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Improving Local Governance: Environmental and Social Considerations of Sectoral Reform

Effective local governance is a basic building block of democracy. From the Magna Carta to the New England Town Meeting, the evolution of democracy has been characterized by increasing decentralization and local governance. Sound local governance is fundamental to supporting a market-based economy that attracts investment, creates employment opportunities, and accelerates economic development. Citizen participation in local environmental decision-making and policy implementation enhances the terms of engagement between the community and its officials. In such a relationship, officials become more responsive to citizen needs and citizens more readily comply with government regulations that affect their daily lives. Among other things, this is a formula for decision-making that supports sustainable economic growth.

The key to improving local governance thus lies in building capacity and collaboration among multiple stakeholders that include officials, citizens, industries, and other actors.

Environmental policies that consider the needs of the local citizenry achieve greater, more enduring gains because local involvement in establishing policies and programs creates a sense of ownership, encouraging participation and contributing to sustainable success. An effective local environmental policy that empowers citizens will increase public support for local officials, thereby motivating their continued efforts while developing local capacity to further improve and protect the environment.

One responsibility of local government is to improve the local economy and quality of life in the community, and environmental programs are essential for this. Unchecked development and lack of proper environmental safeguards must inexorably lead to ecologic and then economic disaster.¹ Citizens and businesses often disregard potentially harmful practices because they are kept outside of the political process. Therefore, establishing sound environmental policies that **foster local ownership and accountability** enable cities and other local areas to create a base for sustainable economic growth. Too often, however, a country's central government imposes punitive or arbitrary economic regulations without regard to local conditions.

Case in Point – Niger

In the early 1980's the Government of Niger introduced restrictions on tree cutting aimed at protecting forestlands threatened by drought. The regulation led to sales of permits to wood cutters who harvested trees without involving local people. Local people had no incentive to obey the regulation, and the Forest Service lacked capacity to police illegal logging. The end result was widespread disregard of the regulation, and accelerated deforestation.

¹ National Pollution Prevention Center for Higher Education, "The Tragedy of the Commons and the Decision-Maker," University of Michigan, Ann Arbor, MI, October 1996 and Garrett Hardin, "The Tragedy of the Commons," Science, v.162 (Dec. 13, 1968), pp. 1243 – 48, American Association for the Advancement of Science.

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USAID/Niger recognized that effective environmental policy must be accompanied by technologies and procedures to implement it. Appropriate organizational incentives and capabilities are particularly important. The USAID Forest Land Use Planning Project devised an innovative community-based natural resource management approach that provided rural producers with the incentives and authority to improve resource management. The central theme of USAID's approach was that *local communities, in pursuit of more secure and prosperous livelihoods, could do a better job of managing forest resources than could the state.*²

The result of this decentralization? Woodlands under local management increased from 3,700 acres in 1986 to 81,500 acres in 1991 (bringing in over \$80,000 in revenues for those communities), and 1,060,000 acres in 1996. USAID demonstrated technical approaches that integrated woodland management with improved agricultural practices such as planting trees for windbreaks to reduce erosion. Crop yields of lands under local management increased dramatically, as much as 700%. Where rigid and arbitrary state-imposed environmental regulations had exacerbated the problem of deforestation, the USAID approach of combining technical assistance with an enhanced enabling environment for local governments not only achieved its original goals, but also had an enormously positive impact on the economy.

Formulating, implementing, and evaluating environmental policy also constitute a **local capacity building process**. Any local environmental policy requires economic as well as environmental assessments, fiscal planning, and budgeting. Skills and expanded capabilities acquired from such a process are applicable to all areas of local governance and administration. Active involvement of citizens and business leaders in urban planning and natural resource management leads to productive dialogues that will carry over to other programs.

Since the success of local government is often measured by a city's pace of economic development, local officials are typically keenly interested in attracting outside investment and financing. In order to persuade new businesses and investors to establish a base in the city, its environmental policies and infrastructure – zoning, air and water quality management, and waste disposal – must be able to support such businesses. Financing organizations, such as the European Bank for Reconstruction and Development (EBRD), routinely require an environmental impact assessment of any physical construction or growth enabled by its funding. Furthermore, international corporations use their conformance to environmental standards – ISO 14001, EUREPGAP, Green Globe 21, Forest Stewardship Council, and others – as a marketing point, and they will not invest in a community that cannot readily accommodate their environmental standards. Hence, **local governments that are successful at using environmental policy to promote sustainable development will garner political and citizen support as well as enhance their appeal to investors.**

Case in point – Nowy Sacz

In the late 1990s, the small Polish city of Nowy Sacz received training from USAID under the Local Government Partnership Program (LGPP) to reorganize its city government and adopt more fiscally sound and transparent planning, operating, and budgeting procedures. One of the Mayor's first initiatives after the LGPP training was to implement energy efficiency and renewable energy

² McGahuey, Mike, "NRM Success Stories In Niger," USAID/Niger, (unpublished), 1997 and USAID, 1997 *Agency Performance Report*, PN-ACB-775, USAID, 1998.

(biomass) projects to reduce local pollution caused by burning coal. With USAID's assistance, he promoted creation of enterprises to implement energy and environmental improvements, generating jobs for unemployed workers and significantly reducing the city's operating expenses for municipally-owned buildings. As a direct result of the program the health, productivity, and longevity of Nowy Sacz residents visibly improved, as did the city's finances, and new private investment began to flow in.

Achievements in economic development and quality of life help to reinforce stakeholder commitment and involvement in similar programs: people see that changes in their behavior and that of their local government can translate into securing a sustainable future. More broadly, **exemplary local environmental projects inspire replication in other cities, regions, even countries.** Municipal associations supported by USAID have been a forum for cities to highlight their environmental policy successes and assist each other to replicate successful projects. USAID's LGPP initiative, for example, directly and indirectly brought about immediate similar activities in more than half of Poland's municipalities at an expenditure of less than 3% of USAID/Poland's budget.

Environmental policies developed by local governments often provide the necessary assurance and data to support implementation of other policies and programs, and also to support implementation of national level policies. USAID's assessment of Poland's water supply treatment needs and development, together with local governments and industry, of a realistic water-pricing policy led to a new national regulatory framework. This framework enabled private sector investment in water utilities because it provided a means for obtaining a return on investment. Poland's USAID representative described this project as "...A model because legislative change was built from the bottom up...This is one of the few times Polish industry has participated in the crafting of a law rather than reacting to it after it was drafted."³

Indeed, much of the success of Poland's national reforms can be traced to local government initiatives. PNEC is a municipal association supported by USAID to develop clean energy and environmental policies and projects. The president of PNEC formed a multi-party caucus in the Polish Parliament to promote legislation in the interests of small cities. A USAID project in Krakow convinced the Ministry of Natural Resources to **give regional governments authority** to decide how to spend environmental usage fees collected by the Ministry. Nowy Sacz has been showcased as an experiment for the new *powiat* design of regional government.

Policies and associated programs that can foster and support improved local government and decentralization include those that, for example:

- Increase public support for environmental policies by publicizing local projects
- Encourage investment by or joint ventures with foreign business by benchmarking environmental laws and regulations to world standards
- Help local organizations, enterprises, and farmers comply with environmental regulatory standards and thereby improve competitiveness

³ USAID and the Polish Decade: 1989 - 1999, USAID/Poland, 2000.

- Use local programs to provide guidance to national government agencies in crafting environmental policies
- Develop environmental regulations with local government, NGO, enterprise, and citizen input that provide realistic incentives to comply
- Utilize a flexible approach, adapted to local conditions, that combines an enhanced enabling environment for local government with appropriate technical assistance
- Provide technical and organizational training to enable local governments to utilize state-of-the-art environmental management procedures and technologies
- Facilitate technology transfer and mutual assistance among local governments

USAID initiatives have proven the effectiveness of environmental policy reform to expand the capabilities of local governments; make them more responsive to the needs of their citizens; give local governments a greater voice in shaping national policies and regulations; and stimulate local and national competitiveness, trade, and economic growth.