



REPORT



KAS EUROPEAN OFFICE BRUSSELS MULTINATIONAL DIALOGUE ON DEVELOPMENT POLICY

Expert Roundtable with Prof. Paul Romer

Moving beyond conventional development assistance: The concept of charter cities and the quest for a new approach

1 September 2010

“There’s no impediment, other than a failure of imagination, that will keep us from delivering on a truly global win-win solution.” (Paul Romer)

The concept of Charter Cities is one of the most controversial reform proposals in development policy. The idea is non-conventional: through the foundation of new cities in previously uninhabited areas development and inclusive economic growth in underdeveloped countries will be enabled. These are the main points of the concept of charter cities presented by Professor Paul Romer, Senior Fellow, Stanford Centre for International Development and Stanford Institute for Economic Policy Research, to an expert roundtable on 1st September 2010 at the premises of Konrad-Adenauer-Stiftung.

The two prerequisites for a charter city are uninhabited land and a charter granted and enforced by an existing government or collection of governments. The idea is to build dozens, perhaps hundreds, of cities, each run by a new partnership between a rich country and a poor country. The poor country would give up some land for the city, while a developed country could contribute a credible judicial system that anchors the rule of law. Citizens from the poorer country (and perhaps elsewhere around the world) would then be free to live and work in the city that emerges. With the right rules, a city will naturally grow as residents arrive, employers start firms, and investors build infrastructure and buildings. A coherent set of rules can let millions of people work together and create enormous value on a small tract of land. Because cities are also relatively self-contained, the internal rules in one can differ from the rules in all of its trading partners. Urbanization is the key to the predictable transformation from an economy where most people earn a precarious living in subsistence agriculture to one in which most people work in manufacturing and services. The transformation is inevitable; current estimates suggest that an additional 3 billion people will move to cities this century. Charter cities can create places where the hundreds of millions of people on the bottom rung of economic life could go live and work under these kinds of rules.¹

¹ More information can be found under the following link: <http://www.chartercities.org/>

REPORT
EUROPEAN OFFICE
MULTINATIONAL DIALOGUE
ON DEVELOPMENT POLICY
SEPTEMBER 2010

www.eukas.eu

The discussants included **Günter Nooke**, the German Chancellor's Personal representative for Africa in the Federal Ministry for Economic Cooperation and Development, **Klaus Rudischhauser**, Director ACP I - General Affairs, DG Development, European Commission, **Dr. Klaus Nutzenberger**, Director, German Association of Towns and Municipalities (DStGB), **Dr. Alexander Fisher**, Managing Director and Member of the Executive Board, DIW Berlin.

The discussion welcomed the need for an open debate on future concepts for development and recognized the importance of charter cities as a contribution to this debate. As the success of development cooperation is being heavily criticised, policy makers need to redress priorities also in the EU, which is the biggest donor with 60% of funds in development cooperation. The protection of the fundamental human rights should serve as a basis for International Organisations such as the European Union and the United Nations to take a calculated risk in putting a charter city into practice. Development is not possible from the outside. Therefore charter cities which offer choices for people rather than choices for countries could present a good opportunity for inclusive growth. Charter cities represent a modest idea as they don't intend to replace development aid and could decrease south-north and south-south migration flows as solutions are offered locally.

However, there are many practical questions which have to be solved before there are chances of implementation. Most importantly, the question on the framework under which the charter city operates was raised by the participants. This includes the guarantee of security by another country or the international community, the identification of the stakeholder(s) responsible for the setting of rules, infrastructure and linked with this the need for the surrounding country to fulfil some basic criteria concerning governance and economic performance. Furthermore the heavy engagement in terms of external staff/officials to govern a charter city requires a strong involvement of the donor country or countries. The long-term commitment a donor country would have to make is also problematic for a Democracy where each election could result in the withdrawal of support. It would be very difficult for a democratic donor country to support a governance concept that does not include a democratically elected governance structure. Also, the question was raised if the concept couldn't also be applied to charter villages, this having the advantage of a somewhat smaller investment and risk of failure.

Professor Romer responded to the main critique raised taking up the idea of Human Rights as a motivation to engage in the project of a charter city. As charter cities should be located in coastal areas, infrastructure of surrounding countries is not necessarily a decisive element for the successful implementation. The concept does not include villages as a village would not be able to set up the necessary internal infrastructure in order to function independently from the surrounding area. Furthermore, referring to "election-like events" rather than elections in Afghanistan and Iraq, Professor Romer argued that ensuring voting rights for the local population does not give guarantees for democracy.