

European Development Co-operation to 2020

The Impact of “Emerging Powers” on Governance in Partner Countries

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Emerging Issues in Local Governance (I)



Two major global trends: **Urbanisation** and **Decentralisation**

Urbanisation:

2 billion people more are going to live in cities by 2030!

Challenges:

- ✓ Infrastructure
- ✓ Administration
- ✓ Ecological footprint
- ✓ Social diversification

Decentralisation:

In a growing number of countries, competencies, tasks and resources are being transferred to lower levels of government

Challenges:

- ✓ Resource gaps
- ✓ Administrative capacity
- ✓ Political participation

Emerging Issues in Local Governance (II)



There is a **large heterogeneity** in local governance situations:

- ✓ **Degree of Decentralisation:** Differences in terms of competencies, autonomy, political power, resources
- ✓ **Level of Development:** Differences in terms of capacity, infrastructure, economic development, social diversity
- ✓ **Governance:** Differences in the institutional setting, dependency on political cycles, planning horizons
- ✓ **Situational factors:** natural disasters, economic crises, political conflicts – but also e.g. windfall profits from commodity price booms

2nd Generation Decentralization (I)



What does the term mean?

- ✓ **Academic debate:** for instance 50's/60's: Local planning euphoria, 1st Generation Fiscal Federalism; 70's/80's: Local democracy euphoria; 80's/90's: Market euphoria; 90's/00's: New Public Management, 2nd Generation Fiscal Federalism → **fourth, fifth, sixth generation?**
- ✓ **Development cooperation (DC):** Promoting decentralization at least since the 1970's: Community development, local democracy, fiscal decentralization, local economic development, national decentralization reforms → **is it possible to speak of „generations“?**
- ✓ **Decentralization as a process:** Once the main institutional changes have been implemented (constitutional reform, laws, elections, public finance reform) → **new challenges arise:** e.g. Modernisation / financing of infrastructure, public services provision, reform of monitoring and control institutions, fiscal governance, multi-level cooperation

2nd Generation Decentralization (II)



What do counterparts demand from donors?

- ✓ Growing demand for **specific, short-term, highly flexible consultancies** for individual cities, along with
- ✓ A steady demand for **strategic cooperation** at the national level (fine-tuning of decentralization and multi-level government, capacity-building)
- ✓ Growing demand with respect to infrastructure financing (sub-sovereign lending, public private partnerships)
- ✓ In low-income countries the main challenge is to guarantee a minimum provision of public goods in the course of decentralization
- ✓ In contrast, the most advanced cities will be interested in bolstering their role as innovators through DC networks and consultancy
- ✓ The **transfer of innovative approaches** will play a bigger role → *scaling up* and *triangular cooperation*

New framework conditions for development cooperation in local governance (I)



- ✓ **New actors:** Large foundations, private enterprises (corporate philanthropy, PPP), new donors, international local government networks
 - ✓ **New modes of delivery:** sub-sovereign or non-sovereign lending, public-private partnerships (for instance, metropolitan development corporations), integrated consultancy packages, twinning (European Union), etc.
- **there are few fields in development cooperation with such a diversity of actors and modes of delivery!**



Key criteria for the evaluation of local governance DC:

- ✓ **Cooperation and concertation:** Do donor activities generate additional resource flows and synergies? Are there interfaces with other actors?
- ✓ **„Donor competition“:** Is there a level playing field? Is there a over-supply of development cooperation in some (especially attractive) „market segments“, to the detriment of others?



Thank you
very much!

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