institutional landscape of the region, amongst others by creating a ‘local public sector’ with growing (legally enshrined) roles and responsibilities, political authority and fiscal means. Yet available research[[2]](#footnote-2) also shows that systemic constraints continue to undermine local level development dynamics as well as the consolidation of autonomous local authorities. Recentralisation trends also appear in several countries, potentially further reducing the scope for local autonomy. In such a context, new policy responses are needed to support local development dynamics and empower local authorities. *Second,* because the EU is currently seeking to redefine its overall approach towards decentralisation and local governance following (i) the policy orientations defined in the Agenda for Change; (ii) the outcome of the recently concluded Thematic Evaluation of EC support to decentralisation and (iii) the new political ambitions expressed in the May 2013 Communication on *“Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes”.* The Quito seminar provided an opportunity to ***translate this new global EU vision at regional level***, taking into account the application of the ‘differentiation principle’ –whereby most partner countries will graduate out of traditional cooperation[[3]](#footnote-3).
2. A strong message that came out of different sessions is the growing visibility and weight of the ***‘local dimension’ of development***. Across the region, a wide range of promising local initiatives can be observed, fuelled by different public and private actors that seek to address pressing challenges in a given territory. Examples were given of local level dynamics impacting positively on the delivery of public services, the creation of wealth and jobs, the equitable management of natural resources, food security, prevention against disasters, trans-border cooperation, etc. In many places, the local level acted as a ***‘laboratory’*** for testing out and institutionalizing over time new democratic and governance practices (e.g. participatory budgeting or social accountability). When dissecting these local dynamics, a number of common features systematically appear: (i) the existence of a ‘political project’ underpinning these local change processes (i.e. the construction of the public sector ‘from below’); (ii) the importance of local development coalitions (i.e. local authorities and other reform-minded forces); (iii) the experimentation of new forms of citizen engagement (beyond the ritual or instrumental use of participatory approaches); (iv) the focus on wealth creation and inclusive local development; (v) the drive to scale up these local experiences with a view to influence national policies and norms.
3. Within this local ambit, ***local authorities*** are increasingly assuming their ***unique position and role*** as a public institution endowed with democratic legitimacy, a *“general mandate”[[4]](#footnote-4)* as catalyst of local development and accountability obligations towards the citizens of its territory. Through their national associations, local authorities increasingly engage in dialogue processes with central governments with a view to expand local autonomy and improve the overall decentralisation framework. This is a crucial dialogue for local voices to be heard in domestic policy processes and for the promotion of more development-friendly decentralisation reforms. While some national associations in the region have been able to gradually transform themselves into legitimate institutions and credible interlocutors, many others still face major governance and institutional development challenges.
4. All this clearly indicates that the ***local level has its own traction and action*** ((beyond responding to directives from the centre). Sound national policiesare a necessary but not sufficient condition to trigger development. In order to implement these centrally led policies, a strong link with the local level and different ***territorial realities*** is crucial. Without an effective participation of local stakeholders/authorities in policy formulation and implementation, national strategies may not land on fertile soil. It may also prove difficult to demonstrate that ***‘results’*** have effectively been achieved at local level in terms of improving the lives of citizens.
5. Yet there are also ***less positive evolutions*** to be observed across the region. Despite a myriad of (atomized) capacity development initiatives, many local authorities across the region (and particularly in Central America) remain characterised by weak governance, low institutional density and overall fragility. The decentralisation reforms of the last three decades were largely driven by concerns to increase state legitimacy and democratic governance. This, in theory, should have privileged the local authorities of the “government type”, i.e. institutions that truly represent local constituencies and develop policies on their behalf. Yet in practice, however, many local authorities in the region have opted for a purely “managerial type” of functioning. They limit themselves to accomplish the obligatory tasks conferred to them by central authorities[[5]](#footnote-5). The prevailing “political culture” -based on hyper centralization, absolute loyalty to the hierarchy, patronage and fiscal incivility- largely explains why these municipalities refrain from also taking up their “general mandate” in the wider interest of the locality. Conversely, progressive local authorities that seek to expand their autonomy and development outreach, generally encounter fierce resistance from a wide range of powers (i.e. political leadership, sector ministries, the state bureaucracy).
6. All this confirms the ***highly political nature of decentralisation*** processes. As a multi-dimensional process of state reform, the trajectory of decentralization in a given country (including its timing and sequencing) is primarily determined by the intergovernmental balance of power between the different stakeholders involved and their relative ability to bargain and shape policy design and implementation. Hence, ***decentralization reforms do not necessarily lead to more autonomous local authorities***. In many Latin and Central American countries, the coalition of interests is such that decentralization –understood as the granting of effective autonomy to local authorities to fulfil their general mandate- is blocked rather than genuinely promoted.
7. In the light of these contextual evolutions, it seems imperative to ***rethink some of the fundamental premises underlying our vision on local development and decentralisation***:

* It is no longer possible to justify support for decentralisation *only* as part of a normative “good governance agenda”. The challenge at hand is now to adapt a more pragmatic and *instrumental approach* to decentralisation, i.e. by considering when, under what conditions and how can decentralization be a vehicle to foster key development and governance objectives.
* This instrumental logic should be applied to assess *whether and how* decentralization can contribute to the consolidating the new “developmental state” that is emerging in the region, whereby central governments seek to play (again) a leadership role in fostering (inclusive) economic growth. Fears have been expressed that this economic model may create tensions and contradictions with local development and decentralisation dynamics.
* In a similar vein, it will be important to clarify *what decentralization means for citizens*. If the latter do not see an interest in their local authority –because they have little to offer in terms of services- it will be difficult to create a democratic culture from below, based on constructive state-society relations. To turn around this situation, it will be critically important to foster truly community-driven forms of participation at local level (with a democratization potential) as opposed to the still frequently prevailing “pyrrhic” forms of participation (that compete with local authorities and create distrust).
* In order to better integrate the local dimension of development and unleash the potential of local authorities (as catalysts), the relation between “autonomy” and “accountability” must be clarified, taking into account the double role of local authorities (as political representative of a local community and as the facilitator of state action at local level). *Autonomy* is needed for enabling local authorities (i) to develop its own local public policies and mobilize additional resources (in collaboration with the local civil society/private sector) and (ii) to ensure an adequate translation of central policies at local level. *Accountability* is required (i) to explain and account for results achieved to the various constituencies and (ii) to align with national efforts to promote development. Without empowering local authorities by ensuring both their autonomy and accountability, both central and local governments stand to loose as the benefits of additional wealth creation at local level will not materialise.
* The balance between autonomy and accountability defines the incentives that are available to promote local development. In this context, it is important to stress that the *notion of ‘local development’* does not refer to “where” but to “who and how” questions, related to the actors that drive the process and the resources they mobilize. A genuine “local development” is endogenous, open and incremental. It is a *positive sum game*: it creates added value and local resources that will supplement national efforts.
* This potential for providing additional resources is also critical to make the connection between the dynamics of the new “developmental state” (pushed from the top) and local development dynamics” (driven from below). It follows from this analysis that a major challenge for the coming years will be to foster a *decentralisation* process that is *instrumental to endogenous local and territorial development*.
* This, in turn, will require from the various domestic stakeholders (central governments, state bureaucracies, parliament and political parties, judicial, local authorities, civil society, etc.) a much more *systemic vision and approach* to pushing forward reforms at different levels. There is equally a need for inclusive dialogue processes that may help to produce *political pacts* on how to put decentralization at the service of local/territorial development.

1. What does all this mean for ***donor agencies*** willing to intervene in local development and decentralisation? The main message coming out of the seminar regarding donor (EU) roles was the need to fundamentally change a number of “chips” in the way of conceiving and implementing support to decentralisation and local governance –building on lessons learnt and innovative practices developed in some donor support programmes. ***Six particular challenges*** were identified:

* *Ensure a political approach to local development and decentralisation.* In the real world, decentralisation is pushed by “politics”, not development policy. If the EU wants to engage meaningfully in these highly political and conflict-ridden arenas, it should also strengthen its capacity to be a *“politically smart actor”,* with an ability to start from the realities on the ground, look behind the façade, understand the political economy of the reform process, detect windows of opportunity and respond swiftly to these with relevant, coherent and customized interventions. This also implies not equating “interference” with “influencing” domestic policy processes. The latter role is legitimate for external agencies and can take the form of playing a *“facilitating role”* (e.g. in terms of informing national debates, supporting exchanges of good practices, promoting multi-actor dialogues, etc.).
* *Fully incorporate local authorities in development and cooperation processes.* This challenge invites the EU to go beyond the dichotomy “centralisation vs. devolution”. The task at hand is rather to ensure a meaningful integration of local authorities in domestic policy processes and in EU cooperation. This is consistent with the Busan document and the EU Agenda for Change. It implies steeping up EU efforts to help empowering local authorities (as envisaged in the May 2013 Communication) to act as “full local government” and effectively play its catalyst role in terms of creating wealth and better living conditions for citizens. It entails providing *direct support* to autonomous initiatives undertaken by local authorities to promote local/territorial development, through adequate means and procedures (including experimental forms of contractual delegation for delivering services).
* *Build strategic alliances with national associations.* As crucial part of this empowerment agenda, the EU should invest in building *strategic alliances with national associations* –as the key interlocutor and advocacy agent for local authorities. This can be done by facilitating the participation of national associations in key dialogue processes and providing smart and flexible forms of institutional development support over a longer period of time.
* *Support decentralisation as an instrument to obtain better development and governance outcomes.* Also the EU is invited to see decentralisation primarily as a “means” rather than as an “end in itself”. In application of this instrumental logic, the EU could seek to position itself as an ally of reformist forces at local level (and their supporters at national/regional levels). It could also help to elaborate a *national policy on local/territorial development* to inform future decentralisation reforms.
* *Use all available tools in function of the political objectives pursued.* This is a plea for the EU to be *strategic in the choice of suitable aid modalities* in support of local development and decentralisation. In some cases, budget support modalities may be the appropriate way forward. In other cases, the political economy of the context may require the use of “smart projects” to promote decentralization “from below” and empower local authorities. Another challenge will be to optimally use the thematic and regional budget lines in the graduated partner countries in support of local development.
* *Look beyond traditional cooperation.* This is particularly important in countries falling under the new differentiation regime. While aid budgets will be drastically reduced, new opportunities arise for developing *modern forms of international cooperation* around global public goods and exchange of knowledge (e.g. on how to promote trans border cooperation, develop local responses to climate change, etc.) involving non-traditional actors.

1. The seminar was attended by EU Delegations from the three regions (LA, CA, Caribbean), international/regional experts on decentralization and local governance as well as “frontline actors” –who have been engaged in “doing things” at local level such as mayors, local authority staff, national associations or capacity development experts. Other donors (GIZ, AECID, UNDP) also participated. [↑](#footnote-ref-1)
2. See the preparatory desk study, elaborated for the Quito seminar: *Overview of the decentralisation processes in Latin and Central America: Main achievements, trends and future challenges.* Prepared by J. Bossuyt (ECDPM), May 2013. [↑](#footnote-ref-2)
3. Only six countries will retain a bilateral EU aid programme: Guatemala, Honduras, Nicaragua, Salvador, Bolivia and Paraguay. [↑](#footnote-ref-3)
4. Local authorities have both a “specific mandate” (i.e. to implement *national* policies at local level) and a “general mandate” (i.e. to develop their own *local* policies and programs). In the latter mandate local authorities can do whatever is in the interest of the citizens as long as it does not impinge on functions that have been specifically and exclusively assigned to other levels of governance. [↑](#footnote-ref-4)
5. This dual typology of local governments (managerial vs. government) was developed by Nickson, A in : *‘Where is Local Government Going in Latin America?* *A Comparative Perspective’.*  ICLD, Swedish International Centre for Local Democracy. Working Paper No 6, p. 4) [↑](#footnote-ref-5)