

An overview of International Cooperation Financing in a selection of Local Government Associations

Introductory Note:

This first draft document has been drawn up thanks to contributions of CIB Working Group members (AFLRA, FCM, Fons Català de Cooperació al Desenvolupament, KS Norway, LGA, LGDK, SALA IDA, UVCW, VNG International and VVSG).

This overview has been set up to give an insight in the development of our international cooperation programmes by showing the increase or decline of the financial figures of our work area. This is in line with the objective of the CIB Working Group of sharing and exchanging information.

This background document can be used as a reference point for further studies and we hope this document eventually will be of use to all CIB Working Group members. Therefore we would like to further elaborate this document and highly encourage you to send us your remarks about the content, and give us your comments on topics that need to be elaborated or included.

With this first attempt of gathering the financial information, a basis has been established for the elaboration of two documents: an article to be published in the European local government magazine of the VNG as well as an article for the magazine of the *Observatorio* of Decentralised Cooperation Europe-Latin America. In both articles will be referred to the collected data.

Background

In the 1980s, Decentralised Cooperation developed from traditional city-to-city relationships to municipal partnerships on a project basis. This new approach evolved to broader coalitions of cities in the North working with municipalities or communities in the South.

Since the beginning of the 1990s, Local Government Associations (LGAs)¹ from Europe and North America have increased and enhanced their international development cooperation programmes. The overarching objective of this cooperation is the development of the capacity of local government spheres, including that of their associations and “always the underlying general objectives are to facilitate local development processes, poverty reduction and the realisation of the Millennium Development Goals.” (VNG International, 2006, *Background paper UCLG CIB Working Group: 4*).

Whereas in the beginning the East of Europe was the focal geographical area for cooperation, in the last decade a significant shift to the Southern regions of the world has been observed.

In general, LGAs have got involved in two main programmes; Municipal International Cooperation (MIC) programmes -also known as decentralised cooperation programmes- and Association Capacity Building (ACB) programmes or projects.

The MIC component enables municipalities of Northern countries to engage in international cooperation, in a great variety of themes related to the development of the capacity of service delivery to the citizen.²

The ACB component of the international development programmes from LGAs in the North seeks to strengthen “sister” LGAs in the East and South through assessments, information exchanges and mutual learning, to improve their service delivery to their member local governments.³ As LGAs in the south enhance the accessibility of local governments to central governments and donors, their needs should be taken into account and the political and technical bodies need to be strengthened. Whereas central governments and donors start recognizing LGAs as representative bodies of local governments, they do not yet allocate sufficient funds for their development.

The same goes for the strengthening of local governments. As was stated in an OECD study from 2005:

Despite the limited sums involved, several members [from the OECD] consider that local governments can make a significant contribution to development cooperation, in particular by transferring their know-how and experience of local administration to partner countries. With regard to financing aid activities, local governments remain small actors but, being well-placed to reinforce pro-development public opinion in donor countries, they can help to mobilise additional resources for aid.

OECD, 2005, *Aid Extended by Local and State Governments*, Vol. 6, n^o 4: 9

Even though it will not be the subject of this study, the emerging South-South exchanges and projects between southern LGAs also need to be mentioned. In this context, the international activities of SALGA (South Africa) and CNM (Brazil) in capacity building are worthy of attention.

¹ Tasks of LGAs are three-fold:

- Lobby/Advocacy: LGAs generally represent their local government members to central government and lobby for decentralization processes.
- Service provision: LGAs can assist their members on common issues such as legal matters and capacity building of local government staff.
- Platform for exchange: LGAs are instrumental in the exchange of experiences and mutual learning. This exchange can take place in various shapes: meetings, congresses, publications for membership etc.

² Focal MIC areas are general administration, local finances, housing and urban/territorial planning, rural development, education and professional training, public health, social welfare, environment and sanitation, local economic development, culture, leisure and sports, traffic and transport and utilities (incl. gas, heating, electricity and water supply)

³ Focal ACB areas are strengthening of political, technical, financial and administrative management capacities of LGAs, communication and public relations.

The present study gives an overview of the budgets for international programming of a selection of LGAs: AFLRA Finland, FCM Canada, KS Norway, LGA United Kingdom, LGDK Denmark, SALA IDA Sweden, UVCW-AVCB and VVSG Belgium, VNG International the Netherlands. It will give an outline of the total annual budgets over the past five years and will also show the increase or decline of the various LGAs that responded to the survey set out by the CIB Working Group. To a lesser extent the study will also include the international programmes from France (Cités Unies France) and Spain (Federación Española de Municipios y Provincias).

1. General observations on Local Government Association programming

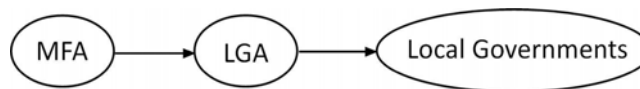
Most European and North American LGAs have an international department for development cooperation, though the number of programmes and projects and the corresponding funds varies greatly per country.

Of the nine selected associations, six have an ACB component in their international programming. Whereas KS Norway, FCM and VNG International implement ACB multi-annual programmes, the ACB budget of LGDK, SALA IDA and LGA (UK) is on a project basis. In other countries negotiations with the central government are ongoing to ensure the set up of ACB punctual projects and/or long-term programmes. A part of the ACB funds proceeds from the Ministry of Foreign Affairs, which is complemented by funds from donors and international institutions like the World Bank, the European Union and Development Banks.

As for the MIC component, three simplified categories can be identified:

- 1) National governments that channel all funds available for international cooperation initiatives of local government (MIC funds) through the national LGAs (i.e. Canada, Finland, the Netherlands and Wallonia). In other words, in principle there are no other financial means for MIC from national government.

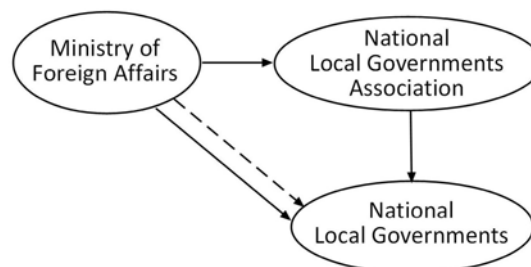
Figure 1:



An additional observation that should be taken into account is that for the MIC programmes or projects co-financing always comes from local governments. In some cases this is obligatory.

- 2) Part of the MIC funds is channelled through the associations, whereas another part is allocated to the municipalities directly.

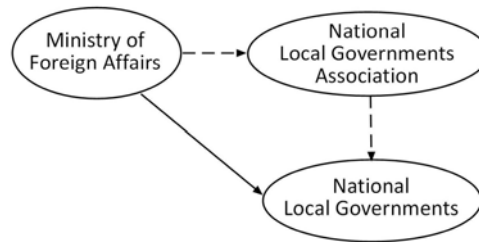
Figure 2:



This is the case for Sweden and Norway. The case of Flanders is in-between the first and the second scheme, as the federal programme channels the money via the LGA to the local governments, whereas the Flemish programme channels money directly to local governments and only asks for support of the VVSG.

- 3) A limited role of LGAs, due to lack of resources for decentralised cooperation of the national government. Available funds for MIC are channelled directly to the municipalities, though the amounts are relatively small compared to the funds that local governments mobilize themselves. The association does not channel funds, but mainly has an advisory role and supports and trains local government staff in the implementation of their international projects or programmes (i.e. Germany, France and Spain). If the LGA has ACB projects, they mostly depend on funding from international donors (i.e. Denmark, United Kingdom).

Figure 3:

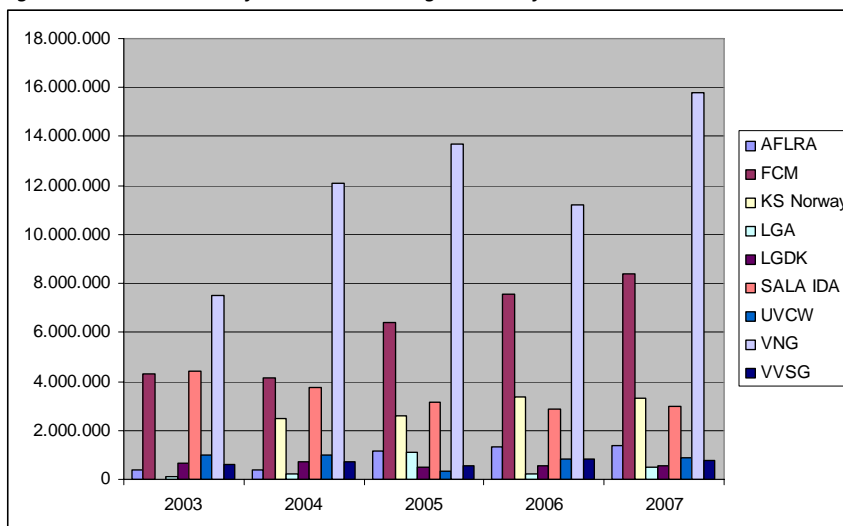


2. Total Revenue of the International Programmes of Local Government Associations

The total revenue of the international programmes of LGAs mainly consists of funds from central governments for MIC and/or ACB programmes and additionally they apply for funds from the European Union, The World Bank, Development Banks and other international institutions.

If we have a look at the separate evolution of the various associations (see figure 4), it reflects more or less the situation sketched in the previous paragraph. For example: as funds for MIC and ACB from central government are not available on a regular basis in the United Kingdom, the LGA graph shows this irregularity. At the same time, the strong support of the national government in the Netherlands and the strong lobbying of VNG International have caused a doubling of the total revenue. In Canada, Finland and Norway, we see this increase on a smaller scale. The decline of the revenue of SALA IDA is also visible.

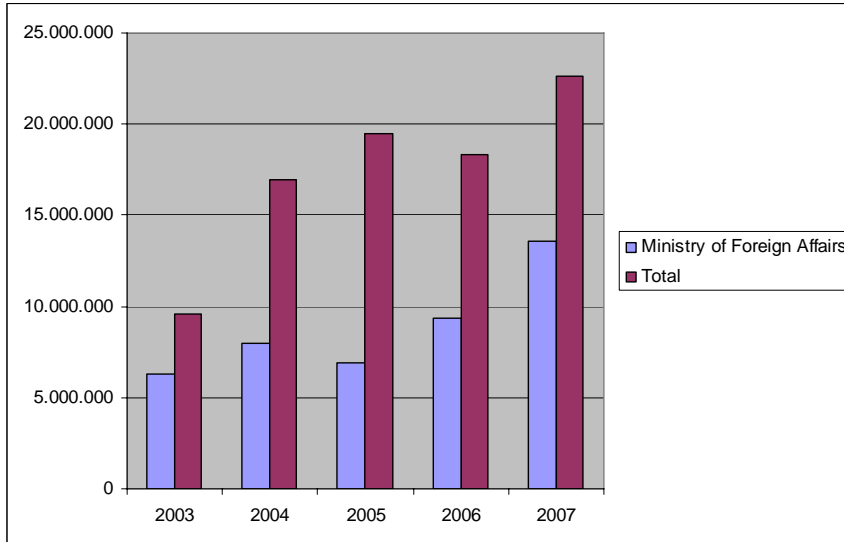
Figure 4: Total Revenue of International Programmes of Local Government Associations⁴



⁴ Figures received from AFLRA, FCM, KS Norway, LGA, LGDK, SALA IDA, UVCW, VNG and VVSG. The currency rate for the Canadian Dollar is: 1 CAD = 0,623502 EUR

Another interesting picture derives from the total value of the shares received from the national government compared to the total sum of all total revenues of the different local government associations (see figure 5).

Figure 5: Share of the funds of National Government of the Total Revenue of International programmes of LGA⁵



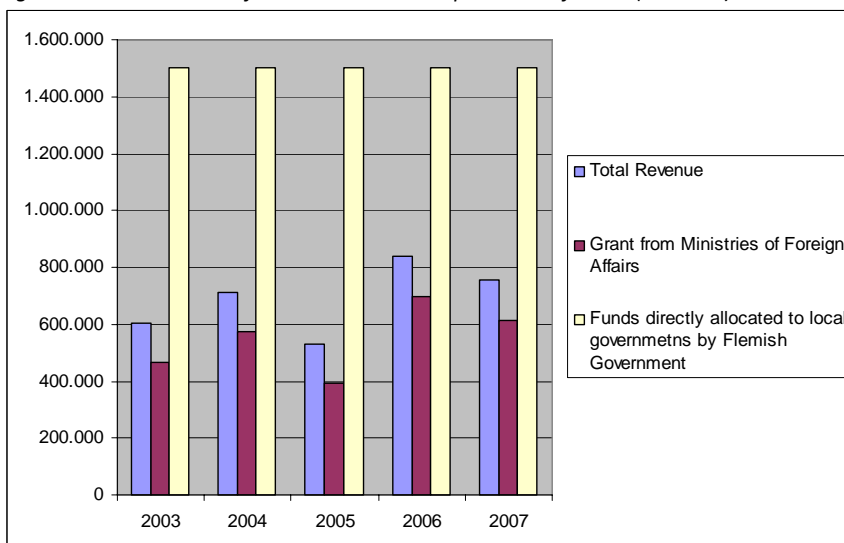
3. Country specific information

3.1 Belgium

In Belgium three local government associations exist: VVSG (Flanders), UVCW (Wallonia) and ACVB (Brussels region). For this study, we only need to look at two of them, as in the Wallonia UVCW and ACVB have pooled resources for the implementation of their international programmes. To date, none of the associations implements ACB programmes.

In Flanders, the association VVSG receives its budget from both the federal and the Flemish Government. In the federal programme the state channels the funds allocated to municipalities through VVSG. The grant of the Flemish government is directly allocated to local governments (see figure 6).

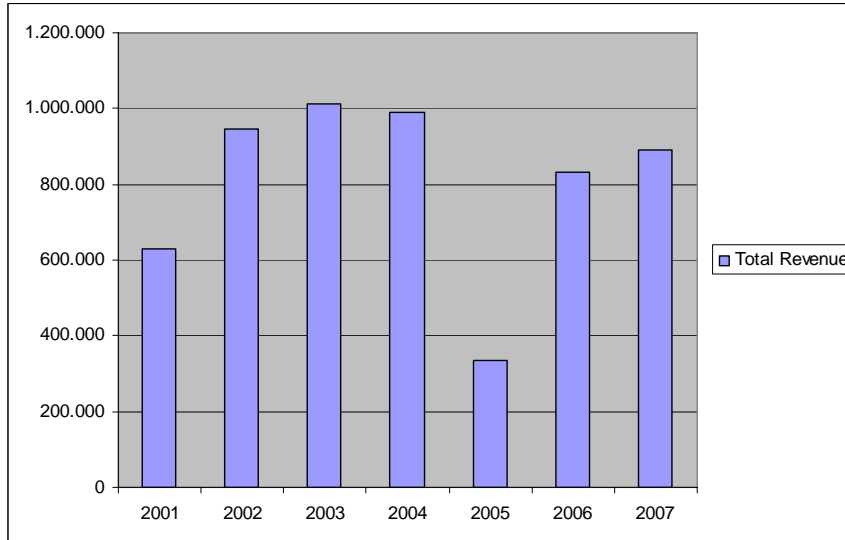
Figure 6: Total Revenue of the International Department of VVSG (Flanders)



⁵ Figures received from AFLRA, KS Norway, LGA, UVCW, VNG International and VVSG. For 2003 the total does not include the figures of KS Norway.

In Wallonia, the MIC funds are channelled through the associations UVCW and ACVB, which are pooling resources to coordinate these MIC programmes. No other grants are received for international cooperation (see figure 7).

Figure 7: Total Revenue of the International Programmes of UVCW-AVCB



3.2 Canada

The Federation of Canadian Municipalities (FCM) is currently working in 17 countries in Asia (7), Latin America/Caribbean (5) and Africa (5). FCM does not conduct distinct Municipal International Cooperation (MIC) and Association Capacity Building (ACB) programmes; rather it provides technical and financial support for local government strengthening at various levels through a variety of delivery methodologies, but always within a strategic programme framework developed with southern partners.

The *Municipal Partnership Programme (MPP)* is FCM's core international programme. Its foundation is 35 municipal partnerships in 11 countries which focus on peer to peer capacity building at the local level, addressing priority themes defined with a strategic country programme framework developed in collaboration with the host country LGA. To ensure scaling-up and sustainability of results, FCM co-manages these country programmes with the host LGA which also receives ACB support for improved knowledge sharing and more effective policy development and advocacy.

Bilateral projects in various countries involve similar local and national level capacity building, typically combined with support to central government ministries on local government reform initiatives. These are delivered through technical assistance provided by Canadian municipal volunteers, together with local and Canadian consultants, as well as locally-engaged staff. These projects do not typically involve city to city partnerships.

Due to Canada's fiscal framework for local government financing, Canadian municipalities cannot afford to fund their international cooperation out of their local tax base. Nor does the federal government provide funding directly to cities for this purpose. Rather, CIDA funding is channelled through FCM-managed programs to enable its member municipalities to conduct municipal international cooperation projects and provide technical assistance. FCM provides training, advice, and direct support to facilitate its members' work abroad.

However, CIDA does provide funding to a limited number of NGOs for local government-related work, though the sums are comparatively small. Finally, CIDA does design and directly manage certain local government support programs for which it procures consultant services through a competitive bid process. Data on the total amount of CIDA funding for local government support programs is not available.

Figure 8: Amount available for International Cooperation Programmes of FCM

	2003	2004	2005	2006	2007
CAD \$	6,9 million	6,6 million	10,3 million	12,1 million	13,5 million

Most of FCM's annual budget for international activities (see figure 8) comes through contribution agreements signed with the Canadian International Development Agency (CIDA), though FCM has obtained other donor funding from organizations such as UN-Habitat, the Inter-American Development Bank, the Caribbean Development Bank and the World Bank. The annual level of CIDA funding to FCM for international cooperation work has almost doubled between 2003 and 2008.

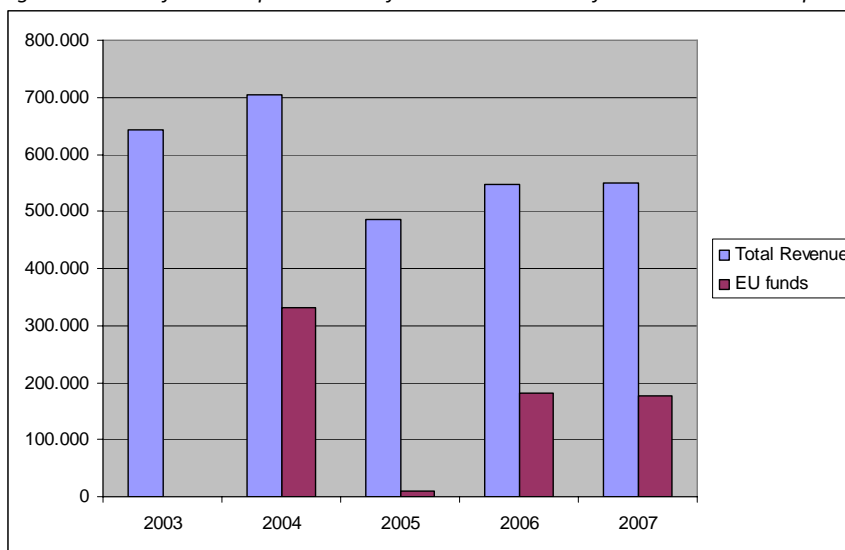
3.3 Denmark

In Denmark the national government funds a number of ACB projects, though there are no funds available on a regular basis. The consultancy services have been financed mostly by the World Bank, EU, OECD, UNDP, DANIDA and the African Development Bank.

LGDK is sometimes involved in MIC activities, but to a very limited extend. The total revenue of LGDK includes these sporadic interventions. Danish municipalities launch their own MIC activities with or without involvement, assistance and support of LGDK. In general they gather their own resources for MIC activities in which LGDK sometimes takes part, complemented in some cases by external funding.

In figure 9, the share of EU funds of the total revenue for international programmes of the Danish LGA has been specified. The total revenue covers all projects (ACB and other initiatives in developing and European transition countries) that LGDK has been involved in.

Figure 9: Share of the European Union of the Total Revenue of the International Department of LGDK



3.4 Finland

In Finland, the situation is comparable with Wallonia: MIC funds are channelled through the association AFLRA. Whereas the Finnish Ministry of Foreign Affairs does not grant other funding for MIC, some other ministries (i.e. Ministry of Education) and other institutions do fund small projects (i.e. school cooperation).

Figure 10: MIC Funds of National Government channelled through AFLRA

	2003	2004	2005	2006	2007
MIC Funds €	393.600	391.925	1.170.000	1.345.000	1.370.000

The contract periods with the national government are for three years. For the period 2002-2004 the amount was €1.194.280 and for the period 2005-2007 the amount rose to €3.935.000.

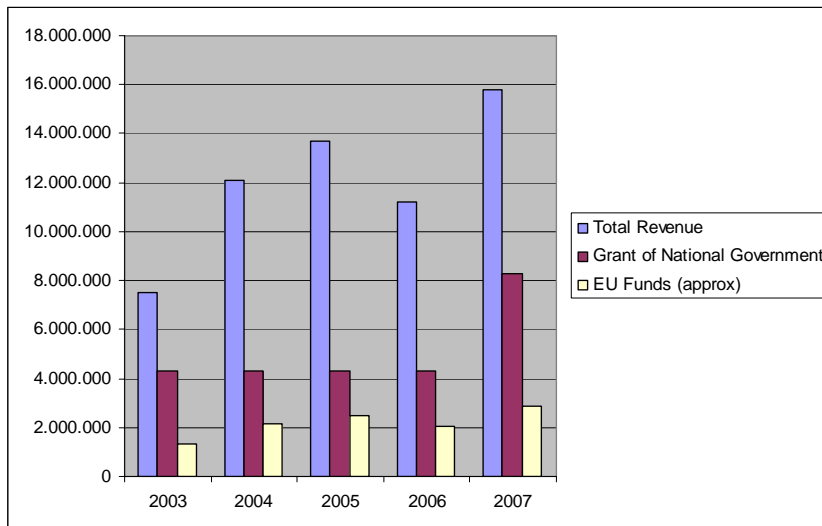
At the moment the association does not implement ACB projects, the total budget is the funding they receive from the national government (see figure 10). ACB projects are carried out by the Finnish consultancy company FCG International.

3.5 Netherlands

In the Netherlands, the international cooperation agency of the national association VNG, VNG International, channels all available MIC funds to the municipalities and at the same time gets funding for the implementation of amongst others the ACB programme. Whereas the ACB programme started with four countries (2003-2006), today the programme is already being implemented in 12 associations of 12 different countries worldwide.

As shown in figure 11, part of the revenue comes from the Ministry of Foreign Affairs, whereas 16-20% of the yearly revenue comes from the European Union. Other donors such as the World Bank provide other funding for the implementation of programmes.

Figure 11: Share of the Ministry of Foreign Affairs of the Total Revenue of VNG International



In figure 12, the MIC and ACB funds proceeding from the national government of the Netherlands, the LOGO South programme, are detailed.

Figure 12: MIC and ACB funds from national government of the total revenue of VNG International

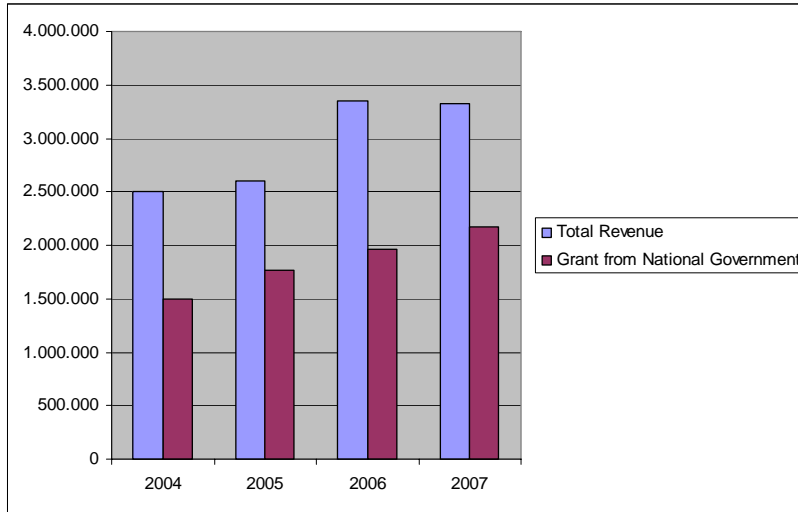
	Total Revenue €	MIC LOGO South €	MIC LOGO East €	ACB LOGO South €
2003	7,5 million	2,5 million	1,4 million	0,5 million
2004	12,1 million	2,5 million	1,4 million	0,5 million
2005	13,7 million	2,5 million	1,4 million	0,5 million
2006	11,2 million	2,5 million	1,4 million	0,5 million
2007	15,8 million	5,6 million (incl. ACB)	2,7 million	
2007-2010		24 million (incl. ACB)	6 million	

Contrary to most of the international departments of the LGAs, VNG International is a cooperation agency that focuses specifically on international development programmes and on the acquisition of funds for these programmes. Therefore, more staff is employed and higher revenue is collected compared to other LGAs.

3.6 Norway

The situation in Norway is comparable with the situation in the Netherlands. MIC funds are channelled through the association and ACB initiatives are implemented on a programme basis (see figure 13).

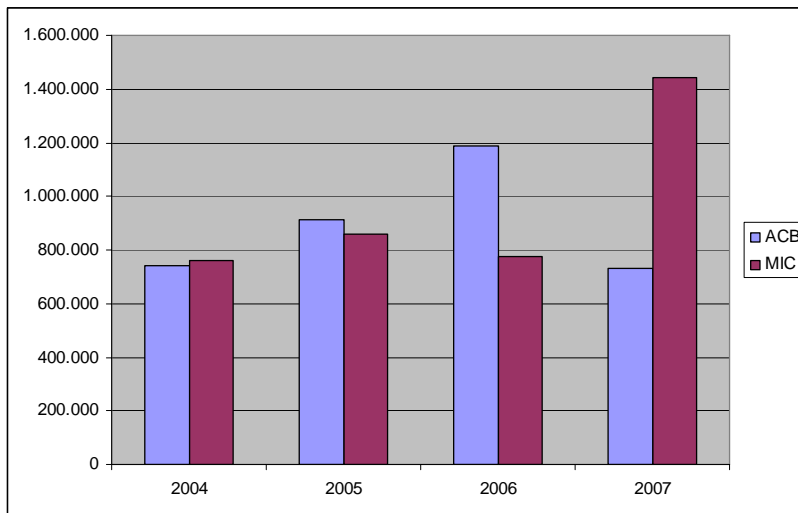
Figure 13: Share of the Ministry of Foreign Affairs of the Total Revenue of KS Norway



The difference that can be noted is that the revenue of KS Norway is smaller, yet a bigger share of the total revenue comes from the ministry of foreign affairs. Besides, the Norwegian Ministry of Foreign Affairs provides some funds directly to municipalities for exchange of experiences with other municipalities, although only to a limited extent.

Another difference between VNG International and KS Norway is that a bigger amount of the revenue is dedicated to ACB projects (see figure 14).

Figure 14: ACB and MIC funds of the KS Norway



3.7 Sweden

SALA IDA, the international development agency of SALAR, the Swedish association of local authorities and regions, works with a Municipal Partnership Programme and ACB projects. As from 2009, the Municipal Partnership Programme will be taken over by SALAR, whereas SALA IDA will continue with the implementation of ACB projects funded by the ministry of foreign affairs. The structure of SALA IDA, as international cooperation agency, is comparable with VNG International.

Figure 15: Total Revenue of SALA IDA

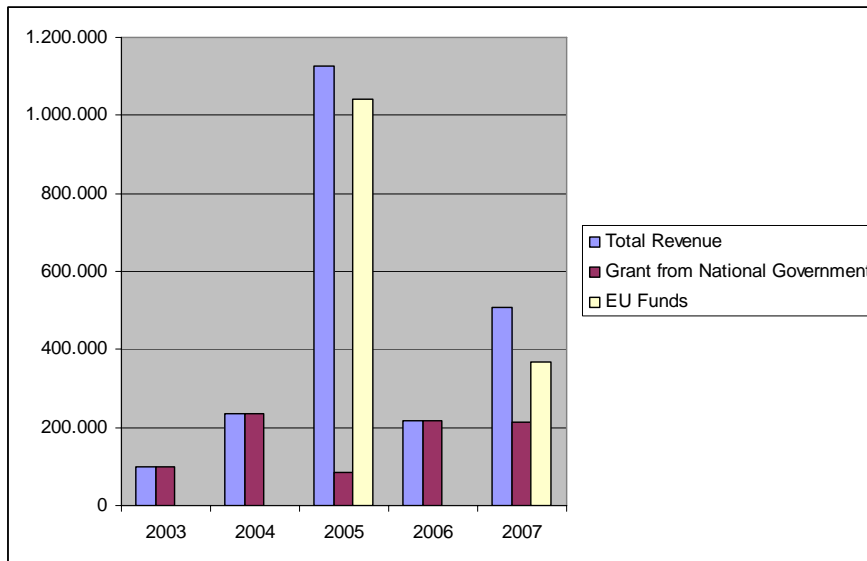
	2003	2004	2005	2006	2007
Total Revenue €	4.425.541	3.738.270	3.142.089	2.881.100	2.979.187

A significant decline can be noted in the total revenue of SALA IDA (see figure 15), this might also be explained due to the fact that there are other funds available for MIC projects, which are not channelled through the association. SALA IDA expects to be carrying out more ACB projects in the years to come.

3.8 The United Kingdom

In the United Kingdom, projects funded by the national government for local government international cooperation do not necessarily include the LGA, nor are they always on LGA's radar. The Foreign and Commonwealth Office (FCO) does not have a specific remit for municipal programmes. The Department for International Development (DfID) does target funds for MIC and ACB programmes through the CLGF, which channels funds to LGA, but this is on a relatively small scale.

Figure 16: Share of funds from National Government and European Union of Total Revenue LGA



Most of the revenue for international activities of the LGA (see figure 16) is destined to the European countries in transition (i.e. Kosovo, Bosnia, Czech Republic, Hungary, Macedonia), whereas a smaller part is dedicated to developing countries (i.e. South Africa and India). Almost all projects target both LGAs and municipalities.

3.9 Other Countries

3.9.1 France

Since 2000 the Ministry of Foreign Affairs does no longer channel the MIC funds through the association Cités Unies France (CUF). Funds are allocated directly from the *delegation pour l'action extérieure des collectivités locales* to French local authorities and institutions (regional and general councils, *communes* and *structures intercommunales*) for international cooperation.

For the years 2007-2009, the ministry allocates almost 17 million euros for 245 projects⁶ for institutional support, local governance and sustainable development (tri-annual and annual projects for development cooperation and annual project for European cooperation).

The sum of 17 million euros is divided as follows⁷:

⁶ 30% of the total budget gathered by local governments for the implementation of projects

⁷ Ministère des affaires étrangères et européennes, 25 septembre 2007 : *Communiqué de Presse*, Soutien du ministère des affaires étrangères à la coopération décentralisée.

Figure 17: The division of the MIC funds from the French National Government for the years 2007-2009:

Projects	Tri-annual Development Cooperation	Annual Development Cooperation	Annual European Cooperation
2007-2009 €	13.458.153	2.466.942	774.360

These funds, nevertheless, are relatively modest and local and regional governments generate most funds for decentralized cooperation themselves.

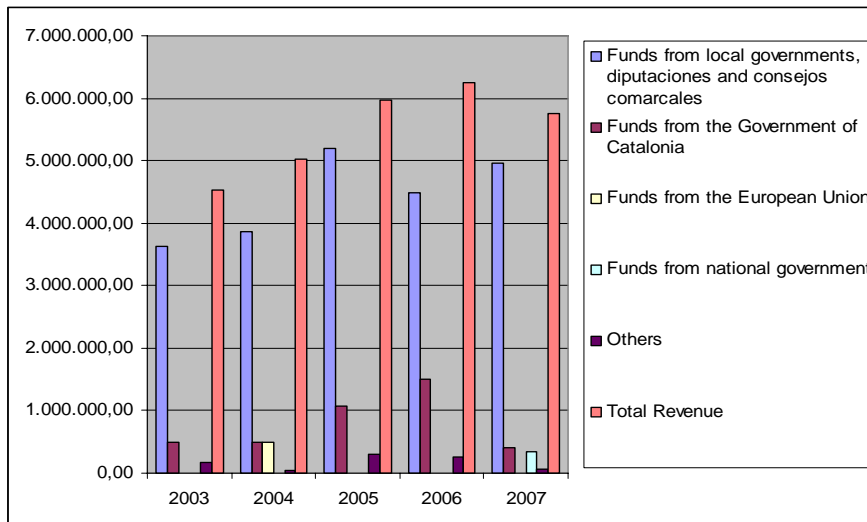
3.9.2 Spain

In Spain the situation is particular. As in France, the Spanish central government does not provide much funding for decentralized cooperation. However, there are some new mechanisms for co-financing international programmes of local governments. In 2007 the government launched the programme *Municipia* in which the Spanish cooperation agency (AECI) works closely with the Federation of Spanish Municipalities and Provinces (FEMP). For the year 2007, 5 million euros were made available for this programme.⁸

Nevertheless, this is still a relatively small initiative compared to the amounts mobilized by Spanish local governments, and in general the interventions of the FEMP are limited to providing support to local governments that are engaged in decentralized cooperation. The total amount allocated for decentralized cooperation in 2005 was of 118 million euros, an increase of 35% per year since 2000.⁹ This figure stresses the importance of decentralized cooperation in Spain.

There are some important mechanisms that gather funds for the implementation of decentralized cooperation projects at the regional or local level. *Fondos de Cooperación*, regional non-profit organizations, gather funds for decentralized cooperation from municipalities, *diputaciones* and *mancomunidades* and other institutions. Of the 9 *fondos* existing in Spain, the biggest ones are the Catalanian (*Fons Català de Cooperació al Desenvolupament*) and the Andalusian Fund (*Fondo Andaluz de Municipios para la Solidaridad Internacional*). Figure 17 illustrates the amounts managed by the *Fons Català* between 2003 and 2007.

Figure 18: Total Revenue managed by the Catalanian Fund of Cooperation



These resources are mainly allocated to implementing agencies for local development.

⁸ Jean Bossuyt, (2007), *Políticas e instrumentos de apoyo a la cooperación descentralizada por parte de los Estados miembros de la UE y la Comisión Europea: un análisis comparativo*, Barcelona.

⁹ Federación Española de Municipios y Provincias (2006), *La cooperación al desarrollo de las entidades locales*, Madrid.

Diputaciones are operating like networks of cities in provinces. *Diputaciones* have funds available to co-finance local government projects and mainly allocate a solidarity budget of 0.7% of their revenue to development cooperation (for example to the *fondos* as well as to other initiatives).

4. Current programmes or projects under contract

As shown in the previous paragraphs, the budgets and the duration of the programmes or projects in the various countries differ greatly.

1) VVSG receives a grant both from the federal and Flemish Government:

- The contract period for the federal programme is five years with a budget of € 4.843.774.
- The contract period for the Flemish programme is one year. By the end of 2008 the Flemish Government and VVSG should agree upon a contract for five years (2008-2012) with an indicative budget of € 885.759.260.

2) The international departments of UVCW and AVCB are currently co-managing a multi-annual programme for the period 2008-2012 for a total value of € 9.415.000.

3) AFLRA has a contract period for MIC of three years with the Finnish Government from 2008 to 2010 with a value of € 5 million.

4) KS Norway has an annual contract with the Ministry of Foreign Affairs, for the year 2008 an amount for € 1.200.000 is available for MIC initiatives. Currently, KS Norway is working on renewing contracts for the ACB programme.

5) VNG International has a contract period with the Ministry of Foreign Affairs from 2007-2010 for the amount of € 30 million. Of this amount, 24 million Euros are destined for the South (MIC and ACB in the African, Latin American and Asian regions) and 6 million Euros are allocated in the region of Eastern Europe.

6) The value of the current FCM programmes under contract totals \$33.1 million, two of which expire in 2009 and the other two expire in 2010.

7) The decline of the available funding for Municipal Partnership of SALA IDA is visible in the following figures: whereas in 2007 the North South Municipal Partnership funding from the national government was still € 454.737 the budget currently under contract has been reduced to €206.188 for 2008. For the Municipal Partnership East, the programme under contract is € 162.965, for the years 2007-2008. For the phase out of the Municipal Partnership programme in Russia, the national government allocates € 17.550 for the year 2008, whereas for Belarus € 30.086 is donated. Unfortunately, no figures on ACB under contract were available.

8) As mentioned above, LGDK has no access to funding on a regular basis. Currently, they are implementing an ACB project for the amount of € 40.245,21.

9) Currently, LGA has a programme under contract with the European Union for a project with Kosovo LGA and municipalities for 2007-2008 for the amount of € 736.296 euros, as well as an amount from the OSCE for a project with Bosnian LGAs and municipalities.

Conclusion

Given that the situation in the various countries is very different, it is somewhat difficult to make a comparison of the situation of the different LGAs. Clearly, VNG International and FCM dispose of the most financial means, and still show a significant increase of their budgets, whereas other associations

are operating on a smaller scale, sometimes with both MIC and ACB programmes, in other cases mainly MIC programmes. The main problem is the sometimes limited budget due to the absence of regular funding from the national government.

An interesting observation however, is that LGAs are starting to receive more funds for ACB programmes or projects and generally speaking we can speak of an increase of the total revenues of LGAs in the North of Europe.

List of abbreviations

ACB	Association Capacity Building
AVCB	Association de la Ville et Communes de Bruxelles
AFLRA	Association of Finnish Local and Regional Authorities
FCM	Federation of Canadian Municipalities
KS Norway	Norwegian Association of Local Authorities
LGA	Local Government Association
LGA (UK)	Local Government Association (United Kingdom)
LGDK	Local Government Denmark
MIC	Municipal International Cooperation
OECD	Organisation for Economic Co-operation and Development
SALA IDA	Swedish Association of Local Authorities International Development Agency
SALGA	South African Local Government Association
UCLG	United Cities and Local Governments
UVCW	Union des Villes et Communes de Wallonie - Union of Cities and Municipalities of Wallonia
VNG International	International Cooperation Agency of the Association of Netherlands Municipalities
VVSG	Vereniging Vlaamse Steden en Gemeenten - Association of Flemish Towns and Municipalities