



International Secretariat
Alt Moabit 96
10559 Berlin, Germany
Tel: 49-30-3438 20-0
Fax: 49-30-3470 3912
Email: ti@transparency.org
<http://www.transparency.org>

Contribution of Transparency International to the consultation opened by the EC on its issues paper: ***“Towards an EU approach to democratic local governance, decentralisation and territorial development.”***

Transparency International (TI) is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide (i.e. in almost every EU member state and accession candidate and potential candidate country) and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it. One of Transparency International’s main areas of expertise and experience is how to advance development by fighting corruption.

TI concurs with the central theme of the paper emphasizing the role of local governance and its strategic position for strengthening democratic and administrative accountability relations to citizens. It emphasizes what is otherwise the neglected area of democratic governance under Section 5.1 and points to the need for greater accountability to local communities and interest groups. Its approach to a 'social contract' ties in fully with the approach TI is taking to link democratic accountability to equitable development.

The consultation raises a number of queries that are best responded to by local governments and civil society in partner countries that are unlikely to be reached by this consultation.

The paper seeks to reconcile existing efforts on strengthening country ownership, aligning aid and ensuring donor harmonization with arguments for decentralised cooperation.

TI has in the past emphasized the need for such consultations to enter into the parliamentary and public debate in development partner countries rather than leave them to consultations within Europe that are unlikely to evoke responses from democratic representatives and citizens.

Typically, different political circumstances would be critical to determine whether support to local governments is best provided through general budget support at national level with high levels of financial discretion on allocations at the local level or whether decentralised cooperation is more likely to lead to increased responsiveness and accountability. Particularly where progress in cooperation with the national level is challenging, demonstrating a way forward through support to local governments can create a momentum for change. A national level consultation would bring such issues to the fore.

Any decentralised cooperation needs to be checked against the criteria to which donors have committed themselves under the Paris Declaration. In the view of TI, the most critical aspect to prevent corruption and strengthen democratic accountability, the EU would need to ensure that decentralised cooperation at local government level is supportive of real ownership and domestic downward and upward accountability described in the issues paper.

Additional actors that come into play (local to local, regional to regional cooperation in the form of twinning arrangements), would need to have clear accountability structures to democratic institutions and citizens in partner countries to prevent opportunities for corruption.

TI would like to point to outline below some concerns that seem insufficiently considered in the issues paper.

Central governments in a number of ACP countries face the issue of unutilized funds, lack of accounting and sectoral fragmentation in planning due to limited capacities at local level. Local governments in turn face a lack of information on allocations, late disbursements and diversion or corruption in fiscal transfers. Addressing both capacities at local government level as well as the transactions between central and local government have the potential to directly improve development effectiveness.

The role of civil society and citizens in demanding accountability in the use of funds has been increasingly recognised as critical to ensure the effective use of development resources. Provisions for participatory planning, budgeting and management of implementation at local government levels, anchored in the Poverty Reduction Strategy Papers (PRSPs) of many countries are now seen to depend on active civil society engagement.

In spite of the potential of local governments to demonstrate high levels of financial accountability to citizens, current reports describe weaker financial management capacities at lower administrative levels. Citizens' demand for greater participation and accountability is still nascent and in need of greater support to ensure that the potential of local governments is realised. Local control bodies, such as audit courts and citizen's accountability mechanisms (e.g. school management committees), are still in the process of building capacities and strengthening their impact.

TI considers that the "issues paper" neglects these factors that are central to local governments being more strongly positioned to deliver, not only in individual cases, but as part of a systemic change.

The "issues paper" raises the problem of budget support at decentralised levels. Whilst recognising the developmental value of this form of assistance, TI fears that the preconditions for budget support – in particular ownership of local development plans, democratic accountability of local leaders, transparent, accountable and effective public financial management; open and transparent public procurement – are rarely met at local levels. Consequently, TI would caution against using budget support at decentralised levels, except in very specific cases where citizens are able to hold their local representatives to account and efficient monitoring is assured.

Strengthening the role of local governments in the mainstream of EC support can be done by involving elected and administrative representatives from local governments

and civil society in the negotiations for the CSP (Country Strategy Paper) and NIP (National Indicative Programme).

The EC's thematic programme 'Non-state actors and Local Authorities' is already supporting local authorities through what is essentially otherwise a civil society funding mechanism. Such an incentive fund for local authorities could be made part of a national level budget support operation. Support to the local government level that demonstrate improved accountability should be linked to a commitment at the national level to replicate such features and provide an enabling framework for local authorities to be accountable to local communities.

As TI has noted on other occasions, we regret that the Commission remains a victim of too broad and vague a definition of governance, which limits its utility as an organising concept for development and its operational value. TI fully shares the Commission's view that governance is more than tackling corruption. But between this clearly too narrow definition and the Commission's all-embracing concept, there is enough room for a broader, but still operational concept, thus increasing the practical and practicable value of the document