

## **USAID Supports Good Governance In Latin America and the Caribbean**

*...when governments fail to meet the most basic needs of their people, these failed states can become havens for terror (George W. Bush, March 14, 2002)*

*For many reasons, local institutions often times are more capable of adapting to changing social and economic conditions. The advantage of locally initiated change is in facilitating gradualism and therefore feedback and learning. Successful local experiments teach valuable lessons, build public confidence in innovative policies, and provide a testing ground for change that may well go unheeded in a centralized political setting. (Deputy USAID Administrator Frederick W. Schieck, June 22, 2004)*

*For most people, their government's ability to provide basic services and improve living standards is where democracy succeeds or fails. (Ambassador Roger Noriega)*

### **Introduction**

Despite promising indicators of economic recovery in the region, per capita incomes in Latin American and Caribbean (LAC) countries have declined significantly since 1998 due to poor economic performance. Widespread poverty in some areas has resulted in political discontent and has raised questions about the health of the region's democracies.

The 2004 United Nations Development Program (UNDP) Report on Democracy in Latin America ([http://www.undp.org/democracy\\_report\\_latin\\_america/](http://www.undp.org/democracy_report_latin_america/)) draws attention to the declining public faith in the institution of democracy due to persistent poverty and government's inability to effectively deliver public services, such as education, health and public security. While most citizens tend to prefer democracy over other forms of government, this preference is not necessarily solid. (In 1996, 61 percent of those surveyed preferred democracy to any other form of government, while in 2002, only 57 percent did).

In 2002, almost half of those that said they prefer democracy to any other form of government also preferred economic development over democracy. Moreover, nearly 45 percent of those that said they would prefer democracy indicated that they would prefer an authoritarian government if that government could resolve the economic problems of the country.

These statistics underscore the importance of good governance and citizen support to the acceptance of long term democracy in the LAC region.

“Good governance is perhaps the single most important factor in eradicating poverty and promoting development,” UN Secretary-General Kofi Annan said recently.<sup>1</sup> Good governance alleviates poverty and promotes economic growth by encouraging investment flows. In turn, increased foreign investment encourages human welfare, trade expansion and political stability — opening new, dynamic markets for US goods and services, establishing secure, promising environments for US investment, and creating zones of order and stability.

USAID recognizes that quality governance positively influences the sustainability of development, and this is a vital priority to eradicate poverty, encourage economic development, promote sustainable infrastructure development, foster public sector legitimacy, eradicate disease and bring about an end to global terrorism.

USAID’s program in the LAC region focuses on the following:

- Supporting the Free Trade Agreement of the Americas (FTAA) and other regional trade agreements through regional trade capacity building and improving market access;
- Strengthening democratic institutions and processes;
- Improving the quality of education;
- Protecting the region’s biodiversity;
- Supporting new environmental technologies and partnerships;
- Improving the health status of the region’s population, with a particular emphasis on women and disadvantaged groups;
- Program development and assessment; and
- Advancing cooperative opportunities in the hemisphere.

While foreign aid supports good governance and democratic unity, local leadership and citizen participation are crucial factors that, if in place, will ensure the sustainability of good government practices. USAID’s Office of Democracy and Human Rights (DHR) in the LAC Bureau strengthens democracies by supporting local governments — the essential building block of democracy.

### ***Why local government?***

Presidents from throughout the Americas convened at the 1998 Summit of the Americas, where they reaffirmed their commitment to strengthen local and other sub-national governments and explored ways to transfer additional responsibility to these governments. They recognized that in addition to ensuring delivery of services, local governments are a conduit to attract greater public participation to address root causes of poverty and underdevelopment. Through local involvement, all sectors of society can contribute to economic and social transformation.

Local governments have a better understanding of local needs, and local leaders are equipped with immediate knowledge of the communities they serve. A citizen's initial plea for assistance on a governing issue is typically with his local entity, and local leaders are in the best position to determine the work that needs to be done.<sup>2</sup> With local participation and resources, local office holders usually have the insight to make the most sound and timely judgments in times of crisis.

Local governments often provide services more efficiently and quickly than central governments. In the Salvadoran *Municipalidades en Acción* project, for example, municipal governments provided public works at costs from one-third to two-thirds lower than when the same types of works were implemented by central government agencies.<sup>3</sup> This typically is because local managers exercise closer supervision, greater control over work crews, and shorter travel distances to work sites. Local managers are accustomed to closer scrutiny by the public and respond better to greater accountability by elected and appointed local officials.

This close relationship with the public includes collection of taxes. "USAID-financed surveys in Central America have shown that citizens have a higher degree of confidence in local governments than in other levels or institutions of democratic governments."<sup>4</sup> This confidence translates into commitment. Since citizens and local businesses can see the connection between paying taxes and development in their communities, local governments are better equipped to collect property taxes and fees.

Finally, local governments are better able to ensure that local processes are democratic. As immediate witnesses to voters' needs and reactions, local governments have the potential to build community consensus around controversial issues. Without a strong linkage between local government and citizens, support for development projects may be weak and public acceptance poor. "In addition, citizens can be more easily brought into the process of setting priorities, implementing programs, and monitoring results at the local level. Organized civil society can more easily include wide community participation in assistance programs. In short, the decision-making processes about development are more likely to be democratic and participatory when the processes are at the local level rather than the national."<sup>5</sup>

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<sup>2</sup> USAID, "Municipalities in the Reconstruction and Transformation of Central America and the Caribbean: Discussion Paper for the Consultative Group for the Reconstruction and transformation of Central America," p. 2.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> USAID, "Municipalities in the Reconstruction and Transformation of Central America and the Caribbean: Discussion Paper for the Consultative Group for the Reconstruction and transformation of Central America," p. 3.

### *Status of Local Government in Latin America and the Caribbean*

Thriving local democracies continue to be the exception in Latin America. The region's monumental decentralization reforms of the late 20<sup>th</sup> and early 21<sup>st</sup> Century yielded landmark reforms — such as Bolivia's Popular Participation Law and Colombia's transformation into one of the most decentralized countries in Latin America. But these reforms have not necessarily led to a wide scale existence of local democratic governance.

A primary reason for this is that decentralization and the development of local democratic governance is a gradual process that entails incremental reforms over a long period of time (decades, in most cases). In Latin America, this is exacerbated by extremely centralized political party systems, a lack of commitment on the part of national elites to change current political and governance practices, the unwillingness of national officials to cede power to sub-national levels of government, and the fear of creating or fueling macroeconomic fiscal troubles.

While most LAC countries have transitioned to democracy and are in the process of expanding economic growth, many exhibit growing problems of governance that erode the state's legitimacy, undermine stability and hinder development's progress. This impedes political stability and trade readiness — and leaves many people behind in poverty. Poverty is exacerbated by the failure of central governments to consistently and efficiently deliver community services to local communities.

Progress in decentralization may be measured along three dimensions of power: political, administrative, and fiscal. Progress in each of these areas at the local level feeds the emergence of local democracy. Most Latin America democracies are deficient in each of these areas.

A recent report by International City and County Management Association (ICMA) on decentralization in six Central American countries demonstrated that the principle challenges now facing local governance reformers include:

- Placing institutional development goals above partisan political objectives;
- Increasing local taxing authority and tax collection;
- Obtaining central government cooperation on decentralization policies and action plans;
- Gaining consensus for municipal government civil service laws;
- Improving municipal government skills, particularly in open and effective financial management;
- Expanding use of mechanisms for citizen participation; and
- Developing municipal skills to support popular decision-making and effectively address economic growth and social challenges.

Municipal democracy has expanded rapidly in the LAC region in the past two decades. “In 1980, only three Latin American countries elected their mayors. Today, every Central American country has direct local elections. As a result, citizens can hold governments directly accountable. A new generation of mayors is serving as a catalyst

for local development, providing more and better basic services and ensuring that public decisions include wider public participation.”<sup>6</sup>

### **USAID’s Efforts**

USAID’s DHR office in the LAC Bureau recognizes that strong and effective local governments are essential to affect economic and social development. Therefore, DHR strives to strengthen regional approaches to address public sector credibility by:

- Strengthening local governance and
- Expanding avenues to reduce crime and violent conflicts.

### ***Strengthening Local Governance***

In 1998, USAID awarded ICMA a cooperative agreement for a five-year program to strengthen the exchange of information regarding local government donor programs in the LAC region to provide technical leadership on networking and local government training.

In 1999, ICMA established the *International Forum for Cooperation on Local Government in Latin America* (the Forum). More than 20 member entities constituted the Forum, including the World Bank, the Inter-American Development Bank, the Organization of American States (OAS) and the United Nations (UN).

The objectives of the Forum are to:

- Improve donor consultation mechanisms;
- Promote information sharing and networking, and
- Provide guidance on the design of local government training programs.

ICMA assumed the role of Technical and Executive Secretariat of the Forum, in direct response to a mandate from the 1998 Summit of the Americas to promote the sharing of experiences between international donor agencies in support of the cooperation and strengthening municipal and regional governments. The Forum encouraged collaboration between donor organizations and local governments to promote communication of experiences and best practices in key areas of local governance, including citizen participation, performance measurement, municipal finance and regional/local economic development.

ICMA utilizes its website ([www.lacforum.org](http://www.lacforum.org)) to provide access to a comprehensive database on donor programs and activities related to decentralization and local governance. It has country specific coordination studies that can help donor agencies improve their technical assistance operations.

The action plan endorsed at the 2001 Summit of the Americas in Quebec identifies the strengthening of local governments as a priority.

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<sup>6</sup> Ibid.

To promote decentralization in the region, the 2001 Summit Action Plan also endorsed a first-ever OAS meeting of high level government authorities to take the lead on the issue. During this meeting, OAS members established the Inter-American Decentralization Network (RIAD, or *Red InterAmericana para la Decentralización*) under the authority of the OAS. The final declaration issued explicitly required this decentralization network to establish ties with local government associations in Latin America as well as with the Forum.

By bringing together national authorities and local government representatives in a regional, non-confrontational setting, RIAD serves as a critical mechanism to advance local governance and decentralization in the LAC region.

The second phase of the Cooperative Agreement, from 2004-2006, will focus on promoting municipal development and responding to USAID mission demand-driven assistance for:

- Capacity building (including e-learning and training);
- Local economic development, and
- Municipal finance options.

#### *Capacity Building*

USAID and ICMA are working to strengthen the skills of the Federation of Municipalities of the Central American Isthmus (*Federación de Municipios del Istmo Centroamericano* – FEMICA; as well as the Latin American Federation of Cities, Municipalities and Associations (*Federación Latinoamericana de Ciudades, Municipios y Asociaciones* – FLACMA; and the RIAD.

Each is discussed below:

FEMICA is an organization of Central American cities dedicated to strengthening municipalities by promoting inter-municipal cooperation, international collaboration, investigation, and analysis. The organization offers technical assistance for Central American cities and documents successes in local government.

Its sister organization, FLACMA, works to consolidate national associations of local governments regionally and to incorporate other local players dedicated to the promotion of local governments in South America.

Through FEMICA and FLACMA, the Forum allows local government officials and civic organizations to form cross-border coalitions to share best practices. Municipal government experts and civic activists have evolved out of these associations, many joining with non-government organizations (NGOs).

ICMA's revised work plan (December 2003) advocated technical assistance to FEMICA and FLACMA. Specifically, ICMA provides technical assistance and training as stipulated in its business plan and in the ICMA assessment, *Trends in Decentralization, Municipal Strengthening and Citizen Participation in Central America, 1995-2003*.

ICMA continues to work with FEMICA to ensure its financial stability. It is expected that by the end of the cooperative agreement period, FEMICA (with the assistance of ICMA) will have developed at least two alternative sources of income to fund its operations and will have expanded its outreach activities and communication with its members.

ICMA currently works with FEMICA in two main areas to promote FEMICA's financial viability:

- The implementation of an annual municipal *feria* as an income-generating activity and an alliance building opportunity to promote public-private alliances in the region and
- The development of FEMICA's institutional capacity to function as a regional center for performance measurement in Central America.

The above mentioned ICMA and FEMICA collaborate to create a center dedicated to maintaining up-to-date measures of performance. For a fee, cities can join the center, utilizing resources and gaining access to leading edge initiatives in performance measurement for the region.

ICMA also facilitates roundtable discussions regarding best practices and current challenges facing FEMICA in Washington and in Central America. Based on these discussions, ICMA can decide how best to collaborate with FEMICA. ICMA also provides technical assistance and training to strengthen FEMICA's skills to promote and disseminate electronic courses as well as best practices on traditional training.

ICMA also provides technical assistance to FLACMA and is helping it to develop a strategic communication network among municipal associations in South America (linking through existing websites and portals). The anchor for the network is expected to be FLACMA's portal and will enable participants to exchange of information online as well as participate in roundtables and workshops. Ultimately, this project will expand FLACMA's ability to collect, synthesize and analyze regional trends. It will also foster regional dialogs on key municipal issues.

ICMA also assists the RIAD by bringing together local government and civic representatives to work on common decentralization goals. It created a Technical and Financial Support Group (of International Cooperation Agencies and regional organizations) and plans to organize a "Marketplace of Ideas" that will showcase best practices in decentralization in areas such as health, education and other services.

**Success Story:**

**Local Governance in Ita, Paraguay**

Located in the remote regions of Paraguay, the Ita municipality depended on a dirt road for access to vital services, including clinics, schools, jobs, markets. Heavy rain storms could impede access to these services for days. With USAID assistance, Ita Mayor Rafael Velazquez held a community meeting in which he asked local residents to identify the municipality's top priorities. The community collectively identified paving the road. With newly collected tax revenue, the city hired local workers to pave the road with locally-sourced cobblestones. Today, the road provides easy access to neighboring municipalities and markets. City residents have agreed to the assessment of a voluntary fee to supplement maintenance and eventually expand the paved road.

Ultimately, RIAD members will establish a better understanding of the key role cities can play to promote democratic practices and local governance in the region.

RIAD's Technical Secretariat is currently planning a series of sub-regional events to bring together state and city government representatives, including FLACMA and FEMICA.

During the initial meetings, ICMA conducted a training session in Bolivia and Nicaragua and concluded that there was inadequate allocation and poor use of training resources in these countries. As a result it conducted a campaign to promote dialog between training providers, donor agencies, municipal associations and university centers and to build expertise in traditional and non-traditional training.

It also advocated creation of a "roadmap," to which consists of a series of recommendations on training local public officials. The roadmap's recommendations include:

- An analysis of the current situation,
- The desired scenario, and
- The initial recommendations to implement virtual and distance training programs

It is anticipated that cooperation between development agencies, universities and municipal associations will be strengthened via the citizen empowerment and the professionalization of officials.

In 2004, ICMA updated this Roadmap, based on a meeting of senior officials from multilateral organizations, civic associations and educators. During this conference, participants created a new network -- The Maryland Group -- to foster discussions and to coordinate future efforts to train public officials on the use of information and communication technologies. ICMA will moderate the virtual network. The data from the Roadmap is available at [www.lacforum.org](http://www.lacforum.org). ICMA will also design and implement a pilot online training program for cities based on Roadmap recommendations.

Decentralization, Municipal Strengthening and Citizen Participation in Central America, 1995-2003," which summarized progress and challenges in achieving local democratic development in the region. The report takes a special look at the municipal associational movement and evaluates new, innovative locality-driven programs (e.g. *mancomunidades*) that are contributing to local economic development.

**Success story: *mancomunidades***

In many cases where the chasm between central and local governments has resulted in a gap in services for communities, local governments have taken matters into their own hands through creating *mancomunidades*, or special authorities designed to fill gaps in service. *Mancomunidades* took over the provision of essential services, including road maintenance, environmental protection and economic development. Today, the spirit and concept that these local authorities pioneered is spreading, especially in Central America.

- Guatemala now has eleven *mancomunidades* in operation; El Salvador has fifty; Nicaragua has seven; Costa Rica has ten; Panama has four.
- Honduras has fifty-five *mancomunidades*; *mancomunidades* in Honduras manage regional development projects, natural resource management, and municipal administration.



Currently, only ten percent of 16,000 municipalities are connected to the Internet in the LAC region. The Academy for Educational Development (AED), with support from the USAID Bureau for Economic Growth, Agriculture and Trade (EGAT), is working to connect a select number of municipalities to the Internet to expand connectivity, enhance cross-border coalitions, and promote information sharing and networking.

The Dot Org Program is a two-year program that allows USAID country missions to work on expanding connectivity in the region. It runs through September 2005. The Dot Org Program grew from a recommendation from the 2001 Summit of the Americas and promotes increased use of online networks as a means to enhance political, social and economic integration throughout the hemisphere.

The project's objectives are to:

- Rescue USAID's investment (via USGS) in GIS technologies in Central America which have been underutilized and harness them for local taxation, zoning, planning and open government, and to
- Build connectivity and e-learning cultures among municipalities.

Activities under this program aim to:

- Promote Internet connectivity among medium and small cities;
- Promote information exchange on e-government pilot activities through FEMICA's Virtual Web Portal for Public Administrators of Central America; and
- Support the development of communities of practice in the region for specialized ICT uses (e.g. Geographic Information Systems (GIS)).

Additionally, USAID and AED upgrade FEMICA's website ([www.femica.org](http://www.femica.org)) to make it more responsive to member cities. Municipalities may now access free email via FEMICA's website, and engage in online discussion groups regarding issues of importance to local government officials.

### *Municipal Finance*

Due to a history of weak local governments, natural disasters, and the rapid rate of urbanization, Latin American and Caribbean municipalities confront significant challenges to public service provision and infrastructure. USAID, in partnership with ICMA, is working to establish the foundation necessary to support a sustainable municipal finance system. ICMA encourages the promotion of innovative and low cost approaches for updating property tax systems through regional associations.

### *Expand Approaches to Reduce Crime and Violent Conflict*

USAID's DHR in the LAC Bureau has created the Inter-American Coalition for the Prevention of Violence (IACPV) to disseminate and implement strategies to reduce

Municipal government associations are membership organizations, made up of representatives from municipal governments. Once municipal government officials established FEMICA as the regional association of municipalities, they began to establish national municipal associations. These associations are now collaborating through national, regional and sub-national associations, to advance common interests and to strengthen collaborative efforts in the performance of their respective functions.

crime and violence. It created the IACPV following a Quebec Summit of the Americas mandate to enable local governments to take leadership roles in violence and conflict prevention.

Comprised of members of USAID, the Inter-American Development Bank (IDB), OAS, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Bank, the Centers for Disease Control (CDC) and the Pan-American Health Organization (PAHO), the IACPV is an 18-month pilot project that combines technical assistance from member organizations. In addition it collects and disseminates best practices information, establishes data standards and collection methodologies, and carries out assessments on violence and crime at the local, regional and national levels.

Ultimately, the IACPV encourages member cities to utilize violence indicators to formulate municipal violence prevention plans.

### **Conclusion**

Democracy in Latin America and the Caribbean has advanced significantly in the last 25 years. However, challenges persist, putting many of these advances at risk.

Though democracy is spreading across the region, in many cases the roots of this democracy are not deep. Increasingly dissatisfied with their democratically-elected leaders, citizens find themselves supporting populists who promise rapid economic growth and crime reduction, often at the expense of democratic values.

USAID Missions and the Democracy and Human Rights Office within USAID's LAC Bureau work to implement President Bush's National Security Strategy by promoting democracy and good governance in the region through ensuring local leadership and citizen participation — both of which are essential for the sustainability of democracy.

USAID is committed to the belief that by enhancing the natural comparative advantages of local governments to deliver public services efficiently and effectively to their constituents, countries in the region will end up with a greater level of expertise and will for good governance.

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