



3rd EU Policy Forum for Development (PFD)

17-18 de marzo de 2015

Management Centre Europe (MCE)
Rue de l'Aqueduc, 118 - 1050 Brussels

Reminder: What is the Policy Forum on Development?

The PFD is made up of about 80 people representing: the EC and other European institutions, the EU Parliament and governments of Member States, sectors of civil society (NGOs, trade unions, cooperatives, private sector) and local and regional authorities from across the world.

The overarching goal of the Policy Forum on Development is to provide CSOs and LRAs from the EU and partner countries with a space for multi-stakeholder dialogue at the EC Headquarters level, to ensure their effective consultation and contribution to the EU development policies and programmes.

Scope of the Policy Forum on Development

In continuity with the Structured Dialogue, the PFD is conceived as a confidence- and trust-building mechanism and not as a negotiation or decision-making space. It will promote communication and better understanding among all stakeholders.

The PFD primarily focuses on European development policies, as well as global development agendas, building on the momentum gained by current debates and discussions on the global architecture for international aid.

Despite its central position as a dialogue mechanism at headquarters level, the PFD does not intend to become the "only entry point" for CSOs and LRAs: it shall not replace existing consultations at national (EU Delegations) and regional levels, practices or bilateral discussions where, among others, programmatic issues are discussed.

The PFD builds on the added value and complementarities brought by the different actors, in their capacity to contribute to the analysis, design and monitoring of EU development policies.

The Programme:

The following is an explanation of the issues covered by the sessions of the 3rd PFD, with a summary of key issues and messages for local and regional governments:

Before the official inauguration of the forum:

On 16 March from 9:00 to 12:30, the European Commission will organize a preparatory session on three issues: a) Strengthening support to PFD members and to consultation work with members; b) Introduction to the debate on Financing for Development (see explanation below); c) facilitating regional meetings of members

In the afternoon, from 14:30 to 18:00: **local authority members of the PFD are invited to a meeting at the headquarters of the Council of European Municipalities and Regions (CEMR)** (CEMR, *Square De Meeûs 1, Bruselas, 1st floor, Room Trône 1*). This will be a two-part meeting (see attached programme):

- 1st part (14:30 – 16:15): **meeting of the Global Taskforce of Local and Regional Governments** to debate the position of local governments for: a) the 2nd PrepComm for Habitat III, to be held in Nairobi from 14 to 16 April, 2015; b) the 3rd UN Conference on Financing for Development (Addis-Ababa, 13-16 July 2015), c) the roadmap for planned work for 2015
- 2nd part (16:30 -18:00): **meeting of local authority members of the PFD**, to explain and debate positions that will be presented in the PFD sessions, in particular on a) The European Commission Communication “A Global Partnership for poverty eradication and sustainable development after 2015”, b) “Financing for Development” and c) the enabling environment

Day one, Tuesday 17 March

1. **Inaugural session (9:00- 10:00)**
 - Jacqueline Moustache-Belle, Mayor of Victoria and Co-President of the PFD, will speak on behalf of local authorities.
2. **The Global Scene (10:15 – 11:45): Financing for Development in the framework of the Post-2015 Agenda**
 - 2.1 ***“A Global Partnership for poverty eradication and sustainable development after 2015”*** [Com(2015), 44 final, 5 February 2015]
 - Speaker: Hans Janssen, Mayor of Oisterwijk, Netherlands, will represent local authorities

On the communication of the European Commission: (for more information see the annex 1 brief presented by PLATFORMA)

In February 2015, the European Commission published a new Communication updating the position of the Commission with respect to the UN Post-2015 Agenda (see the communication and its annex here: https://ec.europa.eu/europeaid/communication-global-partnership-poverty-eradication-and-sustainable-development-after-2015_en).

This Communication sets out the position of the EC with regard to two important processes: a) the debate on the means of implementation of the Post-2015 Agenda (being debated in the framework of the intergovernmental negotiations in New York until June 2015 and whose final position will be adopted by Member States in September) and b) the preparation of the 3rd Conference on Financing for Development (in June 2015 in Addis Ababa).

12:00 - 1230 : presentation of the results of the multilateral forum held in Africa in December 2014.

Afternoon of Day one - Financing for Development in the framework of the Post-2015

Agenda

2.2. *The actors' views on Means of Implementation* (14:00 - 14:50)

- Speaker: Aura Saldana, Mayor of Sabana del Mar (Dominican Republic), will represent local authorities, alongside representatives of civil society.

Following this presentation, the participants will be split into three working groups. Each group will be facilitated by a representative of the European Commission, and will be set a series of questions to respond to.

1st Working group: Infrastructure of public goods and social services (including the local level).

Questions:

1. What are your own experiences on best practices in developing infrastructures, and particularly in access to basic services, at local level? What combination of factors promoted this best practice? What are the key implementation issues?
2. What are the key bottlenecks/challenges you/your constituencies/your community face in developing public goods and basic infrastructure, and particularly in access to basic services? What is the role of different actors in overcoming bottlenecks to financing for local governments?
3. What is missing or has not been given adequate attention? What key messages are you taking to upcoming global meetings?

2nd Working group: Innovative sources of financing

[“Innovative sources” are understood as new taxes dedicated to financing development, e.g. on financial transactions of the Tobin tax on air travel which are already in place in some European countries, as well as public-private partnerships or associations.

Questions:

1. Are you aware of best practices? How can you or have you benefit(ed) from them?
2. What sources of financing are most vital to achieve change/SDGs at local/regional/global levels? What are the main bottlenecks for accessing these sources of financing? What are the crucial aspects could facilitate access to and use of financing in your experience?
3. What is missing or has not been given adequate attention? What key messages are you taking to upcoming global meetings?

3rd Working group: The Partnerships for Development (new partnerships, global, how effective, how to involve all stakeholders, including the private sector).

Questions

1. Are you aware of best practices? How can you benefit from them? Are there examples of best practices in government partnerships/ people-to-people partnerships?
2. How can local stakeholders and local governments effectively participate in the future global partnership? What are, in your experience, the main challenges for these partnerships?

3. What is missing or has not been given adequate attention? What key messages are you taking to upcoming global meetings?

After the working groups, a plenary session will be held to present and summarize the conclusions of each group. The aim is to identify common messages that can be taken to international forums, particularly to Addis Ababa.

Note on Financing for Development and the vision of local authorities (for more information, see [annex 3](#))

As part of the preparation for the 3rd World Conference on Financing for Development (Addis Ababa, June 2015), the international community has recognized that huge amounts will be required to finance deficits in infrastructures and achieve the SDGs. In December of 2014, the UN Secretary General, Ban Ki-moon, wrote that “many of the investments to achieve the SDGs will take place at the sub-national level and led by local authorities”.

However, the references to local authorities in the documents under negotiation are very weak. As mentioned previously, in the document published in January 2015 in preparation for the Addis Ababa Declaration, there is only one paragraph with three general proposals regarding local authorities: increase technical assistance and capacity building, ensure appropriate fiscal decentralization and provide suitable regulatory and legal environments.

In most countries, local authorities are responsible for the provision of basic services and the development of some basic infrastructures (water and sanitation, transport, local roads, solid waste management and, in some countries, education and health). However, with the exception of the most developed countries, some emerging countries, or large cities, the resources of most local governments do not allow them to meet their responsibilities. They have limited access to credit and the financial markets to invest in infrastructures. For these reasons, local governments propose the following measures for inclusion in the 3rd Global Conference on Financing for Development:

- Place the role of LRGs in the SDGs and FfD **more prominently in policy statements** and involve LRGs **more deeply in the building of the Global Partnership for Sustainable Development**, to contribute and ensure coherence of sustainable policies at subnational, national and international levels.
- Strengthen LRGs capacities to lead sustainable developmental process, to implement strategic plans and the long-term delivery of SDGs at local levels, ensuring the identification of bankable infrastructure and social services projects that respond to prioritized communities demands.
- **Increase domestic resources mobilization with a more prominent role of LRGs** through policy reforms and innovations in the way finances are channeled to them to improve infrastructures and social services.
- Support the development of **broader intergovernmental frameworks**, building capacity and incentives for LRGs **to meet the fundamental requirements for effective sustainable development policies**, enabling various aspects of accountability and transparency.
- Develop an enabling environment to engage the **private sector to invest in local infrastructures and work in partnership with LRGs** in the SDG and FfD arena, including

adequate PPP frameworks and local public procurement systems that prioritize local economic development and job creation. Strengthen the capacities of LRGS to promote, manage and monitor PPP that ensure universal access to public services and protect the commons.

Local Governments are developing a position paper to ask for fiscal reforms, improved transfers, and the promotion of public and private local investment mechanisms.

Day two – Wednesday, 18 of March

3. **Enabling Environment (EE) for civil society organizations and local authorities in the Post-2015 Agenda (9:00 – 9:45)**

Plenary –

- Jean Pierre Elong Mbassi, will chair the session on behalf of local authorities. (tbc) will represent local authorities alongside speakers from civil society and the private sector.

For more information on the concept of Enabling Environment, please see [Annex 2](#).

10:00 to 12:00: Working groups

The participants will split up into working groups: one group will be made up of local authorities (though civil society representatives can also participate and local authority representatives are free to participate in other groups)

- 1) Local authorities and the localization of the development agenda (2 hours)
This working group session is aimed at acknowledging the state of play of existing initiatives to improve the enabling environment for local authorities at country/regional/global levels, through the sharing of case studies and best practices. In this workshop, it is proposed to analyse the three levels (country, regional and international) through the following examples:
 - a) At country level: Jean Pierre Elong Mbassi will introduce one or two examples from Africa countries, out of the UCLG-A/Cities Alliance Report
 - 2) At regional level: Bernadia Tjandradewi and Guillermo Tapia will present their experience with ASEAN and the Iberoamerican General Secretariat (SEGIB), The colleagues from Africa could also present their collaboration with the African Union.
 - 3) At global level: Edgardo Bilsky will present the work done by the GTF on the SDGs and the Global Partnership.
- 2) Two or three working groups of civil society will present
 - a. Highlights from the Review of Evidence of country cases (EE) by CPDE
 - b. State of play of Task Team methodological work to define EE framework in the context of Voluntary Initiative II of the Global Partnership (GPDEC) and open

discussions (on case studies and eventually on differences in the “definition of EE”
)

At least two individuals will have been identified* and briefed in each group who will lead in sharing an experience about his or her own work around an EE (no more than 3 minutes each):

Key questions will be asked of all working group participants:

1. What are the key components of an EE for you?

What key points from the case studies/examples sound familiar or resonate with your own experience?

What trends are relevant for your region/your local area/ your work? (10-15' to note and post)

2. What needs to change for the policy environment to be more conducive to your work? (25-30 minutes)

Suggested questions:

- What role can LAs play in that change?
- What role can CSOs play in that change?
- What role can the private sector play in that change?
- What role can domestic resource mobilization play in that change?
- What role can country systems and Member States play in that change?
- What key issues are you advocating for in upcoming national and international meetings?

Afternoon of Day two

4. The EU Agenda – Update on the CSO-LA Thematic Programme and implementation (14:30 -17 h)

- Presentation of the 2015-2017 MAAP
- Presentation and discussion on the funding modalities for the thematic programme
- Update on LA (tbc)

For more information see ANNEX 4 (presented by PLATFORMA)

Annex 1 (presented by PLATFORMA)

Session 2.1 – A global partnership for poverty eradication and sustainable development after 2015

Session 2.1 – A global partnership for poverty eradication and sustainable development after 2015 – will focus on exchange views on the post-2015 framework, and more specifically **responding to the latest EC Communication, published in February 2015.**

The Communication and speaking points

The positive points

The Communication recalls that **good governance at all levels** is an essential means of implementation of the framework; recalls that the new global partnership should **unlock the development potential of local authorities**; recalls the necessity to establish effective legislative and regulatory framework at the national **and subnational levels**; calls for better articulation between **national and local policies**; stresses the importance of the **local level in the monitoring and accountability framework** and in that regard insists on the fact that capacities and skills, **at all levels**, need to be developed; and finally recognises the role of local authorities in establishing a conducive business environment.

The points we like less

- The Communication recalls that “the partnership needs to be based on human rights, good governance, rule of law, support for democratic institutions” **without referring to democratic governance** and institution building at the local level.
- The Communication also recalls that national governments have the primary responsibility for implementing sustainable economic development policies **without acknowledging local/regional governments’ role as drivers for sustainable development**. The Communication does account at all of the necessity to work on domestic resource mobilisation at the local level.
- The Communication does **not refer to the localisation of the SDGs** and building ownership of the goals at the local level.
- The Communication does **not mention decentralised cooperation**.

Our reaction to the Communication – speaking points

We commend the European Commission for recognising and promoting the role of local and regional governments in the post-2015 development framework;

- More particularly, for stressing the following elements as essential features of the framework:
 - good governance at all levels as an essential means of implementation;
 - the necessity to unlock the development potential of local authorities;

- the necessity to establish effective legislative and regulatory framework at the national and subnational levels;
- the need for better articulation between national and local policies;
- the importance of the local level in the monitoring and accountability framework and in that regard the need to develop capacities and skills, at all levels;

We recall that:

- Local and regional governments, along with the central governments, are drivers of sustainable economic development;
- They are responsible for transport, housing, creating conducive business environment at the local, education, infrastructure – which spur economic development, foster investment and job creation;
- Decentralisation processes over the world give more responsibilities and competences to local authorities, but a lot remains to be done in terms of empowerment and capacity building;
- Domestic resource mobilisation, at the local level, is an important challenge that needs to be addressed, and it will be of one the triggers of the success of the SDG framework;
- Building ownership of the SDGs, at the local level, will also be one of essential conditions for achieving sustainable development by 2030;
- Democratic local governance is an opportunity for inclusion of stakeholders in decision-making, thereby creating broad-based ownership, commitment and accountability and local and regional governments have a pivotal role in that regard;

We recommend that:

- The EU position in the post-2015 negotiations be articulated with the Communication “Empowering Local Authorities in Partner Countries for more Effective Development Outcomes and Good Governance”, which represent the most looking forward policy paper on the challenges and opportunities to unlock the development potential of local authorities;
- The Global Partnership be based on support for democratic institutions, at *all* levels;
- Emphasis should be put on strengthening decentralisation processes with a focus on ensuring that financial and human capacity are transferred from the central state to the subnational level and ensuring a clear division of competences ;
- Local and regional governments’ capacities be strengthened in the field of domestic resource mobilisation, most specifically with regards to fiscal policy and tax revenue collection.

Means of implementation

- We insist on the necessity to provide the means for implementing the framework at the subnational level;
- In that regard we recommend to deploy efforts to adapt the framework beyond national context, taking into account subnational contexts – what we call localising the SDGs;

- Setting goals and targets taking into account the challenges and opportunities of the subnational level will also ensure better monitoring and accountability;
- In that regard special attention should be provided for assessing needs and collecting data at the subnational level;
- We call for the European Union to recognize decentralised cooperation as a mean to strengthen the capacities of local authorities, and to maintain political and operational support to decentralised cooperation.

Urban SDG

- We call for the European Commission to maintain its efforts in supporting Goal 11 – Make cities and human settlements inclusive, safe, resilient and sustainable;
- It represents an opportunity to achieve safe, inclusive, productive and resilient cities and territories, with participative, efficient and accountable governance to support sustainable urban development. It touches upon *all* dimensions of sustainable development;
- The Urban SDG entails a **territorial approach** with due consideration to regional and rural-urban linkages and allows the development of cooperation among *all* levels of governments. Most importantly, it places multi-level and multi-stakeholder approaches at the heart of sustainable development.

Background on the EU and the post-2015 development framework

Since February 2013, the European institutions (European Commission, European Council, European Parliament and Committee of Regions) have published eight documents pertaining to the post-2015 development framework. All of them participate in the discussion on the Union's position in the UN-led intergovernmental negotiations which will lead to the adoption of the Sustainable Development Goals¹.

If the documents have increasingly acknowledged or referred to the role of local and regional governments in development processes and achieving the sustainable development goals, references are not numerous nor strong.

The EU strategy to unlock the potential of local and regional governments in partner countries is explained in the Communication "Empowering Local Authorities in partner countries for

¹ Previous publications:

- EC Communication "A decent life for all: Ending poverty and giving the world a sustainable future", February 2013
- EC Communication "Beyond 2015: towards a comprehensive and integrated approach to financing poverty eradication and sustainable development", July 2013
- EC Communication "A global partnership for poverty eradication and sustainable development after 2015", February 2015
- Council Conclusions "The overarching post-2015 agenda" June 2013
- Council Conclusions "Financing poverty eradication and sustainable development beyond 2015" December 2013
- Council Conclusions "A transformative post-2015 agenda" December 2014
- European Parliament report "The EU and the global development framework after 2015", May 2013
- European Parliament report "The EU and the global development framework after 2015", November 2014
- The EP is preparing a report on financing for development
- The Committee of Regions is preparing an opinion on the post-2015 development framework

enhanced governance and more effective development outcomes”, nonetheless, just as the documents on the post-2015 framework often mentions the role of Civil society and the private sector, they could most certainly acknowledge and give more emphasize on the local dimension and challenges of development.

In the context of the thematic debate on the Means of Implementation for transformative post-2015 agenda, the Ambassador of the EU to the UN delivered a strong statement, emphasizing the EU’s vision of the role of LRGs:

“On the role of Parliaments, Cities and Local Authorities in post-2015 implementation, it is our view that their contribution is crucial if we are to make a success of a universal agenda. Through the adoption of national sustainable strategies, Parliaments can transmit the new agenda to state level, and also ensure that long-term sustainable goals are incorporated into political decisions. As the public administration closest to citizens, local authorities hold special institutional responsibilities in enhancing citizens’ participation in decision-making, with the objectives of good governance and sustainable development at local level. Empowerment of local authorities with an adequate level of autonomy, capacity development and financial resources in terms of policy and service delivery is a powerful vector of governance. Responsible and accountable local authorities that drive sustainable development, reduce poverty, achieve gender equality and promote active citizenship are also paramount for increasing democratic participation and for the respect of human rights. In this regard the role of local authorities has to be addressed in the Means of Implementation framework. Sub-national bodies will be at the forefront of implementation.”

From the most recent document, published between November 2014 and February 2015, **the resolution of the European Parliament** recognises the essential role of LRGs in development planning and the role played by decentralised cooperation in the pursuit of the SDGs and called for the recognition and strengthening decentralised public aid.

On the positive side, the Council Conclusions highlight cities and human settlements as one of the challenges that should be addressed by the post-2015 development framework. The Conclusions make several references to the role of all stakeholders in elaboration and implementation of the framework without clearly mentioning local authorities, except once “the EU and its Members States will continue to work constructively and inclusively with all partners and with stakeholders, including civil society, parliaments, scientific and academic institutions, local authorities [...]”.

On the not so positive side, the Conclusions refer to the importance of national leadership, country ownership, accountability at the national level, the necessity to take into account national context in the agreed framework, without ever referring to the subnational level, or context. Similarly the Conclusions emphasize the need to strengthen democratic institutions, good governance and the rule of law, without any reference to local democratic governance.

Some critics from CSOs to the EC communication (source CIDSE)

Financing for Development is dead! Long live Post-2015!

The very first paragraph gives away the total disregard for the International Financing for Development agenda. It calls for the Third Financing for Development Conference (FfD3) and the "UN summit for the adoption of the post-2015 development agenda to build upon earlier initiatives, "in particular the MDGs and Rio+20." It does not mention the Monterrey Consensus (outcome of the first FfD Conference) or the Doha Declaration (the outcome of the second FfD Conference). There is also not a single mention of the pledges the EU had made at the first FfD Conference in Monterrey (the [Barcelona Commitments](#)). This despite the fact that this Communication is supposed to form the basis for the EU position for FfD3.

We do, if you do!

Even in areas that overlap with the EU's Barcelona Commitments to a certain extent: mobilisation and effective use of domestic and international public finance; mobilising the domestic and international private sector and stimulating trade to eradicate poverty and promote sustainable development, there is a dramatic shift from the past. To paraphrase the new position, the EU says it will do its share provided others do so too. The annex proposing concrete actions to be committed starts with a list of proposed actions for all to take and is only then followed by a list of EU actions. A clear example of "we do if you do" is the proposed commitment on Official Development Assistance (ODA) (4.1. iii): "The EU would be ready to go further and make quicker progress (to set timelines for reaching 0.7), provided the above mentioned countries (high income, upper middle income and emerging countries) are also willing to take similarly ambitious commitments)."

You do because we do

The Communication does not propose any new commitments or actions to be put on the table. Rather, the actions listed are those already being undertaken that the EU would like other "high income countries, middle income countries and emerging economies" to also undertake. For instance, on Policy Coherence for Development (PCD), it highlights the EU's legally binding commitment to take development cooperation objectives into account in policies that the EU implements which are likely to affect developing countries (though not specifying the impact of its PCD commitment on actual EU policy). However it starts off by saying "all developed, upper-middle income countries and emerging economies should commit to set up systems to assess the impact of adopting new policies on poorer countries. Similarly, in the section on trade in the annex: "All developed countries and emerging economies need to provide, as the EU already does, duty-free and quota-free access to all products from all LDCs, except arms and ammunition." For a communication that proposes the EU position on financing for development and means of implementation for a new Universal agenda, it is interesting that it does not propose any action that the EU will undertake to combat unsustainable consumption and production within its borders and how its own companies and policies influence unsustainable patterns of consumption and production in other countries. Neither does it propose action to enhance the sustainable development impacts of European financial markets and actors or tackle problems. It would not have taken much for a Financial Transactions Tax to be put forward, for instance, given that 11 EU member states are currently jointly discussing its implementation under the auspices of an EU initiative.

Emerging economies need to do as much as we are doing

The predominant message of the Communication is to call on emerging economies to step into line:

On ODA: Upper middle income countries and emerging economies should commit to increasing their contribution to international public financing and to specific targets and timelines for doing so.

On Trade: All developed countries and emerging economies should grant duty free and quota free access to their markets to LDC products, increase their Aid for Trade to LDCs and provide it according to development effectiveness principles.

This is a surprising negotiating line to propose given the potential to polarise the discussion. Even more so given the failure of the communication to address global governance reform.

Glaring absence of global governance issues

For a communication titled "A Global Partnership for Poverty Eradication and Sustainable Development," little is said about the current global partnership and the need to reform current imbalances in global governance. There is not a single mention of the call to establish a new intergovernmental tax body within the UN to correct today's international tax governance set-up still led by the OECD, an institution owned and controlled by industrialised countries. Similarly, there is not a word about the need to reform the structures and bodies that currently control sovereign debt issues and put in place a multilateral legal framework to deal with sovereign debt restructuring as called for by the [UN General Assembly](#).

Questions also arise about the exact nature of the new "multistakeholder partnerships" that the communication calls for that need to operate "at all levels and involving the private sector and civil society.." The specific focus on needs and issues related to the private sector in particular and the lack of any specific recommendations on creating an enabling environment for civil society, in particular those representing or defending the rights of marginalised persons and groups is concerning.

Gender issues only marginally addressed

Gender justice issues are similarly sidelined by the Communication. While the Communication calls for exclusion and inequality, including on the basis of gender, to be addressed, the annex that proposes concrete actions is disappointingly weak. Beyond a call to include "gender equality" as one of the principles in policy and the need to address "gender-issues" in the workplace, the annex does not set out any actions that could enhance gender justice.

ANNEX 2 - NOTE ON ENABLING ENVIRONMENT

The concept of an “enabling environment” is based on the recognition that both local and regional authorities and civil society organizations can fulfil their role as important actors for development **only** if a set of conditions that influence their capacity to engage in development processes in a sustained and effective manner, whether at the policy, programme or project level, is fulfilled.

This set of conditions is called an Enabling Environment (EE) and it includes elements related to legal, regulatory and policy frameworks, and political, socio-cultural and economic factors.

- 1) The [EC perspective](#) on the enabling environment for local and regional authorities was presented in their last communication on “Empowering Local Authorities in partner countries” (May 2013, see <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0280:FIN:EN:PDF>). The communication recognizes that “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 [including appropriate decentralization policies, intergovernmental fiscal systems], allowing Local Authorities to benefit from a sufficient level of autonomy in exercising power and acquire specific capabilities”. It is also fundamental to simultaneously empower local and regional authorities “to respond to citizen demands for effective, transparent and accountable governance, an equitable allocation of resources and access to services.”

The communication argues that the EU should work in favour of democratically legitimate, accountable and representative local and regional authorities and leaders in partner countries, based on the principle of subsidiarity: “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.”

To ensure the implementation of this communication, the EC has signed in January a strategic partnership with main global and regional associations of local and regional authorities that should contribute to these objectives. But the implementation is still pending.

The EC approach on an enabling environment for civil society is much more advanced with regard to implementation. The EC has defined a roadmap, currently being applied in partner countries, that includes various steps: assessment of the national legal and institutional background and mapping of CSOs; national dialogue between central governments of partner countries, the EC, EU Members States and CSOs based on the results of the previous assessments; the development of a set of recommendations to improve the situation of CSOs; and support regarding the implementation of these recommendations and regular follow-up.

- 2) As stressed in the conclusions of the Structured Dialogue (2010), to a great extent, an enabling environment for local and regional authorities depends on a true devolution of political, administrative and fiscal decision-making within the broad context of



decentralization. Local and regional authorities called on the EU, Member States and the donor community to reinforce and consolidate the role of local and regional authorities as key stakeholders within their support programmes for decentralization in partner countries; to strengthen fiscal decentralization; and to reinforce LRAs' participation in local and national development policies, ensuring coherence between national and local policy development and planning. To facilitate collaboration with CSOs, local and regional authorities and all partners would promote active and participatory citizenship at local and regional levels by supporting the involvement of CSOs through local and regional participatory mechanisms in policy-making, planning, budgeting, monitoring and evaluation.

Local and regional authorities are developing a range of tools to analyse and ensure a follow-up of the situation of local and regional governments in different countries. For example, during the session, UCLG Africa will present an initiative developed with the support of Cities Alliance, to evaluate the enabling environment for local and regional authorities in Africa, based on peer-to-peer review and a set of indicators.

ANNEX 3

Financing urban and local development: The Missing Link in Sustainable Development Finance

A briefing on the position of the role of local and sub-national governments in the deliberations related to the Financing for Development Conference.

The international community is devoting great energy to the **critical task of financing sustainable development post-2015** and looking forward to the 3rd Conference on Financing for Development (FfD3) in Addis Ababa.

There is a general acknowledgment of the huge volume of public and private investments needed to eradicate poverty, cope with the impact of climate change and promote prosperity. Many countries face a **considerable backlog of infrastructure demands and anticipate new ones with population growth and continued urbanization** (more than 2.5 billion urban dwellers by 2050, mostly in developing countries). Expectations of total need vary widely but some estimates are \$90 trillion. These vast needs for investment in productive infrastructure coincide with unprecedented amounts of global liquidity in search of investment opportunities. The High Level Panel on the Post 2015 agenda argued that the battle for sustainable development will be lost or won in cities and the UN SG Synthesis Report pointed that “many of the investments to achieve sustainable development goals will take place at the subnational level and be led by local authorities”.

In the course of the numerous FfD deliberations, however, there has been yet **insufficient consideration of the potentially indispensable role of Local and Regional Governments (LRGs) to build sustainable cities and territories** and inadequate attention to the resources and the capacities LRGs will require to be able to maximize their contribution to development in the critical years ahead.

The Elements paper on the Preparatory Process for the 3rd International Conference on FfD provides a valuable outline of overarching issues and needs, but it **makes few references to subnational governments**, and the annex presents only three policy options on their role:

- **Increase technical assistance and capacity building** for subnational entities, including project development, debt management, and sector finance;
- **Ensure appropriate fiscal decentralization**; and
- **Provide suitable regulatory and legal environments** at the national level.

These are indeed critical issues, but they fail to adequately recognize the developmental role of LRGs, particularly in **urban areas**, and they omit many critical aspects of sub-national reforms, failing to note the great diversity of LRGs that will necessitate varied policy responses.

The upcoming FfD3 Conference provides a unique opportunity not only to advance thinking on how to facilitate the mobilization of funding necessary to promote sustainable local

development, but also to deepen the global understanding of how to unlock the developmental potential of local/urban areas and the bodies that govern them.

- What **specific roles** can LRGs play in financing and delivering the SDGs?
- How can LRGs **mobilize part of the wealth** produced within their jurisdiction (domestic resources) to finance and support development?
- What **steps are necessary** to enable LRGs to play these roles?
- How can **national and global actors improve LRG access** to long-term finance and strengthen their capacities to deliver sustainable services, particularly in poor areas?

Policy proposals and recommendations

*If local/urban governments are to play their rightful role in meeting the SDGs, it is important to **adopt a suitable blend of appropriate fiscal reforms and financial instruments**. Well-structured and supported, LRGs can contribute substantially to development outcomes, meeting not only local needs but also supporting national objectives. It will also be essential to set up review and monitoring mechanisms within the FfD process to ensure that the inclusion and performance of LRGs is being adequately incorporated and assessed.*

Build effective global and national partnerships

First, ***the role of LRGs in planning and financing the SDGs should be more prominently acknowledged and measure undertaken to lay a stronger foundation to facilitate their ability to contribute.***

- Place the role of LRGs in the SDGs and FfD **more prominently in policy statements** and involve LRGs **more deeply in building the Global Partnership for SD** so that they can contribute to and help to ensure coherence of sustainable policies at subnational, national and international levels.
- Strengthen LRGs capacities to lead the sustainable developmental process, to create and implement strategic plans and the long-term delivery of SDGs at local levels, ensuring the identification of bankable infrastructure and social service projects that respond to prioritized communities demands.
- **Increase domestic resource mobilization with a more prominent role for LRGs** through policy reforms and innovations in the way finances are channeled to them to improve infrastructures and social services.
- Support the development of **broader intergovernmental frameworks**, building capacity and incentives for LRGs **to meet the fundamental requirements for effective sustainable development policies**, enabling essential aspects of accountability and transparency.
- Develop an enabling environment to engage the **private sector to invest in local infrastructure and work in partnership with LRGs** in the SDG and FfD arena, including adequate PPP frameworks and local public procurement systems that prioritize local economic development and job creation.
- Strengthen the capacity of LRGs to promote, manage and monitor PPPs to help ensure universal access to public services and to protect the commons.

Mobilize domestic resources at both local and national levels

Second, there is **considerable scope to increase domestic revenue generation by LRGs** through appropriate fiscal reforms and fiscal decentralization:

- Provide LRGs with **adequate powers and capacities to raise revenues** (tax, non-tax, user charges), to discharge their obligations and to pursue broader activities that meet needs of their constituents, support growth and development, and promote equity and gender sensitive approaches.
- Focus on allowing and/or improving the use of a **set of productive sources** of revenue: **land value capture** merits particular attention, especially in growing urban areas; other sources--including motor vehicle revenues, user charges and some types of **business taxation** hold great potential.
- Allow LRGs to **piggyback** on selected national or regional revenues that are productive but best administered at a higher level, e.g. income-related taxes and VAT.
- **Develop better information** on tax bases and taxpayers, **simplify** tax structure and administration, and adopt policies to **improve administration/collection so as to reduce tax avoidance and tax evasion at local levels**.
- **Promote participatory mechanisms to increase citizen engagement, strengthen local accountability and tackle corruption** (e.g. local participatory budgets).

Third, national governments can improve domestic tax and non-tax revenue mobilization and devote an appropriate share to better structured **intergovernmental transfers that increase LRGs' access to resource and encourage them to raise their own revenues to deliver basic services and play a stronger role in development**.

- **Regularize the intergovernmental transfer system** to ensure an adequate share of national resources will be provided to support the execution of LRG responsibilities and that this will be done through rule-based mechanisms and predictable resource flows. There is no universal canon for using derivation-based versus formula-allocated tax sharing--the former empowers wealthier SNGs but will worsen fiscal disparities and necessitate greater use of fiscal equalization transfers. There is also no "ideal" balance between unconditional and conditional transfers--the former reinforce LRG autonomy, and can support equalization, LRG accountability and locally driven development, while judicious use of conditional transfers can create incentives to meet the SDGs.
- **Use intergovernmental transfers to support LRG reform objectives and to meet broader policy objectives, particularly SDGs goals**. Some countries have started to use transfers to reward LRGs for compliance with fiscal and managerial regulations and for their performance in delivering national priority services.
- **Increase transparency and improve data collection at local levels to support design of the transfer allocation process**. This will help to improve effectiveness and to assure LRGs and the public that these resources are being allocated in a clearly specified and fair manner.
- **Improve linkages between transfers and other elements of the intergovernmental fiscal system**. In particular, it is essential to ensure that transfers do not undermine the

incentives of LRGs to raise revenues from own sources or discourage creditworthy LRGs from borrowing for infrastructure investments.

Strengthen long-term financing through domestic and international private sources

Fourth, **many LRGs, especially in urban areas, could increase borrowing to finance investments that support the SDGs**. Since countries and LRGs are very different, a range of measures and mechanisms would be required and must be appropriately applied in specific situations.

- **Promote and facilitate access to credit markets where LRGs are in a position to borrow**, mainly large urban areas in low and middle-income countries.
- **Develop effective financing alternatives for LRGs that are not in a position to go to the market**; these include special credit institutions like municipal development banks and risk mitigation strategies (such as full or partial credit guarantees from the central government, co-financing initiatives, secondary market support, and the use of bond banks and credit pooling).
- **Ensure the provision of an appropriate spectrum of LRG investment finance options**, ranging from grants and subsidized (according to clear criteria and conditions) loans for poorer LRGs and non-self-financing projects, to various types of loans on market terms for more fiscally sound LRGs and self-financing projects.
- **Build creditworthiness over time with the development of an asymmetric and integrated financing system that creates robust incentives for stronger LRGs to borrow and for weaker LRGs to improve their capacities and begin to borrow**, initially through special credit mechanisms and later on more market-based terms.
- Support the **establishment of new mechanisms for financing cities in developing countries**, e.g. an Urban Development Fund, as an enhancement of an urban agency concept into a financing vehicle that can bring institutional investors, development finance and the public sector within cities together.
- **Encourage regulators and rating agencies to incorporate the positive impact of sustainability and resilience into evaluation of investments in urban areas**. This approach could be allied to existing work being undertaken in relation to risk assessment and use of risk instruments offered by the insurance industry.

Localize official development aid

Fifth, **ODA--traditional, emerging mechanisms (public/private/mixed), South-South cooperation and new modalities (e.g. city-to-city cooperation)--can be better targeted and used to create avenues for enhancing the resources available to LRGs in developing countries and supporting them to target the SDGs**. This requires development partners need to be aware of the productive roles of LRGs in meeting the SDGs and act accordingly.

- Design more appropriate mechanisms to **engage LRGs in order to understand more fully the considerable opportunities they present and the prominent challenges they face**; such mechanisms must recognize the diversity of LRGs within particular countries, which may necessitate asymmetric approaches.

- Develop innovative ways for international and regional development banks to **lend more broadly to LRGs** (e.g. innovative credit enhancement for sub-national loans and reduction of foreign exchange risks).
- Devise creative ways for development partners to **channel resources to LRGs** in ways that both support them as empowered, autonomous entities with a **general developmental mandate for their territories** and provide them with **dedicated funding to finance specific SDG activities**
- Ensure LRGs **access to global, regional, and national climate-change financing mechanisms** (e.g., Green Climate Fund, GEF, etc) in order to facilitate investments in adaptation infrastructure.
- Support the **development and maturation of the broader intergovernmental fiscal system in which LRGs must operate**--local own source revenues, intergovernmental transfers and credit mechanisms/innovations (including development of subnational debt markets); many partners already work on these areas, but too often in fragmented ways that can undermine national policy and system coherence as well as weaken prospects for LRG engagement with domestic and international providers of finance.
- **Help provide a foundation the collection and use of better information**, including gathering of local data and creation of national systems that integrate disaggregated data at subnational levels. This will assist with setting and following up on localized goals and targets.
- Support **city-to-city cooperation** as a way to strengthen local capacities and facilitate exchanges of knowledge and good practice on city management, risk prevention, and innovative and clean technologies, among others, to meet the post-2015 development agenda.

ANNEX 4

CSO-LA Thematic programme – consultation on the multi-year action programme for 2015 PLATFORMA Comments

PLATFORMA is the network representing local and regional governments (LRGs), and their associations, active in the field of development cooperation between Europe and partner countries. PLATFORMA has 24 members: national, European and international associations, as well individual local and regional governments (more information on www.platforma-dev.eu).

PLATFORMA has represented local and regional governments throughout the Structured dialogue process and has two seats in the Policy Forum, as the European platform representing LRGs in development policy.

Since its launch, in 2008, at the European Development Days in Strasbourg, PLATFORMA has actively engaged with the European institutions to inform and constructively participate in shaping the EU development policy with two main objectives; i. strengthening EU support to local governance in partner countries and, ii. strengthening EU support to decentralised cooperation as an implementation means of development cooperation.

Comments on the process of multi-year programming

- We welcome the initiative of the European Commission to start multi-year programming;
- Providing that country Delegations (for priority 1) and headquarter (for priority 3) inform all stakeholders of their respective programming and of the timeframe for the launch of the Call for Proposals (CfP), it would enable longer term planning and more predictability for beneficiaries;
- The European Commission should take this opportunity to undertake consultations with LRGs and their associations, in Europe and in partner countries, on the guidelines for the Call for proposals, to ensure that they correspond with beneficiaries' needs, but also with their constraints;
- Indeed it is important that initiatives financed under Call for Proposals meet the priorities of the beneficiaries and in that regard, keep an open character (as opposed to service contract for example);
- We recommend that funding modalities are known in advance and that forecasts of Calls, by year and by country, are made available as soon as the programming cycle is over;
- We hope this process will enable the EU delegations to embrace long term objectives and strategies in support of beneficiaries, which is necessary for a real impact on development processes.

Comments on annual action programmes 2015, 2016 and 2017

- The repartition of funds between CSOs and LRGs is fair, for the three priorities of the thematic programme, over the three years.
- Overall we are very glad to see that figures show increase support to local and regional governments in partner countries.
- We would welcome more information on the programming by regions.

Pooling of funding

- We understand the rationale behind this trend. We would like to attract the Commission's attention on some possible undesired collateral effects; systematically setting higher minimum allocations for projects could be an impediment and a severe constraint for a substantial number of LRGs to enter the competition, as they don't all have the capacity to manage and co-finance multi-millions grants. In that regard the guidelines for the DEAR CfP launched in 2013 were quite restrictive.
- A solution may be to decrease the co-financing requirement as the minimum amount for projects increases.

Opening of the programme to other actors

- We remain concerned by the fact that the DCI opens the programme and funding possibility to others actors as it is reminded in this document.
- We don't see it as a positive evolution; the programme is actor based and we pledge for an empowerment of local and regional governments by their peers, through decentralised cooperation.
- We would like to see complete transparency with regards to this exceptional measure, in terms of beneficiaries and amounts granted.

CSO-LA thematic programme – consultation on the multi-year action programme for 2015

Explanatory note

The European Commission is consulting stakeholders on a new initiative that would be carried on, in terms of programming cycle, in the context of the thematic programme Civil Society Organisations – Local Authorities: the multi-year programming.

The programming cycle of the thematic programme is composed of one strategy for seven years (2014-2020), two multi-annual indicative programme (MIP) of four and three years (2014-2017 and 2018-2020). This is then declined in seven annual action programmes, generally adopted in the first quarter of the year.

For each document the European Commission undertakes an inter-service consultation, consults the European Parliament and the DCI Committee (composed of Member States). The adoption takes a few weeks.

The annual action programme defines the amount that will be spent, by priorities, by regions and the implementation modalities – call for proposals, direct grant, strategic partnerships etc. EU Delegations send their requests to Brussels' headquarter.

As a reminder the strategy and the 2014-2017 MIP have been adopted, as well as the annual action programme for the year 2014.

In 2015, the European Commission proposes to adopt every annual action programmes at once until 2017 – this is what is called multi-year programming. If proven successful, they would then adopt every annual action programmes for the period 2018-2020 at once in 2018.



The rationale is to increase predictability for the beneficiaries and to decrease administrative burden on the Commission's side.

In concrete terms, in 2015, the allocations of funds for 2015, 2016 and 2017 would be adopted, defining when and where the Call for Proposals will be launched.

What we learn in the document in terms of funding until 2017

As a reminder, the CSO-LA thematic programme is composed of three priorities:

- Support to CSOs and LRGs capacities in partner countries (Delegations implement this priority)
- Support to the networks of CSOs and LRGs at the continental and global level (PLATFORMA benefits of a Strategic partnership under this priority)
- Support to actions for development education and awareness raising in Europe and acceding countries

The repartition of funds between CSO and LRG is fair. Overall funds for LRG have increased compared to the previous programming period (2007-2013), from roughly 15% to 21 % under this period.

The allocation to LRGs in the Middle East region is rather low compared to the overall budget for this region, but it is not surprising considering the current situation in this region.

A Call for Proposals to support Development Education and Awareness Raising will be launched in 2016.

Delegations and headquarters will tend to pool funding together, as it has already been done in the past, to launch Call for Proposals allocating more funds at once. The rationale is to finance fewer projects but more substantial, in the hope to have more impact. For example the 2016 and 2017 funds for DEAR will be pooled and allocated under a single Call which will be launched in 2016.
