



The role of bilateral cooperation between EaP and EU countries' municipalities in facilitating sustainable municipal development in the EaP

CORLEAP REPORT

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Context

Bilateral cooperation between municipalities from the Eastern Partnership (EaP) and EU countries is a form of partnership which is based on practical examples and increasing mutual trust. It is very important to discuss problems which could arise during **public administration reforms** concerning municipalities with politicians and officials who have practical experience. Bilateral co-operation includes direct municipality-to-municipality contacts, as well as cooperation between local government associations.

The topic fits in with key topic **1.2., “Good governance and local democracy”** of the Action Plan of the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP), as well as with two of the EaP platforms providing a basis for structured debate in the EaP: **“Strengthening institutions and good governance”** (implementation of public administration reform) and **“Mobility and people-to-people contacts”** (Mobility Partnerships and skills development).

The declaration of the Eastern Partnership Summit held in Brussels on 24 November 2017 highlights local and regional authorities as active promoters of the EaP's objectives, through their participation in CORLEAP. The declaration endorsed 20 deliverables for 2020.

In the course of the discussions at the 130th plenary session of the European Committee of Regions (CoR) on 4-5 July 2018, it was pointed out that, thanks to their closeness to the grassroots and the reform of local self-government in the EaP countries, local and regional authorities have a decisive role to play in the successful implementation of the 20 deliverables for 2020¹. Moreover, local and regional authorities both in the EU and in the EaP countries are also key to reaching the United Nations Sustainable Development Goals (SDGs). Efficient decentralisation reforms in order to empower their local and regional authorities in all six EaP countries are among the main priorities.

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Eastern Partnership deliverables for 2020: The contribution of local and regional authorities, opinion CIVEX-VI/030, 130th plenary session, rapporteur: Sören Herbst (DE/EPP), member of Magdeburg City Council.

Analysis

1. Sustainable municipal development depends on several components; each of those components are among the necessary conditions for success (the majority of those components are legally binding on countries joining the European Charter of Local Self-Government (Charter)):
 - i. Democratic sustainability:
 - i. Constitutional and legislative guaranties of local democracy;
 - ii. Legislative guaranties of individual freedoms and property rights;
 - iii. Processes, knowledge, and traditions of local democracy, including participatory democracy to create a local democratic culture.
 - ii. Fiscal sustainability:
 - i. Existence of local taxes and fees;
 - ii. Substantial share of own revenues – from municipal taxes and general grants from the national budget, which ensures a substantial level of freedom for spending;
 - iii. Level of total revenues which is proportionate to local competences compared to central government competences;
 - iv. Opportunity to define local policy priorities (a nationally accepted rule can be established only for delegated central government functions);
 - v. Correspondence between municipal development planning and local resources.
 - iii. Administrative sustainability:
 - i. Responsibility of local executive authorities to elected local decision-makers;
 - ii. Autonomy to choose the forms and management of executive institutions and municipal companies;
 - iii. Autonomy of local personnel policy.
 - iv. Economic sustainability
 - i. Existence of a skilled work force;
 - ii. Availability of essential local infrastructure, including Information and Communication Technologies (ICTs);
 - iii. Existence of opportunities for leisure time, cultural and sport events;
 - iv. Ability to attract and retain creative private entrepreneurs.
 - v. Environmental sustainability
 - i. Preserving local biodiversity;
 - ii. Local infrastructure using renewable energy;
 - iii. Local adaptation to climate change and disaster resilience;
 - iv. Skills of local community in preventing air, water and land pollution.
 - vi. ²Social sustainability
 - i. Social environment (including employment and educational opportunities);
 - ii. Promoting vibrant local civil society and culture;
 - iii. Social insurance (including social assistance and social protection).
2. The process of monitoring the situation of local and regional democracy shows that the Charter's ideals have not been fully implemented in any of the 47 member countries of the Council of Europe. The scope of non-compliance in the six EaP countries is greater than in the EU countries. The core problem is the intent of central politicians and administrators to concentrate power and argue against decentralisation.

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Response of the Ukraine delegation to the questionnaire drawn up by the authors after presentation of the draft at the CORLEAP Bureau meeting of 29 May 2018.

3. The municipalities of the European Union countries also need to improve in order to meet the sustainable municipal development conditions listed above. Best practice regarding implementation of those conditions can be found in several EU Member States. Specific local authorities could be chosen for benchmarking. Dissemination of best practice in the EU countries among the Eastern Partnership countries could facilitate a higher level of municipal sustainability for all participants in municipal cooperation.
4. The central governments of all Eastern Partnership countries generally agree on the need for reforms meeting the conditions for municipal sustainability. Nevertheless, the willingness to meet all those conditions differs in practice from country to country and not only depends on economic, social and political circumstances, but is also influenced by historical and cultural traditions, as well as from psychological factors. Therefore, establishing those conditions is possible only by applying a step-by-step process³.
5. The lack of trust with regard to the capacity and honesty of local politicians, administrators and residents is a substantial factor, impeding decentralisation of governance and facilitation of citizens' participation. The lack is partly objective (insufficient training of staff, absence of decentralised management traditions) and partly subjective, based on myths about the preferability and efficiency of centralised hierarchical bureaucracy.
6. Central government in each of the Eastern Partnership countries needs to provide more broad-based support for decentralisation reforms. Such support can be based only on an understanding of the advantages of sustainable municipalities compared to local agents of central policy. Such understanding can be developed by implementing new ideas in practice during cooperation with CORLEAP.
7. The typical arguments of central administrators from the Eastern Partnership countries against the speedy introduction of the municipal sustainability conditions are as follows:
 - i. The low level of capacity of local politicians (the main argument against freedom of budgeting without strong rules);
 - ii. The low level of capacity of local administrators (the main argument against flexibility of local administrative autonomy and local public entrepreneurship, and the main argument for over-regulation and over-supervision);
 - iii. The insufficient skills of local residents in using the tools of participatory democracy (argument against openness and direct involvement of local activists in decision-making).
8. For all six EaP countries fiscal decentralisation is the main problem of administrative reforms:
 - i. The Republic of Moldova has the highest proportion of local government expenditure among EaP countries – about one third of consolidated public expenditure. An equalisation system based on objective criteria exists solely in this country. At the same time, local autonomy is very limited, because planning of budgets is based on strong rules.
 - ii. Ukraine allows only amalgamated municipalities to take the initial steps towards fiscal decentralisation. At the regional and district levels executive functions are performed by the state administration. There is strong interference from higher-level budgets in local financing.
 - iii. As a result of amalgamations and administrative territorial reforms in Georgia, the capacity of local administrators has been increased. However, it is difficult to make use of

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"Developing civic participation as a way to strengthen local democracy in the Eastern Partnership countries", report adopted at the CORLEAP annual meeting on 30 September 2016 in Brussels (rapporteur Pawel Adamowicz (PL/EPP), Mayor of Gdansk).

- this capacity, as local fiscal autonomy is very limited, as ministries establish strong rules for spending municipal money.
- iv. In Armenia and Azerbaijan the scope of local government budgets is so limited that one cannot speak of factual fiscal decentralisation. The majority of local functions are performed by state administration units.
 - v. In Belarus local services are provided by state administration units, and local councils have no significant influence.
9. The absence of real fiscal decentralisation is the main obstacle to introducing other elements of local government sustainability. Local politicians, service providers and administrators can develop their capacity in practice only by implementing their own policies and administrating their own revenues. The exchange of experience with the municipalities of the EU countries is a strong facilitating factor to improve the situation.
10. Democratic sustainability and administrative sustainability depend to a large extent on the readiness of central government to share finances. Without fiscal decentralisation the plans to introduce local autonomy are more for show than actual policy. The same applies to good governance.
11. Economic, environmental and social sustainability can be achieved throughout the EaP countries only if there is progress on achieving democratic, fiscal and administrative sustainability. Decentralisation is the preferred path towards subsidiarity, which means the right distribution of competences according to the principle of subsidiarity as a precondition for progress.
12. Bilateral cooperation helps to solve the previously mentioned problems, for many reasons:
- i. Common activities by municipalities facilitate mutual trust between citizens;
 - ii. Meetings between entrepreneurs facilitate economic development in the cooperating territories;
 - iii. Exchange of experience between local politicians and local executives facilitates an increase in public administration productivity for both parties to the exchange;
 - iv. Exchange of experience among municipalities from different countries is a good basis for applying benchmarking and bench-learning methodology.
13. Bilateral cooperation has several forms, providing a potential and real positive effect⁴:
- i. Twinning: the most traditional form, very important for establishing people-to-people, municipality-to-municipality and entrepreneur-to-entrepreneur mutual trust.
 - ii. Partnership: the most popular form in the context of the UN Sustainable Development programme. It helps to implement common bilateral and multilateral projects.
 - iii. Cross-border cooperation: Several EU countries – Latvia, Lithuania and Poland - have a border with Belarus; Poland, Hungary, Slovakia and Romania have borders with Ukraine and Romania with Moldova. Cross-border cooperation instruments provide useful additional tools, but also non-bordering countries can use instruments such as the European Grouping for Territorial Cooperation (EGTC).
 - iv. Cooperation between local government associations as facilitators and co-ordinators of direct contacts between municipalities.

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Antonella Valmorbidia, Decentralised cooperation and community approach as tool for strengthening cooperation between the EU and Eastern Partnership Countries, NISPAcee conference, Kazan, 2017

14. Practical reforms are a step-by-step process. Central governments need to have confidence in local politicians' and administrators' capacity. Likewise, central governments need the support of citizens for decentralisation to have a positive impact. Bilateral cooperation could be a facilitating factor for each further step.
15. The influence of local politicians depends on the quality of dialogue between local authorities and central government, and on the dialogue between local authorities and civil society. In this context, cooperation between local government associations is very important. Best practice derived from the annual negotiations between central and local government could be used to accelerate reforms. Best practice from the participation of local government associations in the social dialogue can also provide a substantial positive input.
16. The best result could be achieved by making the content of assistance from the EU countries' municipalities and best practice examples in accordance with the Charter's principles generally available. Small-scale testing of different solutions could be carried out and the suitability of those solutions for a particular country assessed.

Recommendations

17. Progress of public administration and local government reform in each individual country should be supported by adapting the scope and content of bilateral cooperation according to the needs.
18. It is particularly important to develop the environmental component of cooperation, because environmental degradation is a real obstacle to the development of sustainable municipalities and local authorities are therefore keenly interested in how to address environmental challenges, regardless of political orientation.
19. Similarly, social sustainability as a key element is to be developed, and bilateral cooperation and mutual learning through the exchange of best practices can greatly support the development of innovative local solutions.
20. Fiscal decentralisation should be a priority for all the Eastern Partnership countries, because in all cases this meets opposition from central administration. The CoR opinion "Eastern Partnership deliverables for 2020: The contribution of local and regional authorities"⁵, adopted in July 2018, calls for the issue of effective and efficient management of local public budgets to be put on the agenda, and for internal and external audits of local budgets to be required, in order to ensure that public funds are being used correctly and efficiently.
21. The development of appropriate mechanisms to facilitate civic participation is recommended for all six EaP countries, notably the promotion of civic participation in the public budgets of local and regional authorities, in the form of participatory budgeting, in order to enable citizens to get involved and participate in the management of public resources, and to express their preferences with regard to public spending, as stated in the aforementioned CoR opinion.
22. Decentralised cooperation is an instrument for creating awareness and empowering capacities of local and regional governments to engage more broadly with their communities. Therefore, possibilities to engage in programs and long standing partnerships with European counterparts can be considered as an added value. It would be recommend to use this methodology also for

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Eastern Partnership deliverables for 2020: The contribution of local and regional authorities, opinion CIVEX-VI/030, 130th plenary session, rapporteur: Sören Herbst (DE/EPP), member of Magdeburg City Council.

engaging civil society groups and citizens in a participative approach, complementing decentralised cooperation with a community approach, while identifying solutions to problems at the local level. Dialogue between communities from EU and EaP countries can be facilitated by projects and processes on local governance established in partnership with local governments from different countries.

23. Exchange of experience should be intensified between EU and EaP countries on a number of issues which are common challenges in all EaP countries, and where they could particularly benefit from the EU countries' best practices: relations between offices representing the state at local level and local authorities and models for improving these relations used in the EU countries⁶, because the interference of central regulation is a problem there. In particular the experience of countries with prefects could be useful since the issue is on the agenda in Ukraine at this moment.
24. Cooperation between the top-level executive and the local legislature should be improved, as well as relations between mayors and councils⁷, in particular concerning the resolution of conflicts.
25. A common issue for the majority of EaP countries is the amalgamation of municipalities in order to increase capacity and get positive effects from concentration. Since amalgamation also has significant side effects, the experience of how to ensure availability of essential services to the citizens in peripheries created by amalgamation could be very helpful.
26. Non-amalgamated municipalities also need support from bilateral cooperation. In those territories pilot projects could be carried out to identify innovative, small-scale solutions.
27. CORLEAP will consider the question of facilitating the process of creation of sustainable municipalities individually for each Eastern Partnership country. Coordination with central governments and associations of local authorities is necessary with a view to proposing suitable themes.
28. Priority areas for bilateral cooperation between municipalities should be co-ordinated with the reform plans of the various central governments.

⁶ Roles and responsibilities of mayors and local councilors in Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus, Council of Europe Edition: January 2016, <http://eap-pcf-eu.coe.int>

⁷ Local and Regional Democracy in Azerbaijan, 23rd session Strasbourg, 16-18 October 2012 (Resolution 345 (2012); Recommendations 326 (2012); Explanatory Memorandum). Local and Regional Democracy in Georgia, 19 March 2013 (Recommendations 334 (2013); Explanatory Memorandum). Local democracy in Armenia: Call to Government, Gyumri, Sisian 2014. Local democracy in Armenia, 27 March 2014 (Recommendations 351 (2014); Explanatory Memorandum). Local democracy in the Republic of Moldova, clarification of the conditions surrounding the suspension of the Mayor of Chisinau, 33rd Session, Report CG33(2017) 23 final, 19 October 2017. Roles and responsibilities of mayors and local councilors in Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus, Council of Europe Edition: January 2016, <http://eap-pcf-eu.coe.int>