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
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 $\rightarrow$ **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 $\rightarrow$ **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) $\rightarrow$ **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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