ASISTENCIA A LOS PAÍSES ANDINOS EN LA REDUCCIÓN DE RIESGOS Y DESASTRES EN EL SECTOR AGROPECUARIO

POLICY BRIEF 5. LOCAL GOVERNMENTS SELF-FINANCED

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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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How and in what time horizons can external finances trigger processes towards self-financed autonomous local institutions?

The long-term goal of fiscal autonomy within local communities is a for food security, development and, therefore, increased resilience to the impacts of climate change at the local level. Governance structures require funding; however, while external funding may lead to financial dependency thus compromising the capacities of such institutions in the longer term, external funding is still required in the initial phases to kick-start processes towards self-reliance. External funds must be construed in such a way as to decentralize financial resources, therefore empowering multiple organizations within the community. Examples of successful internal financial mechanisms in the region include participatory budget schemes and compensation for environmental services, both processes require local institutions with strong financial capacity and a robust civil society that is empowered to finance its own development.

Money can be a limiting factor for Municipalities that aspire to accomplish ambitious NRM projects. Governments and even the CAN may be inclined to pay for a project in particular if they see its strategic importance, bearing in mind that what happens in upstream communities may influence downstream areas.

The financial dimension is one of three dimensions of institutional capacity. The other two are the political (understood not as partisan politics but as the participation of local populations in policy decision-making processes) and the administrative.

However, the financial dimension is probably the trickiest to achieve. In the first place, governance structures (of supra national, national, and sub-national levels) require funding irrespective of its origin. However, the issue of origin of the resources is essential as it may conceal the origin and paternalistic clientelar behaviours by any of these levels of governance. The more its accountability will point up-ward rather than down-ward to its constituency. For this reason, financial dependency may be at the heart of failure of political capacities. However, external funding is often required in the initial phases to kick-start processes towards self-reliance.

Local communities and governments are best suited to deal with NRM, but there are situations where they cannot tackle these big challenges all by themselves.

This is when higher levels of governance (regional, national and even supranational) can provide municipalities with the necessary means and conditions to implement better NRM policies. For this reason it is important to bear in mind that external actors (including regional and national government) not always erode local power, but at times they can reinforce the policies of municipalities. These are the ways in which external actors may rein-

Financing is required while implementing actions under a formulated policy. A clear policy on financing mechanisms is essential. Issues: a) how we define adaptation or mitigation costs; b) how the money would be raised and who should be paying; c) the mechanism of financing. How the funds will be allocated, who will get it and how it will be distributed.

The need to catalyze investments: the role of public and private entities

a) Water. In countries where agriculture activities are crucial and producers are working in water-stressed rain fed environments, some investment has been made to develop water harvesting systems that enable the conservation of rainfall

b) Investment in technology transfer. New crop varieties, which in turn promotes improved management practices, new irrigation systems and reduced fertilizer use.

External financial instruments (donors) play a fundamental role to kick-start processes. Eventually, as financial capacities of local communities grow, local actors continue financing their development.

External financial funds

In Latin America, one of the consequences of the neoliberal adjustment period and its sequels has been political and financial decentralization processes, including service provision to civil society/public partnerships. Although huge national differences remain, in general, some financial resources are currently allocated by the central government to either regional entities or to municipal governments. In some cases, it also involves some transfer of decision-making not only to public entities but also to civil society organisations.

Resource transfers

To local actors –public, non-governmental, and community-based organisations—include the provision of investment and operational funding as well as support for training, technical assistance, and information.

The evolving role of social funds

Social funds are one instrument among many for promoting development at the local level. A key question is whether social funds are temporary or permanent features of the public sector landscape (Helling 2005).

Some adaptation and finance funding sources are: a) the GEF Trust Fund for Strategic Priority Adaptation (SPA); b) the Special CC Fund (SCCF); c) the Least Developed Countries Fund (LDCF); and d) the Adaptation Fund: Kyoto Protocol Art. 12.8 of the Clean Development Mechanism (Schipper UNDP).

What kind of funding and projects?

CCA funds and disaster prevention funds share the goal of intervening in the correct management natural resources. In the Andean context this necessarily implies investing in projects which jointly address NRM and sustainable agricultural practices.

Finance local development

Along with improving the enabling environment and enhancing capacity, additional financing is often necessary to supplement budget and community resources for promoting local development. Additional funding is frequently required to finance local investments.

Technical support, training, and information

Large specialised bodies such as ministries and universities may have vital information that municipalities desperately need. This is particularly relevant in the agrifood sector but also issues linked with water dynamics and CC are too complex to decide upon without technical information. Capacitating the population is the next big step in order to take action. Lastly, expensive and/or specialised equipment may be needed to carry out the necessary measures.

A conductive legal framework

A comprehensive NRM legal framework (regional, national and even supranational) is an effective way to protect natural resources and their communities (even from themselves). Even more desirable is that the legal framework also requires municipalities to fulfil minimum standards and provides incentives to pursue more ambitious measures. The right political presence is also very important since municipalities dispose of limited political channels, for this reason an external actor may provide the necessary political muscle to negotiate an agreement with another country to form a watershed commission for example (but could also advocate for more media exposure, more laws regulating, etc).

At the heart of the legal framework, there is a need to acknowledge the advantage the Andean region can offer: water. Water is a renewable source. Every liter of water that is used can be restituted to mother nature. It can be used in raw form by bottling it and selling it as drinking water. Value can be added to water by using it for agricultural purposes. Whatever the use given to water it is an extremely valuable resource that needs to be protected. The greatest advantage of water vis à vis other NR is that it is renewable and that every liter used can be recovered as long as the legal mechanisms are in place. As a final observation concerning the importance of water, the fact that 1 liter of water costs only slightly less than 1 liter of petrol in the international markets.

Un-blocking local inertias

One of the main challenges encountered when introducing finances within rural communities is local elite capture. In many cases the local "cacique" is able to capture donor funding, thereby distorting the project's aim and contributing to the perpetuation of clientelistic relations.

How to un-block inertias?

In the case of "Lempira Sur", for example (see below), this type of local inertia was successfully inhibited through the dispersion of power and the creation of new community leaders. External funds must be construed in such a way as to decentralize financial resources, therefore empowering multiple organizations within the community.

The transition phase

Investing in a multitude of producer organizations, conservation organizations, watershed commissions, and pilot projects serves the purpose of decentralizing financial resources.
This fosters the creation of new community leaders, each arising from a different sector of the community thus contributing to a robust and diversified civil society.

The long-term goal of local financial autonomy

The arrow pointing to the right represents the long-term goal of fiscal autonomy within local communities. The external funds set in motion local financial mechanisms which ensure a stable flow of income and enable the transition towards financially self-sufficient communities. Examples of internal financial mechanisms include payment for participatory budget schemes and compensation for environmental services.
The role external funds play consist in preparing the terrain on which a self-financed community can thrive.
As power and money are decentralized, the conditions are now possible for local financial mechanisms to be implemented, the most important being participatory budgeting.
In fact, a requirement for participatory budgeting is that power be not centralized but dispersed throughout a multitude of different interests. Some studies demonstrate that a robust civil society is a pre-requisite for a successful case of Participatory Budgeting (PB).

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