

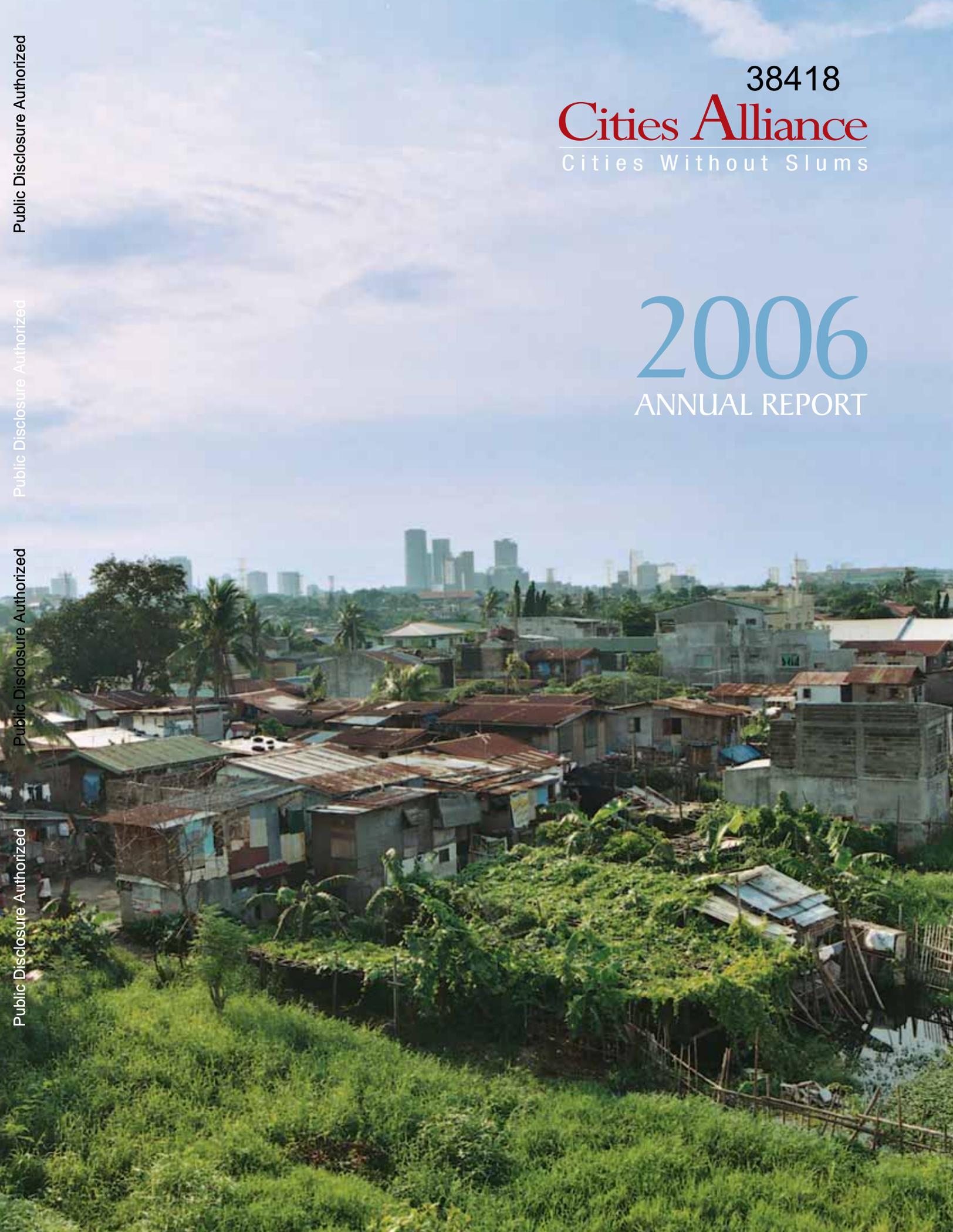
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Cities Alliance

Cities Without Slums

2006

ANNUAL REPORT



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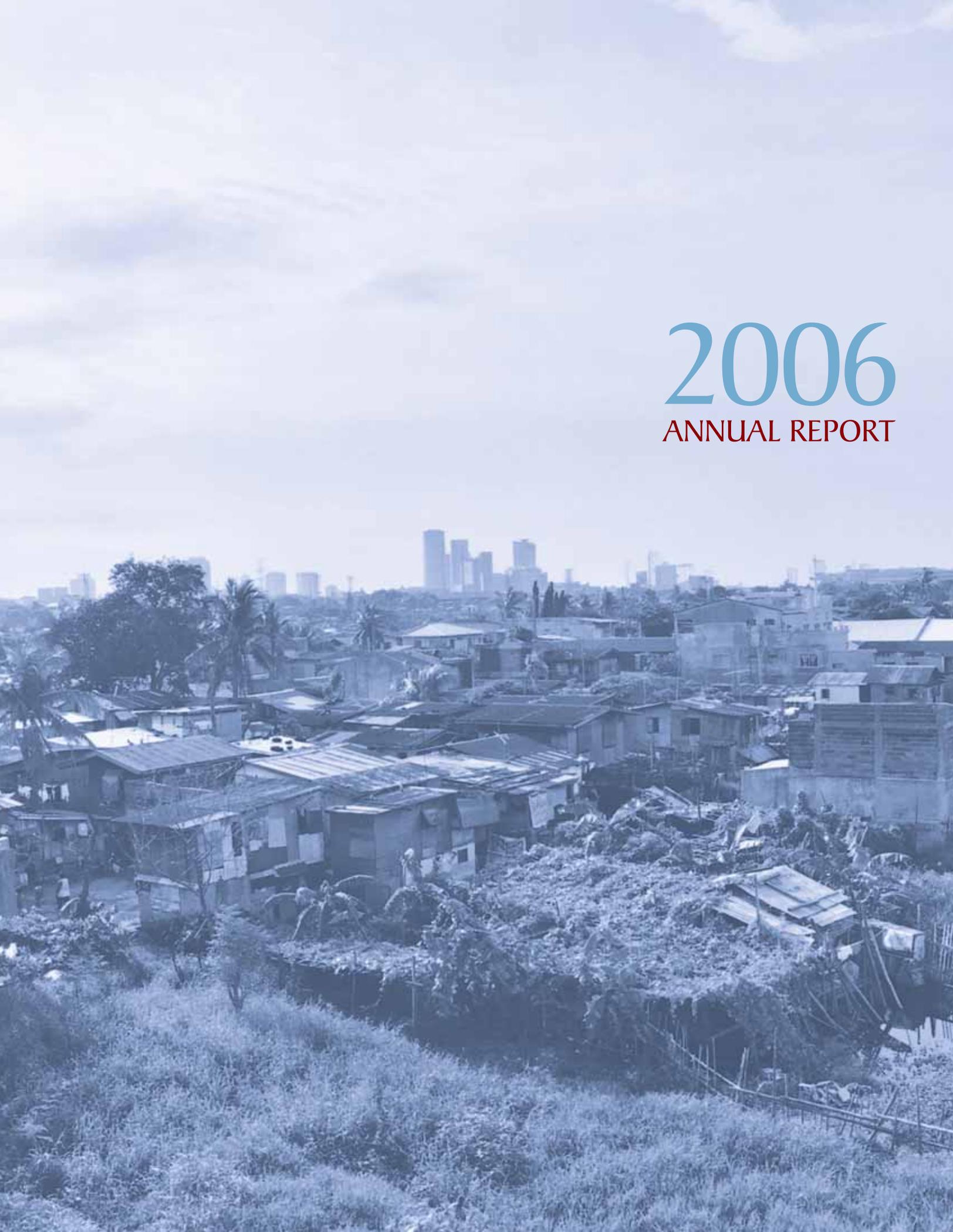
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Cover photo: "The city of Muntinlupa, Metro Manila, lies on the edge of Laguna de Bay, the largest lake in the Philippines." © William Cobbett/Cities Alliance, 2006.

An aerial photograph of a densely populated urban area, likely a slum or informal settlement, with a city skyline visible in the background. The foreground shows a grassy slope leading down to the buildings. The buildings are closely packed and appear to be made of simple materials, with some showing signs of damage or decay. The sky is overcast with light clouds. The overall color palette is muted, with a strong blue tint.

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FOREWORD

Our governments welcome the increasing sense of urgency that is now being paid to the environment. No matter how belated, the recognition of the environmental consequences of the world's growing population, increased industrial growth and wasteful and unequal consumption have signalled the need for fundamental shifts in policy, and in the way we all live.



**DR. MÁRCIO
FORTES**
Minister of State,
Ministry of Cities,
Brazil

A handwritten signature in black ink, appearing to read 'Márcio Fortes', written over the bottom right corner of the portrait and extending into the background image.

On behalf of the Governments of Brazil, Nigeria and South Africa, we are proud to present the 2006 Annual report of the Cities Alliance, which highlights the linkages between the urban environment, economic growth and poverty reduction. By focusing on citywide slum upgrading and city development strategies, and by insisting that it is the city that takes ownership and actively leads the process, the Cities Alliance provides a platform for its members to learn from cities all over the world.

Our governments welcome the increasing sense of urgency that is now being paid to the environment. No matter how belated, the recognition of the environmental consequences of the world's growing population, increased industrial growth and wasteful and unequal consumption have signalled the need for fundamental shifts in policy, and in the way we all live.

The debate on global warming, however, has largely obscured the local and human dimensions of environmental degradation. For hundreds of millions of poor people, the state of the environment is neither a global threat, nor a future problem. Its neglect and mis-management has been, for some decades, a life-threatening, daily reality.

The world's slums are as much an environmental concern as they are a concentration of urban poverty and social exclusion. The consequences of inappropriate national policy frameworks, and under-resourced and poorly managed cities, include the appalling living conditions endured by the urban poor, the increased incidences of preventable diseases, shortened life spans, and unacceptably high death rates.

We believe that our towns and cities have an increasingly vital role to play in creating the conditions for sustainable economic growth, improved environmental management and poverty reduction. To help cities achieve these goals, national governments need to be constantly looking for creative ways to strengthen local governments, match their increased responsibilities with real resources, and ensure that national frameworks help, rather than hinder, the developmental role of local governments.

We joined the Cities Alliance because of the leading international role that it plays in providing support to those cities and countries that want to change: cities and countries that wish to break out of short-term developmental models, and focus on the systemic changes that are required to ensure sustainable economic growth, a protected urban environment for the city, and a meaningful citizenship for its residents.



**DR. OLUSEGUN
MIMIKO**
Minister for
Housing and Urban
Development,
Nigeria

A handwritten signature in black ink, appearing to read 'Olusegun Mimiko', with a horizontal line underneath.



**DR. LINDIWE
SISULU**
Minister of
Housing,
South Africa

A handwritten signature in black ink, appearing to read 'Lindiwe Sisulu', with a horizontal line underneath.

POVERTY OF THE URBAN ENVIRONMENT

*It is the very same set of policy issues
that perpetuates urban (and rural)
poverty, allows corruption and constrains
economic growth, that also encourages
urban environmental degradation,
inefficiency, dislocation and decline.*

The Challenge

The demographic changes expected over the next decades have been well rehearsed. Each year more than 60 million people are added to the global urban population. In the next 25 years, the world's urban areas will grow by an estimated 1.8 billion people. Almost all this growth will occur in the developing world. How this urban expansion takes place has extremely significant implications, both for efforts to reduce the negative impacts on health and the built environment, and for efforts to safeguard the natural resource base.

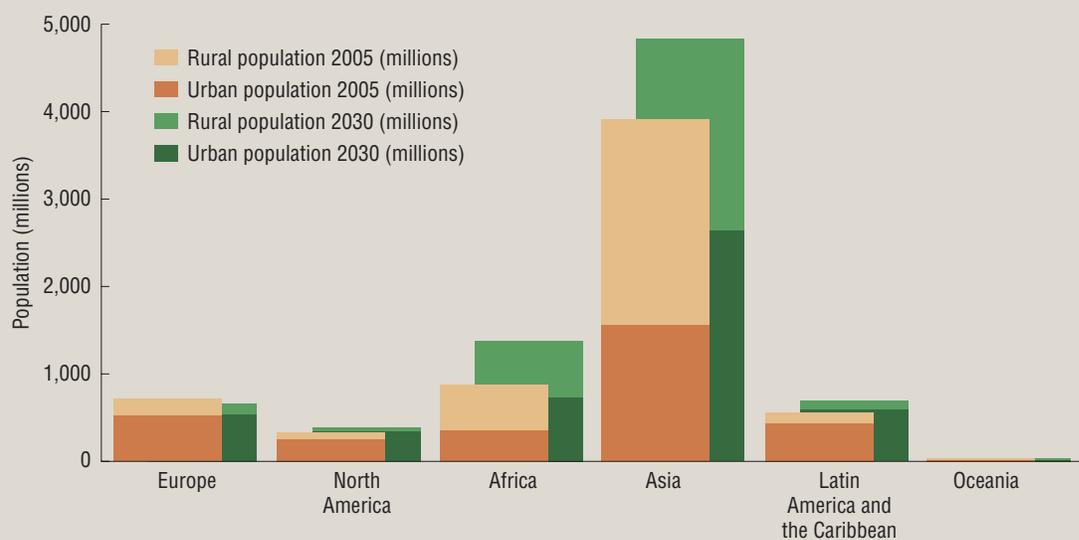
Urban areas depend on environmental services for their survival. Urban dwellers draw from the surrounding areas for the water they drink, the air they breathe, the energy they use, and the food they eat. Yet, these urban dwellers pose a threat to these

very common goods, particularly through pollution, greenhouse gas emissions, deforestation, and depletion of water resources. Rapid urbanization in developing countries has resulted in dramatic environmental deterioration, severely affecting the growing numbers of urban poor, with the impact on water being most acute.

Latin America has very high levels of urbanization, but the region is still managing the consequences of a largely unplanned transition and decades of poor governance preceding democratization. However, the most significant shifts yet in the global urban landscape are under way in: (i) Sub-Saharan Africa, which has recently been described by the United Nations Environment Programme (UNEP) as a region under environmental assault,¹ where most of the urban transition is still to occur; and (ii) Asia, which already has the largest numbers of people in slums.

Governments and cities have a unique, yet limited, opportunity to learn from mistakes elsewhere

RURAL AND URBAN POPULATION BY REGION IN 2005 AND 2030



Source: United Nations, *World Urbanization Prospects: The 2003 Revision*.

and to avoid the costly consequences of failing to adequately plan for an increasingly urban future. By embracing the positive impacts of urbanization, governments have the opportunity to spur economic growth, avoid social attrition, and prevent social conflict, widespread urban degradation, and human misery.

Yet, for a variety of reasons, neither policy frameworks nor infrastructural investments have kept up with urban growth and the pressure on environmental services in the developing world. The most essential and difficult decisions are not being made; consequently, the really important choices—those with long-term consequences—are being made by default. These choices are, almost invariably, the wrong ones.

At the beginning of the 21st century, more than two centuries after Charles Dickens railed against the conditions of the poor in London's slums, the majority of the world's towns and cities have no sewerage. Globally, two-thirds of the sewage from urban areas is sent untreated into lakes, rivers, and coastal waters. Each year more than 450 cubic kilometres of wastewater is dumped into streams and rivers that are in many cases the source of urban potable water, and hundreds of thousands of urban dwellers die each year from diseases attributable to unsafe water or inadequate sanitation. Less than a third of municipal solid waste is properly handled or disposed of. According to the World Health Organization (WHO), 3 million people die annually as a result of outdoor air pollution from vehicles and industrial emissions; 1.6 million, as a result of indoor pollution from the use of solid fuel, mostly in developing countries.

Millions of children cross streams of raw sewage daily, in many cases right at their own front door. Because millions of poor people, mainly women and girls, have only sporadic or no formal access to potable water, obtaining it is a time-consuming and,



UNEP / Siu Woon-ying

Environmental pollution from heavy industrial waste in Yangzhou, China.

ultimately, inefficient pursuit. Diarrhoea is the second most common cause of under-five mortality, accounting for some 1.3 million deaths annually.

These urban environmental issues are among the most pressing problems facing developing cities today. Urban environmental degradation is human degradation; it is not an issue that can be resolved by technological innovation alone. The poverty of the urban environment is not a marginal issue:

BOX 1. LINKING POVERTY AND ENVIRONMENT IN HYDERABAD, INDIA

With a population of over 5 million, Hyderabad, India, is beset with severe environmental problems. Water and air pollution and poor sanitation take a heavy toll on the quality of life of city residents, impacting the urban poor most severely. It is estimated that Hyderabad's urban poor constitute 30–35 percent of the population, with many living in slums along polluted water courses and drainage ways.

The linkages between urban growth, development, environment, and poverty were examined in a case study in 2001, which concluded that “there are clear indications that environmental conditions; lack of safe drinking water, sanitation, air and water pollution, etc., adversely affect the living conditions of the poor through impacts on health. The burdens of disease and disability lead to loss of man–days and income, and to higher health care and medical costs for the poor. Thus, investments in environmental infrastructure are warranted on grounds of improving productivity of the poor apart from providing basic conditions for economic growth and job creation. Strategies of poverty alleviation . . . need to consider investments in basic civic infrastructure . . . as important instruments for poverty alleviation.”^a

^a “Cities Databook: Urban Indicators for Managing Cities,” CD-ROM version, Manila, Asian Development Bank, 2001.



Mark Edwards / Still Pictures

Slum housing crowding a canal in Mumbai, India.

there is a clear and consistent relationship between weak systems of governance, corruption, urban poverty, and a degraded urban environment.

The City as the Solution?

Cities occupy just 2 percent of the Earth's surface, yet their inhabitants already consume 75 percent of the planet's natural resources for goods and services, and 80 percent of global carbon dioxide emissions originate in towns and cities. Although it has become conventional wisdom for some that cities are threats to both the global and the local environment, the world's urban areas may actually offer the

best hope for a sustainable future. Urban areas will certainly be the most significant sites of the struggle. As Achim Steiner, UNEP's newly appointed executive director has noted, “The quest for sustainability will be increasingly won or lost in our urban areas.² It is imperative, therefore, to view cities—and the mayors who run them—as essential allies in the struggle against urban environmental decay and poverty, not as their cause.”

Cities are already the world's economic engines, accounting for almost 80 percent of total economic growth. Cities are also proven poverty fighters. Urban dwellers have higher incomes than their rural counterparts and consume less energy per unit

of economic output. Cities provide formal and informal businesses with the benefits of agglomeration, saving costs by sharing markets and services. As centres of wealth generation, well-run and empowered cities can generate vast amounts of financial capital that can be used to reduce poverty and improve the quality of life for urban dwellers.

However, too many national government developmental and environmental policy frameworks have not kept pace with demographic shifts or with facts on the ground. Indeed, development agencies and governments alike need to move beyond the tired, sterile juxtaposition of rural and urban poverty and promote a developmental paradigm that assists the poor on the basis of their poverty—and their latent ability to actively contribute to economic growth—rather than on the basis of their location.

Far greater attention needs to be paid to the contribution that urban growth can make to the reduction of rural poverty, whether by expanding markets, stimulating agricultural productivity and rural incomes, or providing new opportunities for employment and remittances.³

It is at the city level that the limitations of sectoral and project-based approaches to growth and development are exposed and the links between weak governance, poor policy choices, urban poverty, and urban environmental degradation become inseparable. Indeed, the city is precisely where the issue of the urban environment becomes—or should become—a core issue of urban management and not, as development practice has long indicated, a peripheral add-on.

The very same set of policy issues that perpetuates urban (and rural) poverty, allows corruption, and constrains economic growth also encourages urban environmental degradation, inefficiency, dislocation, and decline. Many of these policies stem from an indifferent, often hostile, attitude to the urban

poor, whether codified in legislation or merely enforced through administrative practice.

The immediate policy challenge therefore is first to place the urban environment high on every city's agenda and for them to design development strategies that target the linkages between urban poverty, urban environmental degradation, and poor policy frameworks. A central part of the solution will include policies that take the urban poor into consideration and treat them as citizens, as an economic resource, and as willing contributors to the creation and protection of an improved urban environment.

Among the most pressing issues requiring political leadership and vision, especially in sub-Saharan Africa and south and southeast Asia, is getting public authorities to take immediate steps to prevent the next generation of slums. For a policy issue of such pressing economic, social, and environmental importance, it is truly remarkable how it continues to receive such scant attention. National and local policy makers and international development agen-



A. Appelbe / UNEP / Still Pictures

Awaiting the prevention of the next generation of slums in Manila, the Philippines.

cies alike need to respond to this urgent issue immediately, as the developing world has only a small and rapidly diminishing window of opportunity.

Consider the current situation:

- In the next two or three decades, the world will undergo the greatest and fastest demographic population shift in its history;
- This shift will take place almost exclusively in the poorest countries of the world;
- Few local and national governments have done anything to prepare for urban population growth; and,
- On the contrary, most governments have been in denial about urban growth, resulting in a refusal to plan or prepare for orderly urban expansion.

As a consequence, urban expansion has taken place, and continues to take place, on sensitive land that should be left undisturbed, along rivers or canals, in protected areas, on marginal and dangerous land, and on watersheds needed for supplying water to critical reservoirs. Newly built up areas now lack adequate roads or water, sufficient land for public facilities, or green spaces to act as the city's lungs.

If the current policy frameworks in most developing countries remain unchanged, future urban growth—increasingly as a result of natural urban population growth, rather than of rural–urban migration⁴—will continue to take place in areas of lower density, on marginal and dangerous sites, or on the urban periphery, often beyond municipal jurisdiction. The degradation of the urban environment will increase exponentially.

In summary, the absence of even minimal preparation for an urban expansion that is as certain as it is unstoppable, is inefficient, inequitable, and un-

sustainable and will certainly impose huge economic and environmental costs on those societies and children that can least afford them. Different policy decisions are urgently required.

This urban growth has often been popularized as the creation of one new city per day (or per week). This may be good for headlines and for presentations, but it is far removed from reality. Few, if any, cities will be completely new: most urban growth will take the form of increased densities in existing urban areas—or more likely in existing slums—and



Cities Alliance

Refuse heaps along the banks of the Mukuru canal, Nairobi, Kenya.

through the addition of new slums and the conversion of the urban periphery into slums.

If current policies remain, this new urban expansion will take place without:

- formal water supply,
- adequate sanitation,
- waste collection,
- sustainable energy,
- good governance,
- planning, and
- permission.

But it will take place.

Time to Choose

It should be clear that there is an urgent need to establish long-term policies and legislative frameworks predicated on an urban future and the protection of the urban environment. These would include policies to actively plan for urban growth; to maximize the positive impacts of urbanization; to reduce the environmental footprint of cities through sustainable energy, transport, and other environmental measures; to empower cities and their mayors; and to optimize opportunities for all citizens, present and future.

From the standpoint of local governance, higher density urban growth provides an opportunity to develop concentrated, efficient infrastructure. Water, sewage, drainage, and transportation systems can be developed in dense urban areas at a much lower cost per capita than in lower density rural or urban-sprawl areas. It is far less costly to avoid environmental degradation than to live with its consequences or to repair its damage, just as anticipating urban growth and preventing slums are infinitely more efficient than belatedly dealing with the damage to humans and the urban environment 20 or 30 years later, as is still common practice.



Environmental degradation in one of Mumbai's slums.

However, city leaders often resist making long-term political and financial investments, whether in making land available for low-income settlement, providing urban green space, or ensuring citywide sewage treatment. Such investments do not fit into the short-term political imperatives that often drive the development agenda. More importantly, many cities have neither the revenue streams to finance these capital investments nor the comfort of stable intergovernmental transfers to plan for the medium and long term.

Environmental resources should, therefore, be viewed as long-term assets, vital to a city's future. A truly complete urban accounting would recognize and value the natural capital that is essential to the city and its residents' well-being. Forests, water-

sheds, wetlands, vacant land, mineral resources, and other natural resources all have a value that the city should recognize and incorporate into its balance sheet and, ultimately, account for.

Furthermore, the environmental costs of a decision, such as a reduction in ambient air quality, the loss of biodiversity, the impact on children's health, or the diminution in public health from increased pollution, are usually never costed or factored into decision making. Similarly, industry often does not include the costs of pollution in the costs of production. Instead, it shifts those costs to the general public in the form of respiratory illness, disease, and environmental degradation. However, those cities that have successfully implemented the rule that *the polluter pays* have improved their environment and

the quality of life of their citizens, while the most polluted or degraded cities show a high correlation with the weakest governance and administrative capacity.

Establishing metrics and incentives for cities to develop sustainably must become part of a comprehensive plan. To help their cities prepare for a sustainable future, urban leaders need to articulate a sustainable urban vision. They cannot develop that vision simply through a top-down process and announce it to the public. Sustainability requires a fundamental transformation in attitude and behaviour at the personal level, as well as at the governmental level. Developing the vision and strategic plan to accomplish it, therefore, must be a community-based process that involves all stakeholders—local governments alone cannot transform a city.⁵

BOX 2. ENVIRONMENTAL PLANNING IN CURITIBA, BRAZIL

Curitiba is the capital of Paraná State, Brazil. Its population has doubled to 1.6 million over the past 30 years. Curitiba is more than a city with a number of exceptional projects. The key to its success is the cohesive strategy—with a focus on improving life for residents and on integrated planning—that underpins all its projects. Specific goals are social inclusion, accessibility, public amenities, urban transparency, efficiency, and environmental sustainability for the city and the metropolitan area. A unique aspect of Curitiba's strategy is how it maximizes the efficiency and productivity of transportation, land-use planning, and housing development by integrating them so they support one another in improving residents' quality of life.

The results

Curitiba has high rates of recycling: 70 percent of the city's trash. Residents who live in shanty towns get free groceries and bus tickets in exchange for their bags of garbage. They have access to social programmes and health services funded

by recycling programmes, a model transit system, and large amounts of green space (nearly one-fifth of the city is parkland, with, on average, 52 square metres of green space per person and 1.5 millions trees planted by volunteers along the streets). Per capita income is 66 percent higher than the Brazilian average. The city's 30-year economic growth rate is 7.1 percent, significantly higher than the national average of 4.2 percent. Transportation and land-use planning are but two examples that reflect the city's people-first strategy and the benefits of integrated urban planning and systemwide sustainability. More than 2 million people a day use Curitiba's inexpensive and speedy transit service. Although the city has more car owners per capita than anywhere else in Brazil, car traffic has declined by 30 percent, and atmospheric pollution is the lowest in the country. Downtown areas have been transformed into pedestrian venues, including a 24-hour mall with shops, restaurants, cafes, and a street of flowers tended by street children. This vibrant pedestrian zone encourages tourism, which generated \$280 million in 1994, 4 percent of the city's net income.

Building a Sustainable City

The city development strategy (CDS) supported by the Cities Alliance provides a methodology for mayors, business leaders, and citizens to develop a sustainable vision for their cities and a strategy for achieving it. So far, however, comprehensive approaches to environmental sustainability are not yet mainstream in many CDSs; nor is the environmental sustainability linked to economic growth, poverty reduction, and the other urban challenges to be met by a well-executed CDS. Given the challenges of urban poverty, the growth of slums, rising energy costs, the vulnerability of freshwater sources, and urban sprawl and related mobility costs, as well as the increased frequency of natural hazards in

many cities, environment and energy considerations should become part of the core CDS process.⁶

A CDS is a powerful tool mayors can use to bring together the knowledge, information, and expertise they need to sustainably develop their cities. By integrating environmental issues into policy documents such as the CDS or poverty-reduction strategy papers, local governments can ensure that environmental issues are included in local and national development strategies.⁷ Planners in different parts of the world have used a variety of tools to identify environmental actions within CDS-like overall plans, such as ecoCity planning, Strategic Environmental Assessment (SEA), and integrated development planning. Such strategies can inspire and motivate constituencies and create

BOX 3. REDUCING INDUSTRIAL POLLUTION IN CUBATÃO, BRAZIL

The city of Cubatão, in São Paulo State, Brazil, has demonstrated the success of the community activism approach. In the 1970s, Cubatão was known as the “valley of death” because of the extensive pollution from unregulated industrial development. Pollution control in industrial plants was virtually unknown. Instead, industry shifted the costs of its pollution onto the general public. The poor, who lived among the toxic-waste dumps, bore the brunt of these costs in the form of sickness and disease.

In a model of community activism, the city’s urban poor and others organized a citizen’s association of victims of pollution and bad living conditions and brought public attention to this travesty. In 1983, the state environmental protection agency took action to correct the situation. It passed new regulations that required the industrial polluters to absorb the costs of pollution control and, in less than 10 years, these new regulations resulted in dramatically reduced pollution levels.

BOX 4. SUSTAINABLE URBAN DEVELOPMENT IN PENANG, MALAYSIA

In the late 1990s, government leaders in Penang were concerned about the growing pollution of rivers and nearshore waters, the deterioration in air quality from industry and automobiles, and the environmental impacts of rapid development. In response to these environmental threats, Penang leaders realized they needed to raise public awareness of sustainability issues and involve the community in the planning process. They began by creating the Sustainable Penang initiative, modelling a sustainable community indicators programme after the successful Sustainable Seattle project.

The Penang leaders convened public forums and discussion roundtables around the island so that citizens could discuss ecological sustainability, economic productivity, social justice, and cultural vibrancy. Participants identified sustainability indicators that could be used to monitor the environmental quality and sustainability of their island, and new citizens’ groups were formed to promote water conservation, recycling, and the use of public transportation.

As a result of this grassroots initiative, government, civil society, and the Penang business community formed partnerships to tackle environmental problems and develop a more sustainable strategic development plan for the island.

hope within communities. The action plans that emerge from the CDS process can serve as a framework to guide and direct all future city investments and donor contributions to improve the quality of life for all citizens.

The adoption of a vision for the city and the establishment of a CDS should lay the groundwork for the development of a more sustainable approach to city management. The CDS should particularly address the interrelationships in city operations between land-use planning, transportation, energy, resource management, and economic development.

Land-use decisions affect the efficiency of transportation systems, infrastructure design, energy systems, municipal service delivery, and economic development patterns. Many cities, such as Brasilia, adopted land-use policies that mistakenly limited urban density, on the assumption that density is bad *per se*. This approach escalated the cost of inner-city housing and drove the urban poor to the outskirts of the city without adequate services or infrastructure, a model that cities continue to replicate throughout the developing world.

A fundamental flaw of many urban development patterns is that they encourage use of private cars, rather than emphasizing transport nodes with high-speed public transport, or running campaigns to promote cyclists and pedestrians. These development patterns sacrifice green space and pedestrian areas for parking and spatially separated urban functions. Highway construction and roadway maintenance costs strangle city budgets, and urban air pollution is emerging as a key threat to health, the environment, the economy, and the quality of life. To address the issue, it is essential to integrate spatial and transport planning.

Vehicle emissions also contribute to global warming, often described as the single most important threat to our planet. Climate change will cause sea levels to rise; increase the incidence of extreme weather,

BOX 5. BALANCING THE URBAN ENVIRONMENT IN MARIKINA CITY, PHILIPPINES

Marikina City is part of the national capital region of Metro Manila, in the Philippines. With a population of some 400,000, Marikina has used the CDS process and the *urban karte* as a tool for “understanding present conditions and trends, identifying issues and problems, and measuring existing urban policy and achievements, in order to guide future development goals and strategies”.

As part of its CDS, Marikina City has prioritized a balanced urban environment, which it defines as a good blend of urbanization and a healthy environment. Strategies to achieve this started with a zero-tolerance response to illegal encroachment on public space and sidewalks, targeting transgressors from all economic classes.

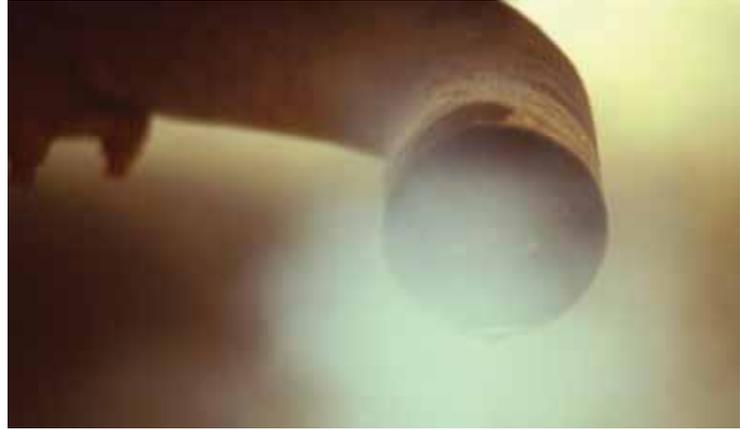
- The city relocated thousands of low-income settlements from along the river and created a bicycle path in their place;
- Expansion of green areas continues, with the city planting 1,000 trees every month;
- The city has focused on a comprehensive waste-segregation programme, underscored by a large-scale education and information campaign.

such as floods, droughts, and storms; and facilitate the spread of disease. All of these have the capacity to exact a huge toll on a city’s basic services, infrastructure, housing, human livelihoods, and health. In addition, the urban sprawl that results from designing the city around the car requires the inefficient and costly expansion of the city’s entire infrastructure, ignoring the public transport systems that can provide mobility to the middle classes and the urban poor

alike. Sprawl necessitates the expansion of water systems, sewer lines, drainage culverts, and electricity networks, at an extremely high cost per capita.

Although cities are large consumers of electrical power, demand-side management of electricity can significantly reduce this major cost in the city budget. It is often more cost-effective for a city to reduce its consumption than to accommodate additional demand through additional electrical generation. A city can sometimes implement energy-efficiency upgrades without increasing lifetime costs. Energy-efficient buildings can use new insulating materials, natural lighting, and ventilation to reduce energy costs. Solar water heaters, compact fluorescent lighting, windmills, photovoltaic systems, and liquid petroleum gas stoves offer sustainable alternatives in many emerging economies.

Along the same line, cities can reduce daily water demand by providing rebates to residents who purchase low-flush toilets and low-flow showerheads. This means the city or utility saves money and



Vehicle emissions also contribute to global warming.

energy by not having to build and power new water systems. The question is how to provide the population at large with financially sustainable incentives to adopt such programmes. To implement these programmes, the city needs to make long-term environmental decisions, and such decisions will

BOX 6. PROVIDING WATER SERVICES FOR THE POOR IN NAKURU, KENYA

Nakuru Municipality, located in the Rift Valley, in Kenya, has a declining economy, crumbling infrastructure, and a high growth rate. Water supply falls short of demand, resulting in many low-income residents using what is considered less than sanitary water. With the nearest river 27 kilometres away, Nakuru relies on boreholes for half of its meagre water supply, which currently falls 15,000–20,000 cubic metres short of daily demand. In the absence of a local supply, the urban poor must retrieve water from long distances or purchase it at considerable expense from local vendors.

To address these concerns, Nakuru Municipal Council undertook a Local Agenda 21 planning process, with the local community and community-based organizations (CBOs). As a result of this planning process, the council identified water and environmental management (notably of solid waste) as the two key

problems. The council and the CBOs together developed water kiosks to supply safe, clean, and inexpensive water, focusing first on one low-income, under-serviced area. The council developed a plan to construct five kiosks throughout the Ronda–Kaptempwo community so that no resident would have to walk more than a kilometre to find water. Each kiosk was to be built of stone, connected to the municipal water main, secured at night, and large enough to house the tap and its attendant.

With funding from the Incentive Grants Project, the city built the water kiosks. As a commitment to its ongoing relationship with the community, the council turned over almost all kiosk management to a community organization, creating well-paying, long-term employment for several individuals, as well as building the capacity of the group to take on similar challenges in the future.



Bicycle traffic in Chengdu, China.

BOX 7. SAVING ENERGY IN AHMEDABAD, INDIA

In Ahmedabad, India, city officials replaced incandescent bulbs in street lights with compact florescent lamps. This reduced power consumption for street lighting by 81 percent and, as it had in Honolulu, dramatically reduced labour costs, because of the longer life of the energy-efficient bulbs. Ahmedabad also enjoyed significant energy savings by placing capacitors in their water pumps. This measure reduced power consumption by 12.6 percent, saving over Rs 2.6 million a year. By replacing its steel water pipes with bigger diameter polyvinyl chloride piping, Ahmedabad reduced friction in the pipes and improved energy efficiency. This one change alone will reduce energy consumption by an estimated 1.7 million kilowatt hours each year and save the city more than Rs 4.48 million annually.

change priorities in revenue generation and expenditure in the city budget, further reinforcing the integration of environmental issues.

A good example of this approach is the ecoBudget tool developed by the International Council for Local Environmental Initiatives (ICLEI), which provides a city with a method of controlling its consumption of natural resources and environmental goods; it also provides a framework for political decision making with a long-term goal of environmental sustainability. Similarly, the SEA has become an important instrument for identifying, measuring, and monitoring the environmental impacts of policies and programmes of the European Union.

City partnerships with civil society can also help mobilize human and financial resources for sustainable development. Nongovernmental organizations (NGOs) often have specialized expertise and a different perspective from that of the city government, while organizations formed and run by the urban poor can be crucial actors in addressing brown environmental issues. In many countries, these organizations engage in community-driven initiatives for slum upgrading, particularly related to housing and improvement of water, sanitation, and local environmental services. A national project for the urban environment in Thailand, for example, promotes cooperation between more than 1,000 community groups and organizations working for locally based improvements to the environment in poor areas. These local projects, largely led by women, have significantly improved water supply and waste removal, precisely the kind of environmental issues that most directly affect the daily lives of the urban poor.⁸

As can be seen from the examples in the boxes, many cities have responded to the urban environment challenge, recognizing the centrality of the issue to the economic and social future of the city and its citizens. In addition, many good city managers are already taking climate change into account. Over 80 cities worldwide have signed the San Francisco Urban Environment Accords, which

BOX 8. REVITALIZING THE RIVERS IN CHENGDU, CHINA

In the late 1990s, Chengdu, the capital of Sichuan Province, was one of the most polluted cities in southwestern China. The Fu and Nan rivers, part of the drainage basin of the Yangtze River, cradle the city. Pollution and poor infrastructure created drastic variations in river behaviour, causing fluctuating dry and wet seasons and constant flooding. Shantytowns emerged by the riverbanks. These had poor living conditions and became breeding grounds for disease and crime, deterring the city's social and economic growth.

The municipal government took time to find a solution to the rivers' drastic deterioration. After public consultation, the city officially launched the \$100 million Fu River and Nan River Comprehensive Revitalization Project.

The project had a wastewater treatment component focusing on two main aspects:

- *Prevention*—Approximately 1,000 enterprises were recognized as polluters: 488 old and outdated enterprises were closed down, 478 were provided with incentives to undertake technological improvements, and 40 were moved to an industrial park outside the city;
- *Treatment*—About 26 kilometres of water discharge pipe was laid along the riverbank to collect and transport sewage to the sewage treatment plant.

Chengdu's project is unique in that it makes use of all possible resources. Through a set of policies and strategies, the project depended on community, private sector and civil society participation, and networking, to realize its goal. This project has proven that a municipality can rely on natural resources and human efforts to work toward sustainable development. The municipal government has shown that by setting out and implementing innovative and integrative policies it can respond to the social, economic, and environmental needs of the community.

mandate a 25 percent reduction in greenhouse gas emissions by 2030. Undeterred by their government's rejection of the Kyoto Protocol, 238 mayors from 41 US states have committed to the US Mayors Climate Protection Agreement, in which they agreed to meet or surpass the Kyoto targets.⁹ The South African city of Nelson Mandela Bay has recently taken the lead in providing renewable energy sources for its residents through a combination of solar water-heating systems, thermal decomposition of solid waste and sewage sludge, and cogeneration technologies.¹⁰

Conclusion

Building sustainable cities cannot be the job of city governments alone—they control a very small

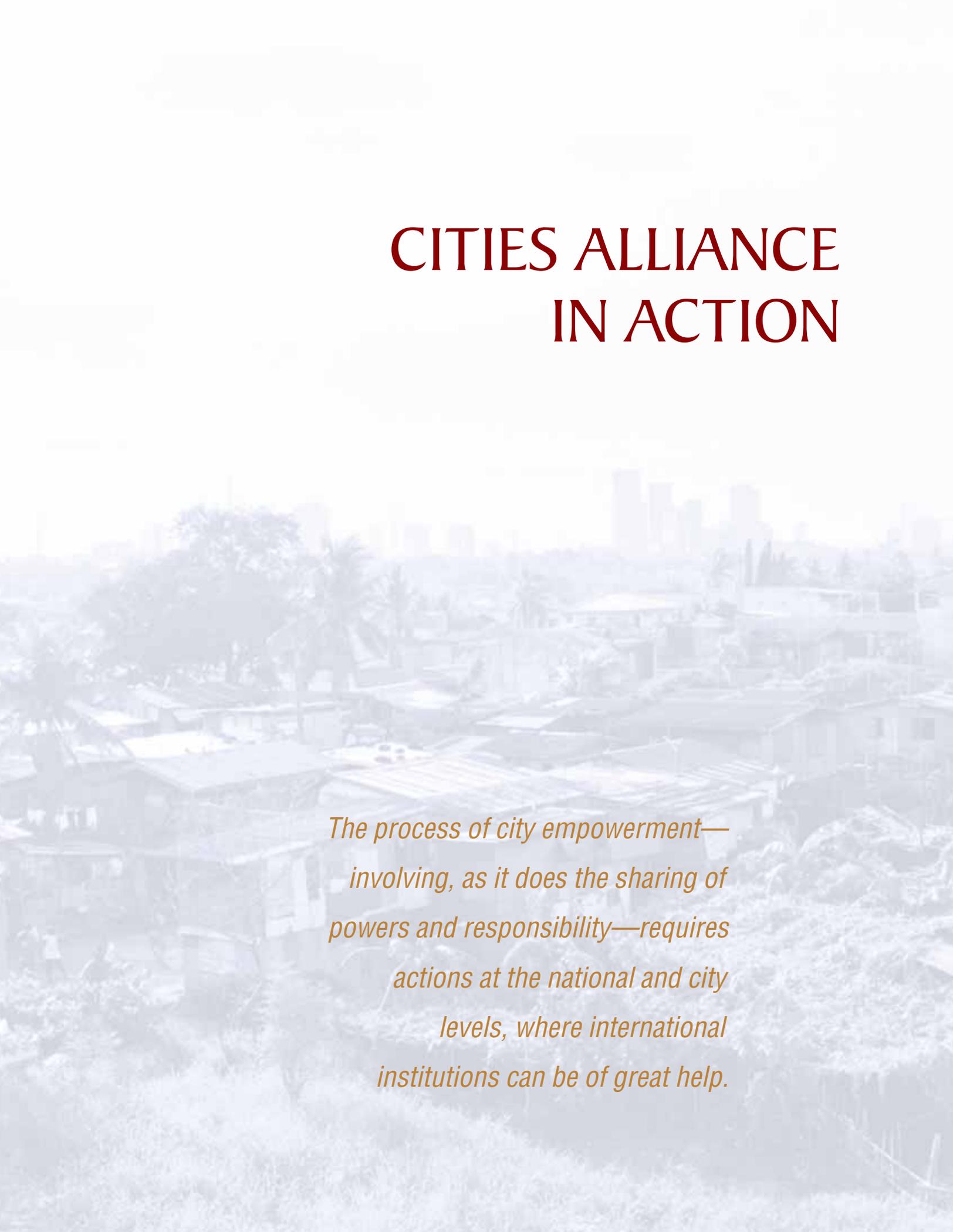
amount of the resources available for city development and very often have even less of the available talent needed for urban innovation. The task requires city governments to enter into partnerships with civil society, NGOs, the business community, and community organizations, all sharing a vision for the city's future and all willing to dedicate their efforts and resources to the task.

Cities have already demonstrated that they are proven poverty fighters. They also need the tools to act as custodians of the environment. Most African and many Asian cities now need to provide their residents and migrants with ladders to escape poverty and, in so doing, create the conditions to promote the economic growth and manage and protect the urban environment for future generations. The current model is not a sustainable option.¹¹

Binsyo Yoshida / UNEP

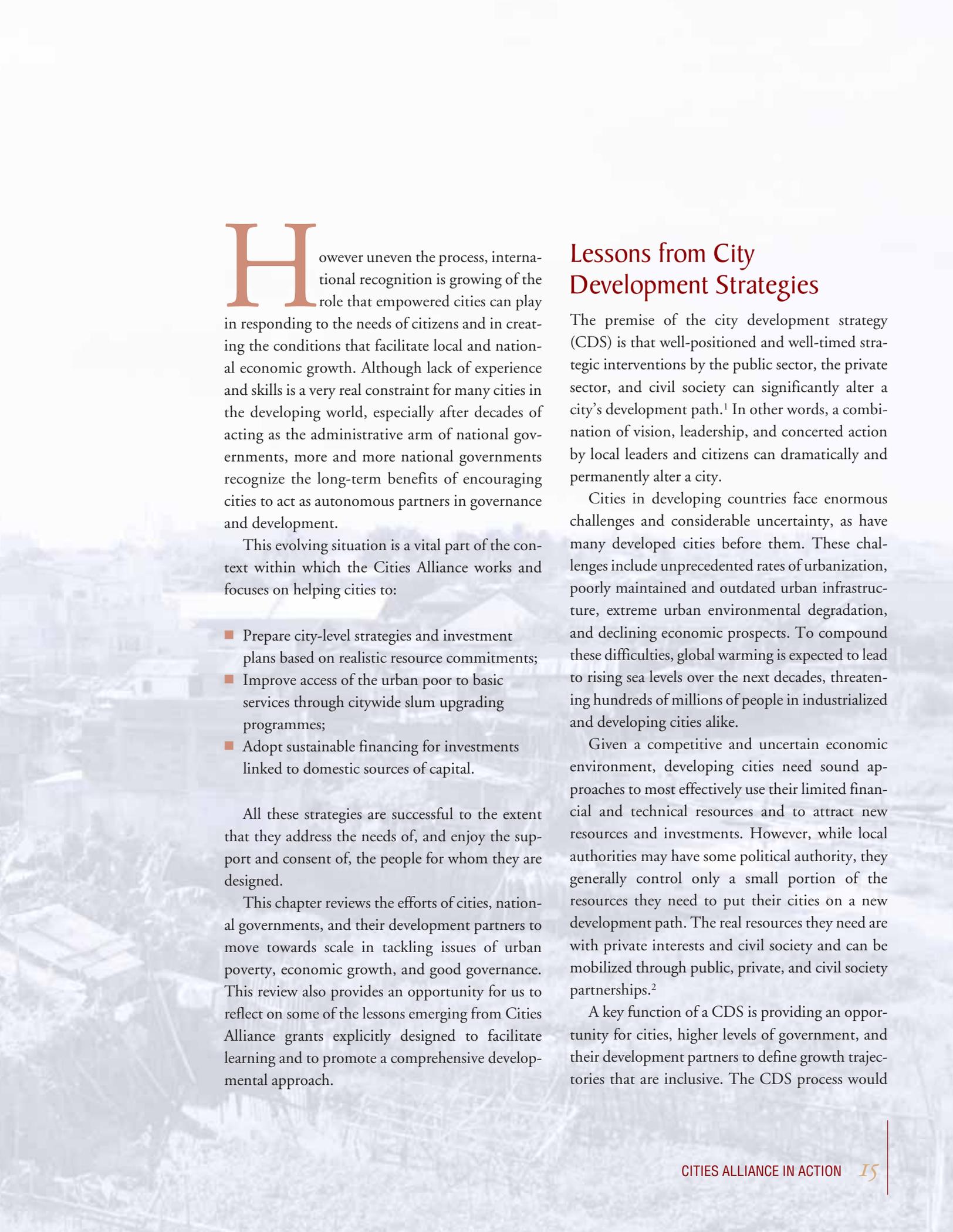


Industrial pollution in Osaka City, Japan.



CITIES ALLIANCE IN ACTION

*The process of city empowerment—
involving, as it does the sharing of
powers and responsibility—requires
actions at the national and city
levels, where international
institutions can be of great help.*



However uneven the process, international recognition is growing of the role that empowered cities can play in responding to the needs of citizens and in creating the conditions that facilitate local and national economic growth. Although lack of experience and skills is a very real constraint for many cities in the developing world, especially after decades of acting as the administrative arm of national governments, more and more national governments recognize the long-term benefits of encouraging cities to act as autonomous partners in governance and development.

This evolving situation is a vital part of the context within which the Cities Alliance works and focuses on helping cities to:

- Prepare city-level strategies and investment plans based on realistic resource commitments;
- Improve access of the urban poor to basic services through citywide slum upgrading programmes;
- Adopt sustainable financing for investments linked to domestic sources of capital.

All these strategies are successful to the extent that they address the needs of, and enjoy the support and consent of, the people for whom they are designed.

This chapter reviews the efforts of cities, national governments, and their development partners to move towards scale in tackling issues of urban poverty, economic growth, and good governance. This review also provides an opportunity for us to reflect on some of the lessons emerging from Cities Alliance grants explicitly designed to facilitate learning and to promote a comprehensive developmental approach.

Lessons from City Development Strategies

The premise of the city development strategy (CDS) is that well-positioned and well-timed strategic interventions by the public sector, the private sector, and civil society can significantly alter a city's development path.¹ In other words, a combination of vision, leadership, and concerted action by local leaders and citizens can dramatically and permanently alter a city.

Cities in developing countries face enormous challenges and considerable uncertainty, as have many developed cities before them. These challenges include unprecedented rates of urbanization, poorly maintained and outdated urban infrastructure, extreme urban environmental degradation, and declining economic prospects. To compound these difficulties, global warming is expected to lead to rising sea levels over the next decades, threatening hundreds of millions of people in industrialized and developing cities alike.

Given a competitive and uncertain economic environment, developing cities need sound approaches to most effectively use their limited financial and technical resources and to attract new resources and investments. However, while local authorities may have some political authority, they generally control only a small portion of the resources they need to put their cities on a new development path. The real resources they need are with private interests and civil society and can be mobilized through public, private, and civil society partnerships.²

A key function of a CDS is providing an opportunity for cities, higher levels of government, and their development partners to define growth trajectories that are inclusive. The CDS process would

ideally operate at two mutually reinforcing levels. First, it would operate at a micro (city) level, enabling the city to pause; take stock of its core business, namely, facilitating the production of growth-inducing and environment-enhancing public goods; identify gaps; and then prioritize an inclusive and financially sustainable growth strategy. Second, it would operate at higher levels, with cities working in partnership with higher levels of governments to identify the systemic reforms needed to technically, managerially, and financially empower cities.

A good example of this iterative process at work at two levels of policy and city actions is the Cities Alliance grant to cities in the Philippines; these cities range in size from small and fairly rural towns, such as Bais and Dumaguete, to large cities in Metro Manila, such as Muntinlupa City and Marikina City. These city governments have used CDSs to take stock, identify infrastructure needs, and prioritize, ensuring links to domestic financing. Investments are made in initiatives ranging from growth- and mobility-inducing facilities, such as roads to connect fragmented cities; to environment-enhancing assets, such as compost yards; to major upgrading of slums in cities such as Marikina (see box 5 in previous chapter).

The way the League of Cities of the Philippines (LCP) has used CDSs has neither subverted traditional physical planning nor supplemented existing processes. For example, the CDS, driven by economic and environmental considerations, has identified new investments in public goods; these investments have been grafted onto the physical master plan, which of course has the statutory authority. The CDS process has also identified key institutional constraints on the ability of the cities to create infrastructure. Of particular concern are the incomplete implementation of the Local Government Code and



Jorgen Schlytte / Still Pictures

The Manila skyline at a busy traffic intersection.

the need to strengthen intergovernmental fiscal relations. The LCP members are using CDSs to argue more systemically for strengthened fiscal capacities and in partnership with the World Bank's new line of credit of \$100 million.

Similarly, but in a vastly different geographic and institutional context, the Oblast of Vologda has used the CDS grants to redesign institutional issues of intergovernmental responsibilities for service delivery at the macrolevel, as well as to define a cluster-based growth strategy for the Vologda region at the microlevel. This experience has probably energized other oblasts, particularly Stavropol and Chuvashia, to use CDS grants catalytically, but embedding them in existing systems to mitigate the risk of reliance on unsustainable donor-driven approaches.

In contrast, recent evaluations from the Indian city of Hyderabad suggest that the CDS (see box 1

in previous chapter) insufficiently integrated key state agencies involved in services such as water. This fact, along with the lengthy process, impacted negatively on the direct investments needed to give the CDS process credibility in the citizens' eyes. Similarly, in Indonesia, the CDS had a mixed outcome, largely because of its failure to promote necessary changes at the national level or to enable links with domestic financing.

At least three major lessons can be drawn from CDSs to date. First, to spread effects across cities within a country and over time under conditions of imperfect decentralization, cities need to work with the higher tiers of government to promote the necessary systemic and institutional reforms. Conversely, mere macro level strategies or intense microattempts that ignore institutional constraints tend to weaken the prospects of change.

Second, cities need to work with systems and avoid the temptation of *ad-hoc* initiatives. When national governments and their development partners have a clear vision of their respective expectations and measure outcomes at both levels by

looking at impacts on the quality and quantity of public goods that the cities are in the core business of producing, the prospects for sustainability and replication improve.

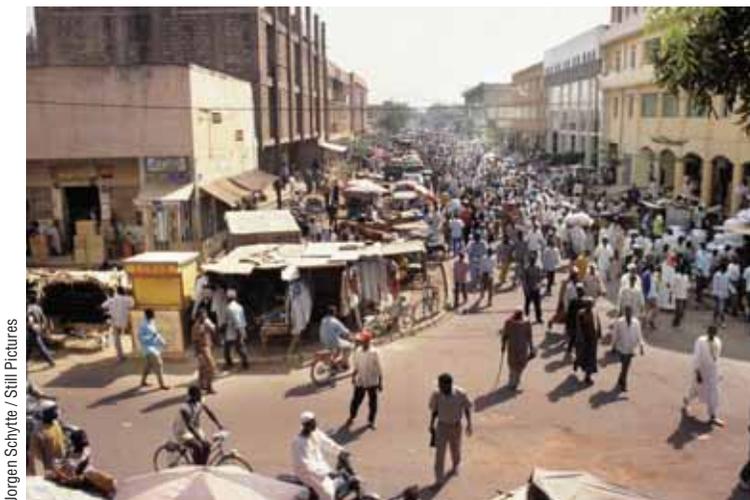
Third, cities should never implement a CDS in a vacuum: there is always an existing system, however imperfect, within a legal framework. The greatest challenge for cities in the developing world is to deliver on their core business: the proactive development of environmental and growth-inducing infrastructure.

This focus requires empowered city governments with the authority to create, finance, and pay for public goods for their citizens over time. A successful CDS will unblock institutional constraints and promote partnerships with national governments, all classes of residents, and the private sector. In short, a CDS will almost invariably require a change in a city's assumptions, priorities, decision making, and power structures.

What, then, constitutes a high-quality CDS? The Mumbai CDS is a good example of a coalition, with defined roles, using the CDS as a thinking and strategic forum to identify better ways of creating infrastructure and managing the processes of growth and poverty reduction.

The experience of the Cities Alliance to date points to the importance of several key strategic thrusts within a successful CDS. These include:

- Local governments playing a key role in facilitating economic growth, the central feature of a CDS;
- Realistic assessments of the resources and opportunities available; and,
- The involvement of investment partners in the CDS process from the outset and the identification of domestic sources of financing.



Jorgen Schyfte / Still Pictures

Busy street scene in Ouagadougou, Burkina Faso.

Economic growth—the key to urban poverty reduction—needs to be facilitated by local government.

The economic future of all countries will more and more be determined in their urban areas. In an uneven process, decentralization is shifting power and resources to cities and their citizens, raising the importance of good city management and a city's economic performance. As the cities will increasingly rely on their own economic abilities and advantages, a CDS should have a local economic development strategy at its core.

Cities and local governments can play a critical role by providing conditions that actively encourage private investment, risk-sharing, and economic growth. They can maintain the appropriate regulatory framework; ensure the provision and maintenance of public goods, such as infrastructure and essential services; provide an effective and impartial administration; and systematically tackle corruption. Evaluations of completed CDSs demonstrate that partnerships and the quality of city governance are really key ingredients of a successful CDS; indeed, it is often the quality of urban governance that divides declining cities from prosperous ones.

The Aden CDS is instructive. Aden, the port city of Yemen, recognized that private sector development was instrumental to its future. The city realized that to attract private sector investment, building trust in the quality and consistency of local governance was a critical step. The subsequent evaluation of the Aden CDS showed that the strategy emphasized building investor confidence, improving the business environment, and streamlining regulation. Local stakeholders praised the process as positive and innovative, particularly for starting a dialogue between the private sector and local government in a country where relations between the business community and government have histori-

cally been characterized by high levels of distrust. As Yemen presently lacks domestic resources for local infrastructure investments, World Bank credits were to prove instrumental in implementing the CDS action plan. While these first investments are important, over the medium to long term the prime driver of the strategy will be the private sector. Because of the nascent state of private sector development in Aden, investments are still low, but they should increase significantly.

Cities in different parts of the world have recognized that involving the domestic private sector, including small and medium-sized enterprises, microenterprises, and representatives of the informal economy, is critical to overall success. CDS processes can give a voice to the private sector and thus help the local government define its facilitative role in private sector investment.

The Bobo-Dioulasso CDS in Burkina Faso has a strong focus on private sector development. One of the major outcomes of the CDS in Karu, Nigeria, was the creation of the Business and Economic Development Committee (BEDC) to represent local businesses, which opened channels for discussion between the private sector and state and local governments on local and regional planning issues. The CDS for the region around Yogyakarta, in Indonesia, includes an important component on the local and regional economy, and the CDS cities in the Philippines have built up a marketplace for private investment through their active and innovative use of the CDS process.

However, there are limits to what can be achieved by one tier (or sphere) of government working alone. It is vital to coordinate city-level economic development planning with the processes at the regional and national levels, since policies at these levels directly and indirectly influence local economic growth and urban competitiveness. In Aden, as elsewhere, all levels of government make critical



The port city of Aden, Yemen.

decisions affecting private sector investment. Port and airport investments, for example, both essential to Aden's economic growth, are the responsibility of national-level officials. Both national and local policy and regulatory reforms will be needed to create an enabling environment for local enterprise development, investment, and growth.

Finally, within a national enabling framework, it is at the local level where policy, regulatory reforms, and public investments can most effectively assist the poorest residents. For example, in Niger, with the Dosso and Maradi CDSs, each city mapped poverty at the neighbourhood level and analyzed prospects for economic development, focusing particularly on the challenge of reaching the urban poor. Although the process is still incomplete, the Niger government encouraged the growth of cities by implementing policies to enhance political decentralization, with official seats on municipal councils being filled directly from local populations. These councils now freely exercise their legal powers, particularly in such areas as local economic

development, poverty reduction, environmental conservation and protection, and, more generally speaking, improvements in the living conditions of residents.

A realistic assessment of the city's resources and opportunities is key to implementable CDSs.

Good-quality assessments, undertaken at the outset, are the underpinning of the CDS process—the stronger the assessment, the more likely it is that the strategy can be targeted, which is particularly important for pro-poor strategies. The initial assessment should identify the main driving forces of change, scan the overall features of the city, focus on some of the more important ones (an activity often called scoping), identify indicators, and set benchmarks for measuring the changes that the CDS process will trigger.

Each city needs to understand and fully exploit its comparative advantages and focus on those goods or services that generate broad-based employ-

ment. Priorities in assessment processes include identifying ways of improving the city's overall performance and efficiency, fostering the national and international competitiveness of the city, and promoting broad-based employment that intentionally includes the informal sector in job creation.

In Egypt, the Alexandria Local Economy Assessment and Competitiveness report included two main reasons to explain why only 31 percent of the governorate's population was active in the labour market: age and gender. An estimated 51 percent of Alexandria's population is under the age of 20 years, and participation by women in the labour force is very low. Yet, to respond to the 1.2 million increase in population expected over the next 15 years (from 3.7 million in 2006 to 4.9 million in 2021), at least 40,000 new jobs will have to be created every year for new entrants in the job market.

Tourism is one of the sectors envisioned as underpinning the Alexandria CDS. This sector would include cultural heritage tourists, MICE travel (meetings, incentives, conferences, events); SAVE travellers (scientific, academic, volunteer, educational); summer and family holidays; cruises; adventure travel (yachting, water sports, archaeological diving); and festivals. The Alexandria CDS team has completed a comprehensive assessment of the sector's weaknesses and growth potentials, opening the way for the governorate to investigate some projects to develop the tourism sector, in partnership with the private sector.

The success of Alexandria's consultative process had a positive influence on the Egyptian government, which recently decided to mainstream the CDS as a broader based approach to urban development. The CDS strategic planning process is now mandatory for all other governorates, as articulated under the new "Unified Construction Code".

Lessons from CDS assessment processes demonstrate the general importance of:

- Formalization and structure of the assessment process;
- Links to wider and regional or national processes;
- Capacity of groups involved in the assessment, roles of elected leaders, use of external consultants, and degree to which the cities make use of research and data from partners and other resources within the city; and,
- Stakeholder participation, breadth of participation, and its aims (data or information input, strategic insight, or validation of assessment).

The early involvement of investment partners is key to success.

An essential element of a CDS that sets it apart from conventional approaches to local development is the importance attached to identifying potential investment partners as early as possible in the CDS process. This serves two purposes. Most obviously, it allows for potential investment partners—be they multilateral development banks, bilateral overseas development assistance providers, or private and public sector investors—to provide their own input. It also ensures that the strategy is based on a realistic and pragmatic assessment of the financial situation and doesn't become a wish list for which funding is subsequently solicited.

Examples of early planning to attract investment, taken from Cities Alliance proposals and evaluations for 2005, are the following:

- China has abundant domestic capital available for local-authority investments in infrastructure. In the case of the Chengdu CDS (see box 8), the financial analysis established the city's fiscal capacity to implement the resulting plan.

The analysis included an assessment of total revenues and expenditures (on and off budget), current and projected debt loads, adequacy of operation and maintenance funding, and institutional setup. A first task was to create a complete picture of the municipality's financial situation to use as a basis for discussions with investment partners and lenders.

- The Alexandria CDS process succeeded in attracting many new projects and investments for the city to be financed by the Government of Egypt and donor agencies (GTZ–KfW, UN-Habitat, Social Fund, Bibliotheca Alexandrina, Canadian International Development Agency (CIDA), International Finance Corporation (IFC), and UNICEF–AUDI). The Government of Egypt has requested a World Bank project, an Alexandria Growth Pole project, and an Aden Growth Pole project (Specific Investment Loan), \$100 million over five years, basically to implement the three components of the CDS. The proposed project builds on a strong donor partnership

built under the CDS process with GTZ–KfW, UN-Habitat, the United States Agency for International Development (USAID), the Japan Bank for International Cooperation (JBIC), and the Social Fund; most of them were fully engaged in the CDS work in Alexandria and showed a commitment to supplying parallel financing or funding to the project proposed in Alexandria. All these new investments and projects are coordinated and designed within the scope of the new strategic framework, which ensures a long-term sustainable development for the city. The commitment from all local stakeholders, central government, and donor agencies and the successful broad-based consultation process established under the first CDS provide a tangible asset for the next phases.

- In India, as elsewhere, the defining trend of the last decade has been decentralization and, with it, the growing recognition that cities need to transform themselves into proactive developers of infrastructure if they are to meet the challenges of growth and urban poverty. This process of empowerment is the basis of the Government of India's national initiative, launched in 2005, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The JNNURM has, as its fundamental premise, three interrelated actions that need to be taken so that cities can finance, create, and pay for basic infrastructure. These actions are: (i) institutional reforms that empower cities; (ii) inclusive city strategies, with explicit recognition of the problems of the slums; and (iii) sustainable financing of city requirements through improved links to domestic markets. The entire process of implementation involves continual interface with civil society, as well as having rating agencies do performance monitoring of the



View of the Bay of Alexandria.

Ullstein-Joker / Still Pictures

cities, promoting greater accountability of city governments' management and provision of basic services.

The huge costs of JNNURM will be covered by public sector finance from the central and state governments, as well as by funding leveraged from the local capital market by local urban bodies. To apply for grants under JNNURM, the government requires eligible cities to:

- Formulate a medium-term City Development Plan (CDP);
- Prepare project proposals;
- Define a schedule for implementation of reforms; and,
- Identify cofinancing sources to match government funds.

JNNURM holds the promise of making Indian cities more economically productive, efficient, equitable, and responsive to the needs of their populations.

Challenges

The CDS can function as an extremely effective tool for raising the rate and sustainability of local economic growth, allowing local governments to move beyond mere administration of the city to the stimulation of private sector investment and employment generation. A good CDS helps local governments identify priorities, improve administration, strengthen citizen involvement, and identify specific actions to reduce constraints on investment and employment.

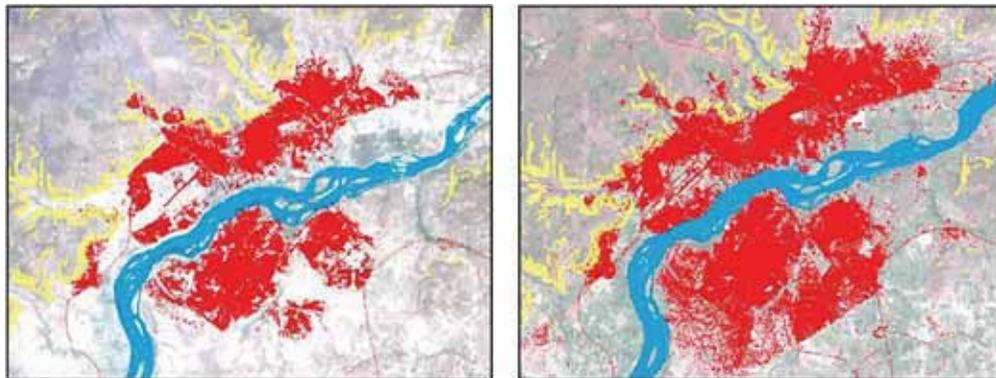
Cities within the same country often suffer from many of the same obstacles and constraints. National associations of local governments can be effective in obtaining the necessary political and programmatic support from national government. National cities networks such as the League of cities of the Philippines (LCP), the South African Cities Network (SACN), the South African Local Government Association (SALGA), or the network of eight CDS cities in Latvia can offer valuable strategic support and capacity.

Lessons from Slum Upgrading Activities

The second substantive platform of Cities Alliance assistance is support for cities undertaking citywide slum-upgrading programmes and, thus, implementing strategies that anticipate future urban growth and thereby help to prevent the growth of the next generation of slums.

From the perspective of the Cities Alliance and its members, analysis of the global slum problem has paid too much attention to debating the size and extent of the problem, rather than focusing on the

Bamako, Mali



T₁: 14-Nov-86

T₂: 25-Oct-99

Source: *The Dynamics of Global Urban Expansion*, Angel, Sheppard and Civco. p 115.

BOX 9. SCALING UP SLUM UPGRADING IN THAILAND

“We all need to think about the processes that will allow all “slum” and squatter households in a nation to achieve the “significant improvements” that the Millennium Development Goals demand. Many upgrading and new housing development programmes have “significantly improved the lives of slum dwellers”, but almost never on a scale that significantly reduces the problem. In most nations, more is needed than just increasing the support to conventional upgrading and new housing projects.”^a

In January 2003, the Thai government announced two new programmes for the urban poor, seeking to reach 1 million low-income households within five years. The first was the Baan Mankong (“secure housing”) programme. This programme channels infrastructure subsidies and housing loans directly from the government to poor com-

munities, which plan and carry out improvements to their housing environment and basic services. The Community Organisations Development Institute (CODI) carries out the Baan Mankong programme. Among the features of this programme are the following:

- Urban-poor community organizations and their networks are the key actors, and they control the funding and the management. They (rather than contractors) also undertake most of the building, which makes funding go much farther and allows for their own contributions;
- More than physical upgrading is involved. Communities design and manage their own physical improvements, stimulating deeper but less tangible changes in social structures and managerial systems and instilling confidence among poor communities. The programme also changes their relationships with local government and other key actors; and,
- Urban-poor communities are developed as an integrated part of the city. People plan their own upgrading within the city’s development framework, so their local housing development plan is integrated within city planning and CDS.

The second is the Baan Ua Arthorn (We Care) programme, through which the National Housing Authority designs, constructs, and sells ready-to-occupy flats and houses at subsidized rates to lower income households that can afford rent-to-own payments of \$25–\$37 a month.

Source: Somsook Boonyabancha, “Baan Mankong: Going to scale with ‘slum’ and squatter upgrading in Thailand”, *Environment and Urbanization* 17 (1): 21–46.

a. Somsook Boonyabancha, director of Community Organisations Development Institute (CODI) and founder and secretary-general of the Asian Coalition for Housing Rights (ACHR).



Bangkok cityscape.

Jearanaiikul-UNEP / Still Pictures

main causes of the growth of slums, and identifying strategies that will allow cities and countries to address existing backlogs and get ahead of the curve.

Viewed from a global perspective, the prime cause for the proliferation of slums remains a combination of weak governance and inappropriate policy frameworks, often guided by an anti-urban-growth attitude and a deep-seated hostility toward the urban poor. The need for a decisive shift to forward-looking and inclusive policies is extremely urgent, especially in much of sub-Saharan Africa and in south and Southeast Asia.

Consider the known facts. Over the last 50 years, the global population living in slums has risen more than 25-fold, from 35 million to more than 900 million. Much of this growth in slums is driven by growth in the urban population, whether from in-migration or from natural population growth. Unless governments combine the vision and resources needed to anticipate and provide for this urban growth—which is certain, predictable, and unstoppable—this number could double again in the next 30 years.

Given current trends, with average urban densities declining at an annual global rate of 1.7 percent, this doubling of the developing world's urban population will triple the size of urban areas.³ As a recent landmark study pointed out, national and local authorities in developing countries should be making realistic, if minimal, plans for urban expansion, designating adequate areas to accommodate the projected expansion, investing in basic trunk infrastructure to serve it, and protecting sensitive land from the incursion of new urban development.⁴

Anticipating this growth is critical for cities and countries if they are to benefit from higher performance urbanization and have an impact on poverty alleviation and prevention, environmental sustainability, and higher standards of living.

Another reason to move beyond debating the mere scale of the problem is that it obscures the very real progress being made in many cities and countries in different parts of the world. In countries as diverse as Chile, Egypt, Ethiopia, Morocco, India, the Philippines, Senegal, and Thailand, the Cities without Slums message (United Nations Millennium Development Goals [MDGs] target 11) is gaining momentum, with new policy initiatives and programmes being implemented. In these and other countries, the political will to upgrade slums is growing, and the Cities Alliance is pleased to be supporting more local and national governments in long-term, citywide and nationwide approaches to tackle the systemic causes of inequality, social exclusion, and economic decline. However, these trends need to be urgently scaled up, and also reinforced by more proactive assistance from international development agencies, many of whom have yet to adopt forward-looking urban policies.

Building on its slum upgrading efforts to date, the Senegalese government, together with the Association of Mayors of Senegal and with support from Cities Alliance members, is developing a national *Villes sans bidonvilles* (Cities Without Slums) programme, with a 10-year action plan to upgrade existing slums and introduce policies to avoid the development of new ones.

Slum upgrading is a national priority in Morocco, where a coalition of Cities Alliance members is actively supporting a six-year nationwide *Villes sans bidonvilles* programme to provide decent accommodation for the 212,000 households living in urban slums across the country.

In Thailand, the government has undertaken to provide and facilitate housing delivery for 1 million households over five years. Its ambitious and largely home-grown cities without slums programme is

BOX 10. UPGRADING 200 BARRIOS IN CHILE

Chile has a resolute history of targeted social investments and one of the most consistent housing policies in the developing world. Over the past three decades, Chile has centred its housing policy on an ambitious and robust subsidy programme for housing the poor. The country has implemented a wide range of housing programmes funded through a combination of savings, subsidies, and credits at market rates. The centrepiece approach has been the large-scale production of modest but completed houses on serviced land for low-income households. Although this strategy has produced a large housing stock, it has also contributed to new social problems and the creation of some ghettos. In addition, the government has struggled to reach the very poorest in its subsidy programme and has had very limited success in attracting the private sector as a risk-sharing partner in the bottom segments of the market. Notwithstanding the

fact that Chile arguably now offers the highest capital housing subsidy in the developing world, it also has a growing underserved population that is below the national standard of housing and is marginalized from the full range of services.

Responding to this scenario, the new government of President Michelle Bachelet has introduced a bold and wide-ranging programme aimed at remedying some of the more obvious inequities evident in this society, some of which are legacies of the dictatorship. Hoping to avoid the more glaring mistakes, which left some public-housing blocks under consideration for demolition, the administration is turning to shelter programmes as vehicles for social inclusion.

The Bachelet administration now places far more emphasis on consultative and participatory approaches to housing and urban development. Among the four priority programmes is a multidisciplinary programme to promote the integrated social regeneration of some 200 communities throughout Chile. It is a national programme of upgrading, community participation, and social integration; the goal is to improve the neighbourhoods *and* build communities of participating citizens. These poor neighbourhoods, or *barrios*, have the worst concentrations of urban poverty and social vulnerability, or they represent significant social deterioration.

The 200 *Barrio* goals are attainable because there are already good signs of progress and good experiences to build on. Recently, with the support of the GTZ and the Cities Alliance, a special Ministry of Housing programme made subsidies more accessible to the poorest communities and encouraged municipalities to use them to upgrade housing and neighbourhoods. For example, Mayor Castro Medina, in the small municipality of Santa Juana, drew on the community-participation approach and helped the very poorest break out of appalling living conditions and move into well-located, humane, and habitable housing.



Cities Alliance

New housing scheme, Santa Juana, Chile.

both unconventional and highly innovative and is based on a communal approach to citywide slum upgrading.

This approach relies on a high level of social mobilization and organization, with communities, local governments, and affected stakeholders planning an upgrading process to improve all communities within the city. The Thai initiative highlights how citywide slum upgrading and CDS can go hand in hand and, with strong community participation, take upgrading to scale.

In China, where urban-policy discussions have generally focused on producing new urban areas at the edge of existing cities or on creating whole new urban centres in rapidly urbanizing regions, the existing built-up areas, including an extensive housing stock built at least 20 years ago or more, have been neglected.

In the urban areas of Yangzhou, where about 15,000 apartments spring up each year, the municipal government is developing a citywide upgrading strategy that would incorporate the older stock of buildings into the overall CDS, to maintain and support social and economic inclusion.

In Tanzania, the Dar es Salaam city council and its three municipalities, Ilala, Kinondoni, and Temeke, have a citywide strategy to address the challenges of unplanned and unserved settlements, working with the urban poor and the private sector to achieve a Dar es Salaam without slums by 2015. With approximately 70 percent of the population living in unplanned and unserved settlements and the city attracting some 100,000 migrants annually, Dar es Salaam developed its strategy in collaboration with the national government. The strategy aims to prevent the growth of new slums and overdensification by regularizing land tenure and issuing residential certificates to provide security of tenure and increase the city's revenue

base. The Dar es Salaam city council has also had the foresight—lacking in so many other cities—to include the design of a long-term sustainable financing strategy for settlement upgrading as a central part of this citywide programme.

The Cities Alliance is supporting Metro Manila's Cities without Slums initiative to develop a 15-year citywide strategy that includes shelter and neighbourhood upgrading and components for social development and improved income security for the poor. The experiences will be closely monitored and documented to inform policy and facilitate national replication.

For Nigeria's coastal city-state and former capital, Lagos, the state government has come to see slum upgrading, and policies to prevent the growth of future slums, as the only realistic option for improving the lives of the poor. With a current estimated population of 11.14 million,⁵ larger than that of 37 African countries and growing annually at 4.8 percent, Lagos is expected to be home to more than 17 million people by 2015. Close to



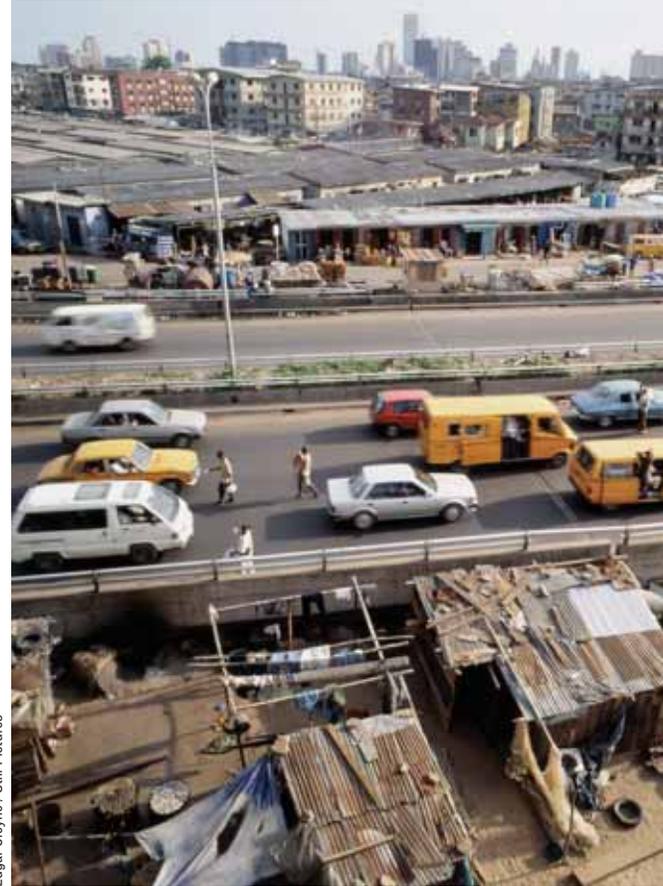
Charlotte Thege / Sift Pictures

Dar es Salaam, Tanzania, with the port in the background.

70 percent of the city's population currently lives in slums—and growing at 8.9 percent per year. These slums remain a stark manifestation of poor urban policy, particularly with respect to shelter and land.⁶

A major challenge under current budget constraints is providing social services and developing infrastructure for this economy. The state of Lagos has an annual budget of about \$650 million. By contrast, Mumbai and Jakarta—each, like Lagos, with populations of 11 million—have annual budgets of \$1.6 billion and \$1 billion, respectively.⁷

The demonstrated commitment of Lagos State's elected officials to formulate explicit development strategies in consultation with the private sector and civil society was catalytic in sparking an intense and comprehensive policy dialogue with the World Bank in 2003. Since then, through the use of cross-cutting analytic tools, Lagos has identified strategic, optimal and local interventions for private sector-led job creation and improved service delivery, to tackle simultaneously growth and poverty reduction. These include targeted investments in the economic and social infrastructure sectors, as well as substantial reforms for sustainability, some of which are being supported by the Lagos Metropolitan Development and Governance Project. In keeping with the partnership principles of coherent donor efforts to support Lagos government priorities, the UK Department of International Development (DFID) is working with Lagos to sustain the gains made by the state government on the revenue side, while the World Bank is supporting improved budgeting, expenditure management and results monitoring. Additional support from the Open Society Initiative, the Ford Foundation and DFID complement Lagos' own pioneering initiatives to enhance access to justice, particularly for the poor.



Edgar Cleyne / Still Pictures

Lagos cityscape.

As already noted, the political will to undertake and sustain slum upgrading is evidently growing, and more countries will soon rise to the challenge of developing city- and nationwide slum-upgrading strategies. Experience to date has underscored a number of essential ingredients for sustainable upgrading strategies:

- Making slum upgrading a core business, nationally and locally, particularly through a budgetary commitment;
- Implementing necessary policy reforms related to land, finance, and institutional frameworks;

- Setting clear national and city targets and engaging stakeholders in planning and monitoring results to ensure public sector accountability;
- Mobilizing non-public sector resources, engaging the private sector as a risk-sharing partner and engaging the slum dwellers themselves, who have both the ability and the interest to promote upgrading;
- Recognizing and facilitating the contribution of the informal sector to shelter production, economic growth, and the provision of services;
- Ensuring open and transparent land markets, to discourage corruption, patronage, exploitation of the urban poor;
- Promoting flexible approaches to resolve land ownership uncertainty and to provide secure tenure;
- Integrating the poor into decision-making processes and building the social capital in poor communities for sustainability; and, most critically,
- Taking urgent steps to prevent the creation of the next generation of slums.

Arguably, the world's slums constitute the greatest concentration of development deficits. This issue cuts across the MDGs for poverty, education, gender inequality, child mortality, disease, degraded environments, and so on. While the greatest impact of slum upgrading would clearly be on the lives of slum dwellers, most particularly women and children, social and economic benefits would also accrue to society at large and the public and private sectors.

However, where local governments fail to provide services and the poor are left to fend for themselves, one of the most insidious outcomes is the creation of informal, parallel markets, the main

beneficiaries of which are the informal service providers or their intermediaries. The primary parties both lose—the local authority, because it does not receive the revenue for services rendered; and the consumer, because he or she invariably ends up paying the highest unit cost for essential services. The costs of parallel markets created by policy failure—be they increased costs of services, lost revenue, protracted governance problems, or the premium paid by the poor—only reinforce the need to prepare for future growth and prevent new slums.

With respect to the huge challenge of upgrading the slums and providing new housing, the Government of Maharashtra has decided to withdraw from directly providing housing and maintaining certain buildings. It has concluded that constant state intervention over the past 30–40 years has not led to any significant improvement in the city's housing scenario.⁸

The scale of the problems is enormous: for example, an estimated 19,000 buildings, most of which are more than 50 years old, have been badly neglected as a result of rent-control policies. Elsewhere, it is estimated that the city will need to recover some 100 kilometres of pavement from the families that have been living there, in many instances for more than 20 years. The city resettled the first 83 families in 2006, setting an important precedent. Some 25,000 families are due to be resettled over a two-year period.

Other major initiatives are the following:

- Redevelopment of Dharavi slum, reputedly Asia's largest, over seven years, and the rehabilitation of some 52,000 families;
- Complete replenishment of Mumbai's ancient taxi fleet;

BOX 11. TRANSFORMING MUMBAI

Defying its many sceptics, the ambitious transformation of Mumbai is beginning to take shape, and change is slowly becoming visible in this enormous city. Driven initially by the private sector, which had become increasingly concerned by the long-term decline of India's commercial capital, the Government of Maharashtra is now leading efforts to transform Mumbai into a world-class city.

The city of Mumbai lies at the core of the larger Mumbai Metropolitan Region, which comprises seven municipal corporations and 13 municipal councils and has a population of around 20 million. The per capita GDP of the metropolitan region (Rs 62,000 [Indian rupees]) is more than double that of the rest of Maharashtra (Rs 28,000).^a

However, for Mumbai to significantly transform itself, the Government of Maharashtra believes that the metropolitan region will need to sustain an economic growth rate of 10 percent per year. Such an ambitious growth rate would require some fundamental reforms, including those that have been consistently neglected, even though they have long ago been identified.

Central challenges include outdated regulatory regimes that constrain Mumbai's land markets and often result in land and property prices that are higher than in Manhattan or Shanghai. These prices ensure that not only the very poor live in Mumbai's slums, which are currently home to about 54 percent of the population. The real estate market is constrained by, *inter alia*, the Urban Land Ceiling Act and an outdated rent-control regime that does not allow the city to capture revenue from increased real estate values.

Despite the extremely high real estate values, the state of the public infrastructure in Mumbai is extremely poor. The consequences of decades of underinvestment in infrastructure and maintenance, particularly in sewerage, storm water drainage, and solid waste management, were painfully exposed in the flooding that caused widespread damage to people and property on July 26, 2005.

The Mumbai transformation is predicated on a number of core strategies to achieve a significantly higher rate of growth and greatly enhanced tax revenues. Central to the city's transformation is giving priority to improved infrastructure. The Government of Maharashtra has estimated investment requirements of some \$60 billion, focusing on the road and rail networks, reliable power supplies, the port and the airport, and water and sanitation systems.

^a As of September 2006, the exchange rate was \$1 = 46.67600 Indian rupees.



Joerg Boethling / Still Pictures

Traffic on Marine Drive, Mumbai.

- Redevelopment of Mithi River and the consequent resettlement of 3,600 slum dwellers;
- Expansion of a rail-based mass transit system;
- Completion of the dramatic Bandra Worli Sea Link Project and the Worli-Nariman Sealink Project, a highway built above the sea and running parallel to and 150–200 metres from the shore; and,
- A proposed 22 kilometre six-lane trans-harbour bridge, to be entirely funded by private equity.

The Cities Alliance has contributed to these efforts by funding a number of World Bank studies for the Government of Maharashtra and, more importantly, by funding the Mumbai Transformation Support Unit (MTSU). This unit provides dedicated and high-quality support to the Government of Maharashtra and, in particular, to the director of special projects, a post created specifically to oversee the transformation.

Sustainable Financing of Investments

Often, a measure of the sustainability of an urban development strategy can be a city's continued access to domestic sources of finance. Cities can best secure this access by demonstrating a stable and predictable revenue stream over time, providing comfort to potential investors. Key ingredients for linking city financing needs with domestic capital include:

- City development and investment strategies with resource commitments and priorities consented to by the governed;
- On-budget investments that make provision for the needs of the urban poor

- Rational, predictable devolution of powers to local authorities, with legal frameworks for borrowing;
- Domestic market-oriented financial intermediaries working with cities; and,
- The fiscal space to enable affordable long-term interest rates for financing city infrastructure.

Clearly, the actions needed to access finance and design city strategies reinforce each other. For private investors to feel comfortable lending to cities, broad-based inclusive investment plans and city-level fiscal and managerial autonomy are key. These factors determine the markets' perception of credit quality and enhance security for lenders. Naturally, when assessing credit quality, commercial financiers attach a high value to the comprehensiveness and realism of investment plans and the predictability of transfers and local management.

City experiences in accessing markets show that the usual risks associated with political cycles are mitigated if the proposed investments are part of a broad strategy that has wide public support, are transparently procured, and are financed by taxes and charges affordable to the people they are designed to serve. For example, a wastewater investment based on affordable user charges and covering all sections of the urban population has a greater chance of finding private sources of credit than investments in better-off neighbourhoods without sufficient geographic-demographic linkages. Further, experience demonstrates that private capital requires greater security when investments have been perceived as exclusive and procured on a noncompetitive basis. Public infrastructure, even if financed through private sources, is ultimately paid for from public sources of finance, such as taxes and user charges, and a



Mark Edwards/ Still Pictures

Road construction in Bogota, Colombia.

demonstration of efficiency in procurement enhances community acceptance of pricing and, hence, credit quality.

Recognizing this linkage, the Cities Alliance, as a learning alliance, has attempted to deepen its understanding of the cross-cutting nature of a developing city's challenges and opportunities at both the macrolevel and the microlevel. First, through the Municipal Finance Task Force (MFTF), a space has been made available for cities, national governments, and their development partners to process information from field experiences. Second, the Cities Alliance gives grants based on partnerships between cities and national governments that improve the cities' prospects of linking up with domestic capital.

The MFTF Web Site

The MFTF Web site was launched in September 2005. It has positioned itself as a considerable reference and archival tool and has a variety of users,

including practitioners from the commercial sector. However, the weakness of the site is the lack of its interactivity with city-level practitioners. This problem is perhaps partially attributable to the difficulties the MFTF encountered in organizing and energizing discussion on key challenges in different regions: fiscal space in Latin America and the Caribbean, messy decentralization processes in South Asia, and supply-side reform in the transitional economies. Getting the MFTF to organize action-oriented research on these issues might result in greater connectivity with city financing challenges, especially if led by Cities Alliance members such as United Cities and Local Governments (UCLG)—a natural grounding place for the MFTF itself, in the medium to longer term.

Sustainable Financing Activities

The Cities Alliance has supported initiatives on sustainable financing by way of partnerships between cities, national governments, and their development partners. Described below are some of the initiatives that members have undertaken on both the demand side and the supply side.

Demand-side interventions

From the perspective of sustainable finance, demand-side interventions aim at empowering cities to design, finance, and create infrastructure and pay for its use over time by blending market finance and grants. Operationally, where grants are involved, this would imply the design of incentive-compatible grant systems with strong collection performance at the local level. The following case study from Pakistan provides a good example.

The Cities Alliance has made available a CDS grant to the Government of Punjab, one of the most active provincial governments in implement-

ing decentralization. The province is using the grant to develop a performance-based system that will require local governments to link performance with grants for identified prioritized investments. Consequently, local governments will be required to produce CDS plans that take citizen demands and needs into account, identify priority investments, and lay out the improvements in administrative, financial, and services delivery performance needed for implementing such plans. The provincial government must also develop guidelines for the planning process, indicators to measure the performance of local governments, and a monitoring system to ensure that the objectives of the grant programme are met.

Alongside designing incentive-compatible grant mechanisms, a key variable that supports market financing is rational and stable transfers. Indeed, financial markets and rating agencies tend to place an emphasis on the institutional framework of the

transfers and their legal underpinning. The recent Cities Alliance grant to Zambia is an example of an ongoing effort to move from *ad hoc* decision making towards a more predictable system.

Since the 1980s the Zambian government has taken away many revenue sources from the local governments and failed to meet its obligations to pay the local government various rates and grants. As a result, local governments have accrued unsustainable debt (currently about Kw 65 billion [Zambian kwacha] collectively). The government has financed the settlement of debts with Kw 2.6 billion in fiscal 2003, Kw 25 billion in fiscal 2005, and Kw 25 billion projected for fiscal 2006.⁹ A Decentralization Secretariat has been finalizing a medium-term decentralization implementation plan. A Cities Alliance grant supports the government's efforts to improve the rationality of the transfer system.

Sustainable financing also requires that the functional and geographical fragmentation of key services at the city level be addressed. In far too many cities, responsibilities for key services, such as water, are fragmented, with overlapping or competing functions or geographical areas. These confused institutional arrangements often have a negative impact on service delivery and accountability and mitigate against sustainable financing. To some extent, the global trend of asymmetrical decentralization has exacerbated this fragmentation, with significant mismatches between the devolution of responsibilities and the devolution of powers, particularly the power to raise resources.

Stavropol and Chuvashia, two regions in Russia, are still navigating an incomplete decentralization process, and the devolution of powers between the regions and the cities is not yet fully defined. The decentralization process requires clearer articulation



Lusaka cityscape.

Edwin Huffman / World Bank

of duties and responsibilities, especially for infrastructure service provision, which affects the urban poor. In the case of Stavropol, the issue of who should provide service for central heating is ambiguous: half of the heating plants are owned by the region; the other half, by the municipalities. This separation of ownership has led to overcapacity and the consequent inefficient use of scarce resources. The region thus needs an integrated regional development strategy that aligns infrastructure needs within a streamlined ownership structure, identifies the need for investment in infrastructure, and empowers the region and its cities to raise financing against funding requirements.

Supply-side interventions

On the supply side, a typical constraint—which was particularly acute in Latin America in the 1990s—is the short maturities for borrowed funds. The cramping of fiscal space has hurt infrastructure and growth in a most debilitating way and has been compounded by the tendency for international institutions to be fair-weather friends during times of austerity. Clearly, useful tools that lengthen maturities, such as take-out financing (ensuring credit availability after the expiry of, say, five years), could improve the capacity of local municipal financial institutions to act as genuine intermediaries in the domestic capital market. The Cities Alliance grant for the *Financiera de Desarrollo Territorial (FINDETER)* in Colombia is an example of such an initiative.

FINDETER, a second-tier municipal finance institution, helps first-tier lenders finance sub-sovereign infrastructure projects in Colombia. FINDETER rediscounts 85 percent of bank loans to local governments, thus enabling commercial banks to have renewed access to funds tied up in long-term loans to municipalities. FINDETER's

main capitalization sources have been central budget allocations, donor loans, loan repayments, and bond issues sold to commercial banks.

To strengthen its domestic market orientation, FINDETER is using a Cities Alliance grant, cofinanced with the Public-Private Infrastructure Advisory Facility (PPIAF), to develop a business plan and obtain credit ratings.

Apart from demand- and supply-side interventions, comprehensive reform of the municipal financing framework helps cities and national governments identify critical gaps in the enabling environment. An outstanding example of partnerships between national and city governments and the private sector has been the Cities Alliance support for Ghana to develop a municipal finance framework. This ongoing work involves the specification of actions at the national and city levels in the regulatory framework and financial operating systems, to put financing on a more sustainable basis. The follow-up grant leading to a comprehensive review could be the basis of a World Bank investment blend with domestic resources.

Challenges and Opportunities

The main lessons from development experience are the need for national governments and their cities to design frameworks to leverage scarce budgetary resources with market finance. The frameworks would, of course, vary across countries, but an essential ingredient would be clearly articulated authority and responsibilities for basic civic services. These frameworks enable cities to raise resources, create and maintain infrastructure, and pay for their costs over time. Furthermore, serious decentralization of centralized finance obviously facilitates local initiative with an incentive system that rewards performance and punishes mismanagement through local democratic processes.

International experience indicates that this process of city empowerment—involving, as it does the sharing of powers and responsibility—requires actions at the national and city levels, where international institutions can be of great help. Global experience also indicates that uncoordinated actions can result in suboptimal outcomes. For example, financial intermediation that is dependent on external lines of credit and unconnected with domestic markets has proven unsustainable in the past. Similarly, without significant actions to provide a rational and predictable sharing of revenues, the capacity of cities to inspire confidence in local markets is likely to be limited.

A major threat to modern financing is the continuing use of scattered grants and traditional loans—however well intentioned—through national governments and, sometimes, international and bilateral development institutions. These interventions risk distorting local incentives to tap domestic markets and weaken the emerging opportunities for raising domestic resources for city infrastructure. The scale and pace of urban demands are driving the movement towards modern financing. This change will not be painless, as it requires sharing of power. The challenge for cities, national governments, and their development partners will be to find an organized way of imparting momentum to this process.

CITIES ALLIANCE MEMBERS' REPORTS

In response to members' request for such during the 2005 Consultative Group meeting in Marrakech, the Secretariat developed and posted on the members' page of the Alliance's website a template to capture members' activities for the fiscal year for this and subsequent Annual Reports.

Members were asked to: (i) provide an update on the current urban portfolio; (ii) highlight relevant policy decisions, events or other highlights from the past 12 months; and (iii), comment on biggest challenges they foresee in the medium-term to their efforts to achieve Alliance's goals. Thirteen of the 19 Alliance members decided to participate in the exercise and their various reports are reproduced on the following pages.



BRAZIL

In 2003, the Federal Government, through the Ministry of Cities and with Cities Alliance financial support, formulated a national policy to support sustainable land regularization in urban areas for the very first time. This was achieved through the National Programme to Support Sustainable Land Regularization of Informal Settlements in Urban Areas—“Papel Passado” (Signed Title Programme), coordinated by the national secretary for urban programmes.

The programme supports states, municipalities, NGOs and CBOs, and other public administration entities in the promotion of informal settlement land regularization, eliminating administrative and property barriers that have excluded these informal settlements from the so-called “legal city”, through their full recognition within the formal, administrative, judicial systems of Brazilian cities.

The Programme is based on the following strategies:

- Direct support to municipalities, states, NGOs and CBOs that promote regularization through the transfer of financial resources from the federal budget or the transfer of lands that belong to the federal government and federal government entities that have been occupied by the low-income population.
- Mobilization, capacity building and training of local technical teams, of legal professionals (such as public prosecutors, judges, notary officials, public defenders) and of community leaderships through workshops, courses and the distribution of support material as well as a virtual network to exchange concrete experiences, with the objective of disseminating regularization concepts, instruments and methods.
- The removal of legal and administrative obstacles: Approval of a

provision in a federal law that recognizes free registration in land registration offices and the establishment of agreements with notary publics and public authorities to ensure title registration.

- The revision of the federal legislation on urban land subdivision including a specific chapter on land regularization title (in final stages at the Federal Congress).
- The intermediation of land conflicts preventing forced eviction and articulating negotiation processes that ensure the right to housing.
- The expansion of knowledge concerning the context of irregular land development in the country (letter to mayors, questionnaires and revision of municipal data).

The programme’s projected goal for 2006 (end of actual government term) is to have begun the regularization process benefiting 1,000,000 families, out of which, 400,000 titles had been delivered. By April 2006, the actions in progress had reached 218 Brazilian municipalities in 26 States, benefiting 1,031,069 low-income families with processes already underway and 214,078 delivered titles.



Jubilant residents with their property titles, São Paulo, Brazil.

Cities Alliance



Canadian International
Development Agency

Agence canadienne de
développement international



CANADIAN INTERNATIONAL DEVELOPMENT ASSOCIATION (CIDA)

CIDA's bilateral and partnership programmes, and other relevant Canadian institutions, are becoming increasingly aware of the Cities Alliance, from its role as a global coalition in urban development cooperation, to its efforts to (i) support the creation of city developments strategies; and (ii) facilitate slum upgrading to improve the living conditions of the urban poor.



City of Vancouver

Aerial view of Vancouver—venue of the highly successful Third World Urban Forum which was held from June 19–23, 2006.

A key outreach event took place on December 6, 2005, with the visit of Mark Hildebrand, the then Cities Alliance Secretariat Manager, to Ottawa. Mark made a presentation to CIDA staff on the work of the Cities Alliance, future directions, lessons learned, and linkages to the Third World Urban Forum which was to take place in Vancouver in June 2006. He also met with officials of the International Development Research Centre (IDRC), the WUF Secretariat, the Sustainable Cities Initiative (SCI) of Industry Canada, and the Federation of Canadian Municipalities (FCM), to explore partnership opportunities within the context of WUF III and beyond.

Among other things, WUF III provided the necessary platform for the networking and the empowerment of cities to mobilize domestic capital for municipal infrastructure investment that the Alliance and its partners will harness to ensure a sustainable implementation of existing and future city development strategies and citywide slum upgrading frameworks in the developing world.

NORWAY



Norway's support for urban issues, and to ameliorating the plight of the urban poor is as strong as ever. World Habitat Day in celebrated October every year has been a contributing factor. Celebrations for 2005 focused on urban financing with Mark Hildebrand, Cities Alliance programme manager as keynote speaker, together with representatives from other Alliance members, including UN-Habitat, Sida, USAID.

The last two years have also witnessed a strong increase in Norway's development assistance for human settlement issues. UN-Habitat's Water and Sanitation Trust Fund, established after the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002, has particularly benefited. Norway became a member of the Cities Alliance's Steering Committee in 2005 and this is expected to lead to extended future co-operation.



Cities Alliance

Norway's strengthened support to UN-Habitat's Water and Sanitation Trust Fund has enhanced its work in slums like Kibera in Nairobi.



AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)

AfD manages a portfolio of about 100 urban development projects in 30 countries and annually prepares about 12 new ones amounting to a commitment of €150 million euros per year. Projects are financed by grants to less advanced countries (LACs) or by loans in middle income countries (MICs).

As AfD promotes the central role of local governments to urban development, most of the projects are undertaken within a general decentralization framework in cities such as Nouakchott, Niamey, Ouagadougou, Cotonou, and Accra. The rationale of the projects is to encourage the launching of an urban development strategy with a special emphasis on mass-poverty reduction and a support to urban management. AFD notably co-financed several city development strategy activities in Cotonou, Douala, Sfax, Tripoli and other cities. Municipal contracts, based on the findings of financial, institutional and technical audits, provide a way to enhance the management capacities of the municipalities and to adapt the investments in regards of the needs of the concerned area. This tool is successfully implemented in a number of countries like Senegal, Niger, Tunisia, etc. Projects in dedicated sectors are also actively encouraged like transport (Vietnam, Tunisia) or waste management (Kenya, Mauritania).

Direct financing to local authorities is sometimes the preferred approach in keeping with AfD's strategic objective to finance not only central governments (sovereign finance) but



Satellite photo of project for the improvement of the peripheral districts of Ouagadougou (Burkina-Faso).

also local governments (sub-sovereign finance), either directly or via specialized institutions or, alternatively, by facilitating their access to financial markets. This presupposes moving away from one-off initiatives based on decisions to finance a specific project, and moving towards financing mechanisms that meet medium to long-term financial needs, such as the activities conducted by specialised financial institutions (Tunisia, South Africa). This kind of project is also under preparation in Jordan and in Palestine. AfD also supports programmes at the national level: for example, housing in Algeria, and Morocco, and post earthquake rehabilitation in Algeria and Pakistan.

GERMANY



Update on Current Portfolio

Urban issues addressing the urban poor in the German Development Co-operation are cross-cutting topics. Urban development is therefore integrated into 5 of 11 sector-focuses

- Democracy, civil society and public administration
- Water and Sanitation
- Infrastructure and Transport
- Economic development
- Environment

Almost 15 percent of projects supported by the Cities Alliance are prepared and implemented in close cooperation with ongoing development programmes co-financed from the German Governments bilateral programme (19 projects).

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

1. Cities and their role for the UN Millennium Development Goals, Development Policy in Dialogue with Mayors Berlin, 11th of May 2005.



Chile Housing project sponsored by Germany through GTZ.

Cities Alliance

2. Germany continues to support the Cities Alliance through its direct cooperation with its partners in the cities as well as through financial and personal support of the Alliance's secretariat.
3. Eschborn Dialogue/GTZ Spotlight 2005 Focus—Fascination—Future: Designing tomorrow's cities/ "Development policy is increasingly turning into urban policy."
4. KfW Panel discussion on rural-urban linkages in Bonn.
5. Megacities research programme of BMBF (Federal Ministry of Education and Science). This programme consists of research projects on innovative strategies for sustainable urban development and implementation of integrated approaches to planning and management in 15 Asian, African and Latin American cities.



Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

In accordance with the Paris Declaration on Aid Effectiveness there is a notable shift from German bi-lateral development to multilateral cooperation. Moreover, within the bi-lateral cooperation Germany will consolidate its effort to concentrate on cooperation with selected partner countries and focus on priority areas.

In the urban sector the Millennium Development Goal 7-11 will continue to be the focus of Germany's effort for the improvement of the living conditions of slum dwellers. Increasing global urbanization, however, demands that cross-cutting, all-embracing and comprehensive strategies will have to be devised to cope with the process.

More emphasis should be laid on local revenues generation and financial management in order to mobilize further financial resources for local governments in partner countries. Most important, new strategies to involve the private sector in the financing and managing of the urban sprawl will have to be found.

Update on Current Portfolio

Slum upgrading projects are ongoing in cities such as Kano, Lagos and Onitsha. The projects are aimed at improving the living conditions of the urban poor and also to tackle the high incidence of poverty and high unemployment through job creation and empowerment initiatives. Participation is key to the projects with various stakeholders actively involved in the design, financing and implementation of projects to encourage ownership and sustainability.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

- Review of both national urban development and national housing policies.
- Ongoing review of the land use decree.
- Establishment of a federal lands information system (FELIS).
- Establishment of the national housing and urban development data bank.
- Development of a national urban observatory which will feed into the existing UN Global Urban Observatory.

Biggest Challenge for the Medium-Term to Achieve Alliance's Goals

Challenges include the following:

- Poorly conceptualized projects;
- Inadequate project management skills/capacity of government officials, especially at local government level;
- Inadequate financial resources;
- Inadequate technical capability;
- High unemployment levels/high incidence of poverty;
- Lack of adequate political will to initiate or sustain projects; and,
- Poor implementation of strategies/inadequate follow-up.



Craft straw industry in Lagos, Nigeria.

Curt Carnemark / World Bank



SWEDISH INTERNATIONAL DEVELOPMENT ASSOCIATION (SIDA)

Update on Current Portfolio

Sida Urban Development Division is supporting a number of activities to alleviate the situation of the urban poor; including several bilateral programmes in Central America on housing finance, Community-Led Infrastructure Finance Facility (CLIFF), Slum Upgrading Facility (SUF), GuarantCo and CGAP.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

To present a few highlights from last year, Sida convened a seminar entitled, "Creative Urban Finance for the Poor" with attendance from NGOs, donor agencies, universities, and commercial banks. In addition, Sida also decided to support a large bilateral housing finance programme in Guatemala.

Sida's urban policy, "Fighting poverty in an urban world," captured in a comprehensive publication titled, *More Urban, Less Poor* was successfully launched at the Third World Urban Forum in Vancouver in June 2006.



UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

DFID Department for International Development

Update on Current Portfolio

In 2006, the UK government announced £41 million to support the Madhya Pradesh Urban Services Programme to strengthen state delivery of quality services for the urban poor. Similar programmes in Andhra Pradesh and Kolkata are also being funded.

The UN-Habitat managed Slum Upgrading Facility (SUF), which is now ready to commence pilot activities in Tanzania, Ghana, Indonesia and Sri-Lanka, and the Community-Led Infrastructure Financing Facility (CLIFF) in India and Kenya continued to receive UK funding.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

The Commission for Africa was launched by the British Prime Minister, Tony Blair in February 2004. The aim of the Commission was to take a fresh look at Africa's past and present and to propose a package of measures to achieve the Commission's goal of a strong and prosperous Africa. The Commission's

Report, published in 2005, highlighted the problems of rapid urbanization in Africa, stressed the need for improved city management and made particular recommendations on scaling up investments in infrastructure.

In February 2006, the UK Parliament held its first ever debate on urbanization in developing countries. Members of Parliament called for a higher priority for urbanization on the international development agenda, with a particular emphasis on promoting security of tenure for slum dwellers, better urban governance and the development of financial instruments for slum upgrading.

Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

Urban management is a highly political process but too often is seen as a technical issue. Going forward, DFID and other development partners will need to give greater consideration to their role in supporting complex and highly politicized processes such as decentralization.

We will also need to be better at assessing and responding to the spatial dimensions of poverty, policies and institutions. Simplistic rural versus urban thinking is now largely discredited and policies need to support economic and livelihood systems along the rural urban continuum with planning integrated across layers of government.

In terms of financing the urban infrastructure gap, donors will need to be more effective at assessing, and where necessary increasing, the capacity of the public and private sectors to provide basic services and infrastructure that supports economic growth. Increased resources and expertise will need to be leveraged from the International Financial Institutions (IFIs), bilateral donors and the private sector.



Curt Gamemark / World Bank

Market women in Mathare, Kenya, beneficiaries of a DFID support for sanitation services.



US AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Update on Current Portfolio

USAID's support for urban development is focused on three core areas: (i) city management and improved service delivery, (ii) urban finance, and (iii) local economic development. Specific activities include support for financing slum upgrading in India, South Africa and Morocco, youth employment training in 16 Latin American countries, local economic development planning and implementation in Eastern Europe, infrastructure financing in Mexico and South Africa, advocating for land tenure and title deeds in Africa, and city management and planning in over 25 countries.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Globally, in 2005, USAID initiated partnerships between U.S. municipal managers and their counterparts in Mali, Ethiopia, Russia, and India targeting solid waste management, disaster preparedness, and local economic development. USAID field missions in Africa have adopted a new strategy that will focus on addressing urbanization through multiple sectors, such as in Zambia in which housing for 5,000 households will begin construction in 2006. In South Africa, USAID's construction part-



Friedrich Stark / Still Pictures

Aerial view of Cape Town, South Africa, taken from Table Mountain.

ner, Evensen Dodge International, advised the Cities of Tshwane and eThekweni on the restructuring of \$1 billion of debt targeted for improved municipal infrastructure services. Local governance strengthening and local economic development strategies are being applied in Indonesia, Lebanon, Jordan, India, and Bangladesh. Asia missions are also adopting a water finance strategy beginning with the Philippines Mission which signed a loan agreement to finance 16,000 new connections and reduce unaccounted-for water over seven years through the Municipal Water Loan Finance Initiative, a joint USAID-Japanese Bank for International Cooperation (JBIC) effort.

Biggest Challenge for the Medium-Term in the Member's Efforts to Achieve Alliance's Goals

Part of the difficulty in allocating funding and implementing activities for urban development is the multi-disciplinary nature of urban issues. A coordinated approach that addresses urban poverty reduction from a spatial lens is needed to achieve the Alliance's goals. However, USAID typically provides funding through a wide array of development sectors such as water and sanitation services, municipal finance, and service delivery. Such a variety of programmes in urban issues spread across a number of sectors can sometimes lack the coherence necessary to effectively address urban poverty reduction.

Friedrich Stark / Still Pictures



Youths playing football by a power station in Mexico City.

UNITED CITIES AND LOCAL GOVERNMENTS (UCLG)



Update on Current Portfolio

UCLG and Cities Alliance consolidated their partnership by signing two landmark project agreements: The first project will facilitate the development of MDG-based City Development Strategies and the integration of MDG-based targets into CDSs. The second supports the establishment of the UCLG Committee on Local Finance to advise UCLG members and the Cities Alliance on matters relating to municipal finance and resource mobilization, and to assist UCLG members to access current thinking and innovations on ways to increase the flow of long term finance capital to developing cities.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Over 1000 cities and Local Government Associations expressed their commitment to the MDGs by joining the UCLG Millennium Towns and Cities Campaign. Following this, Heads of State and Government explicitly recognized the role of local authorities in contributing to the achievement of the MDGs in the outcome document of the Millennium +5 Summit.

At the UCLG Executive Bureau meetings in Washington, Mayors and local government leaders from across the world put municipal finance centre stage in their exchange with the World Bank President, who announced that the Bank wished to develop its partnership with UCLG and develop new instruments to lend directly to local authorities without sovereign guarantee.

UCLG has continued to promote the role of local government in the global development agenda. Following a strong contribution from the UCLG delegation at the World Water



UCLG

UCLG Co-President, Paco Moncayo, Mayor of Quito, and Wim Deetman, Mayor of the Hague with Kofi Annan, UN Secretary General during the UCLG Mayors Delegation.

Forum, governments recognized the role played by local authorities in increasing sustainable access to water and sanitation services and supporting integrated water resource management.

Biggest Challenges for the Medium-Term to Achieve Alliance's Goals

Over the medium term, UCLG will be working to ensure that more medium-sized cities in developing countries become involved with the Cities Alliance and develop MDG-based City Development Strategies (CDS). UCLG's close involvement in the Cities Alliance means that its global network of local governments can be mobilized to promote MDG-based City Development Strategies (CDS) to medium-sized cities.

With cities providing services for 50 percent of the world's population and being called on to serve an ever greater number of citizens in the future, UCLG and its members will be calling for financing mechanisms to be decentralized to directly benefit cities. UCLG will be working with donors and international financing institutions towards support for cities in the form of loans and international investment that really takes into account the priorities of local governments.



UCLG

White banners displayed on town halls as part of the UCLG, Millennium Towns and Cities Campaign '2015: No excuse! The world must be a better place.'



UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)

Update on Current Portfolio

In fiscal year 2005, the Alliance approved six projects which UNEP is supporting financially and/or through technical assistance. These include a CDS in Dakar, Senegal in cooperation with UN-Habitat, where UNEP is conducting an environmental assessment; a National Urban Development Strategy in Bhutan, in cooperation with the World Bank, where UNEP is conducting an environmental assessment; an upgrading project in the city of Yangzhou, China for which UNEP will provide technical support; and an industrial restructuring project in Heilongjiang Province, China with the World Bank, where UNEP is playing an advisory role.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

UNEP's Executive Director has approved a UNEP–Cities Alliance strategy which has increased UNEP's involvement in Alliance activities in particular, and urban sustainable development in general. UNEP presented a concept note on the how to strengthen the environment component within the Alliance's activities to the 2005 Cities Alliance Consultative Group meeting in Marrakech, Morocco. Consequently, the Consultative Group requested UNEP and the Alliance Secretariat, in cooperation with UN-Habitat, to undertake an analysis of the gaps and best practices in sustainable urban planning, city development and slum upgrading. The outcome of this Environment Initiative will be presented at the 2006 Consultative Group Meeting, now to be held in Washington, D.C. in November 2006.

Biggest Challenge for the Medium-Term to Achieve Alliance's Goal

The biggest challenge remains how to mainstream and institutionalize the environmental dimension into Cities Alliance's activities. The Environment Initiative is a first step towards providing good examples and tools to Alliance members and clients, but a lot more work needs to be done to elevate the environment to the same level as other Alliance application criteria.



Zhao Weiming / UNEP

Severe environmental pollution from industrial waste in China.

UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME (UN-HABITAT)



Update on Current Portfolio

During the year under review, the work of the United Nations Human Settlements Programme, UN-Habitat, as the focal point for the coordinated implementation of the Habitat Agenda, the Declaration on Cities and other Human Settlements in the New Millennium and the Millennium Development Goal 7, targets 10 and 11, drew UN-Habitat and its partners in government, regional and local authorities, and civil society closer to the lives of the urban poor than ever before.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

At its 20th session in Nairobi in 2005, the Governing Council passed 21 resolutions on a range of subjects all pointing to the need for the international community to focus on the critical issues of rapid urbanization and the consequent urban poverty crisis: The water and sanitation and health crisis in many cities and towns, a shelter trauma manifested in ever growing slums, housing and shelter finance problems, land and property rights and lack of secure tenure. UN-Habitat developed two initiatives designed specifically to support the attainment of the slum upgrading and water and sanitation targets of Goal 7 on envi-



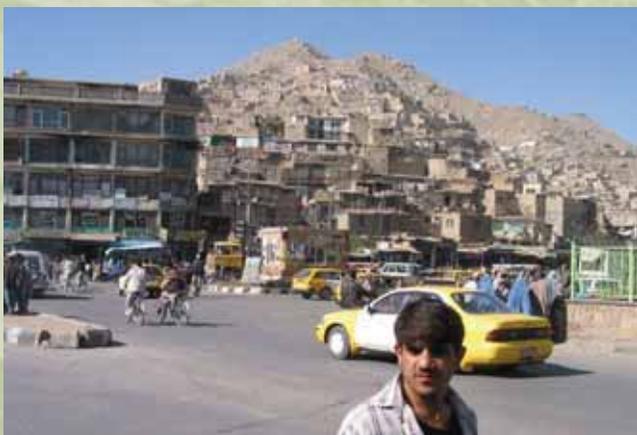
UN-Habitat

Dr. Tibaijuka with Stephen Harper, Canadian Prime Minister and other guests at the opening ceremony of WUF III in Vancouver.

ronmental sustainability of the Millennium Declaration. UN-Habitat was running 99 technical programmes and projects under execution in 60 countries around the world, the majority of them in the least developed countries (LDCs).

Biggest Challenge for the Medium-Term in the Member's Efforts to Achieve Alliance's Goals

Managing the slum crisis is arguably the biggest problem confronting humanity in the 21st century. UN-Habitat's latest research gives a measure of the challenge of the urban crisis: Asia accounts for nearly 60 percent of the world's slum population with a total of 581 million slum dwellers in 2005. Sub-Saharan Africa had 199 million slum dwellers constituting some 20 percent of the world's total. Latin America had 134 million making up 14 percent of the total. At the global level, 30 per cent of all urban dwellers lived in slums in 2005, a proportion that has not changed significantly since 1990. Given this context, the system-wide reform of the United Nations, which UN-Habitat fully supports, needs to galvanize its strength as never before in the quest for sustainable urbanization. It is our duty as members of the Alliance to ensure that the rights and needs of the urban poor are recognized and addressed.



UN-Habitat

Ongoing reconstruction in Kabul, Afghanistan.



Update on Current Portfolio

World Bank lending approvals for Urban Development quadrupled in fiscal year 2005 to \$2.75 billion and reached \$1.7 billion by the second half of fiscal year 2006. In addition to lending from dedicated urban units, the World Bank also lends to cities through other operational sectors like health and education, power, and transport. For fiscal year 2005, estimated lending to “urban spaces” was about \$7.1 billion.

The World Bank’s urban development strategy prioritizes livability, defined as a decent quality of life and equitable opportunities for all, including the poorest, to achieve a healthy and dignified living standard, using the three other strategic dimensions or pillars—good governance, bankability and competitiveness—to achieve this goal.¹

The World Bank has recently developed slum upgrading programmes in Jamaica and Brazil to explicitly address problems of crime and violence². Approved housing sector programme loans to Mexico and Brazil take comprehensive approaches to address upgrading in the context of reforms in land, finance and subsidies. In India and South Africa³ slum dweller organizations are setting many of the terms for upgrading to proceed and raising the bar for community participation in these or other operations.

The World Bank and UCLG are collaborating with the Cities Alliance to help cities and local governments contribute to National Poverty Reduction Strategies by developing MDG-based city development strategies.

Relevant Policy Decisions, Events or Other Highlights from the Past 12 Months

Some of key events in the World Bank’s operations in the urban sector for the year under review include:

- Annual World Bank Urban Forum: The theme for this year’s forum was “The Challenges of an Urbanizing World”. Participants comprising more than 160 World Bank staff, 35 external invitees and 9 donor agencies examined the challenges urban poverty, infrastructure, governance, growth, spatial, vulnerability and political economy.
- Third World Bank Urban Research Symposium on “Land Development: Urban Policy and Poverty Reduc-



Katherine Sierra (World Bank) and Elisabeth Gateau (UCLG) sign cooperation agreements on MDG-based city development strategies.

tion” which was organized in collaboration with the Institute for Applied Economic Research, Brazil. This event was successful in: (i) showcasing and promoting applied urban research on land development and poverty reduction in developing and transition economies; (ii) developing areas for collaborative research and (iii) enabling discussion of experiences of design and implementation of public policies as well as developmental results of public programmes, and of partnerships among researchers working on these topics.

- “Practitioners’ Conference on Mobilizing Urban Infrastructure Finance in a Responsible Fiscal Framework: Brazil, China, India, Poland and South Africa” in January 2005: This was organized in cooperation with the governments of India, Brazil, CAIXA Economica Federal, DFID, USAID and PPIAF organized in January 2005. The conference addressed different dimensions for reconciliation between fiscal policy and urban infrastructure investment: in policy design, analytical understanding, national and international debt rules, and the politics of policy implementation.

Challenges to Achieving Cities Alliance’s Goals in the Medium-Term Include:

- How to expand the options for financing instruments in slum upgrading within the limits of fiscal space and competing demands in client countries.
- Furthering empirical research in urban leading to stronger policy focus and investments in urban areas.

LEARNING AND COMMUNICATIONS

Learning and knowledge-sharing continue to be integral to the Cities Alliance's ongoing and completed activities, which the Alliance routinely analyzes to assess impacts and garner lessons, both substantive and in terms of its own grant procedures.



Learning and knowledge-sharing continue to be integral to the Cities Alliance's ongoing and completed activities, which the Alliance routinely analyzes to assess impacts and garner lessons, both substantive and in terms of its own grant procedures. The transition to new management this year saw a strengthening of that focus, with an increased mandate and budget for the Cities Alliance's communication and knowledge management remit. This has led to a corresponding increase in the number of knowledge products and initiatives the Alliance produces in partnership with its members and partners and disseminates through an expanding network of not just members' distribution infrastructure, but also that of civil-society organizations and the media.

Continuing its practice of continual evaluation, the Alliance undertook onsite evaluations of completed partnership activities in Chile, related to the country's national housing and upgrading programme, and in Indonesia, where the Special Province of Yogyakarta had undertaken a city development strategy (CDS) to develop the region and reduce poverty.

Lessons from the Chile Evaluation

For more than 30 years, Chile's housing policy has centred on a robust subsidy programme for housing the poor. In 2001, the country's Ministry of Housing and Urbanism (MINVU) launched a series of shelter initiatives, including an ambitious Programme for Dynamic Housing without Debt that was to deliver 20,000 new houses and upgrade existing neighbourhoods. These initiatives were to tap into a national Fund for Solidarity Shelter Proj-

ects, the major national instrument for allocating targeted subsidies for the urban poor. This funding mechanism encourages municipalities and organized community savings groups to apply for and bid on the subsidies and development funding.

Principally, the municipalities take the lead, identifying communities and organizing the requisite household savings groups, preparing technical proposals, assembling land if necessary, and negotiating with other stakeholders to package proposals to compete in a bidding process to access funds and subsidies. However, this can be a daunting effort, particularly for smaller and weaker municipalities. Likewise, many families seeking to participate find it difficult to navigate the process and need a lot of time to accumulate the required savings.

Recognizing the obstacles and frustrations that weak municipalities and the poorest families have in accessing the national housing subsidy programme, MINVU, together with the German Agency for Technical Cooperation (GTZ), the Association of Chilean Municipalities, UN-Habitat, and many regional and local stakeholders, and with support from the Cities Alliance, set out to develop and test ways to strengthen municipalities and instruments to improve the access of the poor to national housing subsidies.

The implementation model developed and demonstrated the benefits of organizing and involving communities in the process of applying for national subsidies. The approach should serve the country well as it embarks on its newly launched 200 Barrios programme of neighbourhood upgrading. Other valuable lessons that have emerged from the activity are of relevance not only to Chile but also to other countries embarking on large-scale upgrading and shelter programmes. The lessons include the following:

- The responsible agencies effectively incorporate pro-poor policies into national shelter programmes by emphasizing the role of the community in the process, be it training and organizing community savings groups to apply for the housing subsidy programme, defining house designs, or negotiating with the municipality;
- Municipalities have a clear and pivotal role in such programmes. While local political will and leadership are critical, the general reality is that municipalities often need assistance to build their capacity as local organizing agents for the delivery of pro-poor shelter programmes;
- The integrated and participatory process is an important aspect of the shelter programme that should not be sidestepped. However, a lot of time and project management effort are required to identify and organize the participating households and to orchestrate different levels of government, nongovernmental organizations (NGOs), and the private sector. The challenge then remains one of finding ways to institutionalize the working relationship between the many players at all levels and replicate community development and participation at a much larger scale; and,
- Institutional coherence of effort is a key factor for success, but this may require a considerable realignment of working relationships between levels of government. Adjusting institutions to this approach is difficult, and third-party mentoring can serve this objective well, bringing together the various institutions and actors to coalesce around the task.



Signpost to Chile's Shelter project.

Cities Alliance

Lessons from the Yogyakarta, Indonesia, Evaluation

The Yogyakarta CDS was initiated in 2003, following the success of the first CDS, which had focused on nine cities. The objective was to coordinate the planning and development of the five jurisdictions within Yogyakarta, a small province adjacent to the province of Central Java and located between the Mount Merapi volcano to the north and the Indian Ocean to the south. With a population of 3.3 million in an area of only 3,600 square kilometres, it is the most densely populated province of Indonesia.

Only a limited part of the region is suitable for agricultural production. Although 49 percent of the population derives its income from agricultural jobs, the sector contributes less than 15 percent of the GDP. With few natural resources to support its weak economic base, unemployment is high, and in 2000 an estimated 30 percent of the people were living below the poverty line.

The CDS aimed to:

- Develop instruments for identifying visions for sustainable economic growth, balanced economic development, and poverty reduction;
- Disseminate the practical experiences of, and lessons learned, on how to place urban development in a regional context for the benefit of other provinces and municipalities, both in Indonesia and globally;
- Propose programmes for institutional development and investment to promote regional development and poverty reduction and prepare cross-regional financing plans (this third component was closely linked to a prospective World Bank credit).

The project made a demonstrable contribution to the province's efforts to reduce poverty by:

- Advancing poverty mapping and the institutionalization of a participatory planning methodology;
- Defining a regional investment programme;
- Initiating pro-poor investments in trading facilities and slum upgrading projects; and,
- Developing lending facilities within a local bank for micro- and small businesses.

Less successful were the:

- Creation of necessary linkages to the national level, where much remains to be done to improve the capacity of local governments to



Malioboro, Yogyakarta's busiest street.

Cities Alliance

develop, finance, and implement their strategies to reduce poverty;

- Creation of interregional economic synergies with neighbouring provinces;
- Integration of annual budgeting at the municipal and district levels across the five jurisdictions; and,
- Improvement of urban–rural linkages.

Key lessons include the following:

- Indonesian decentralization is asymmetrical and incomplete, and fiscal decentralization is weak (fiscal decentralization lagged behind provincial government decentralization: control over expenditures was decentralized, but control over revenues was not);
- A champion for the project is needed within the central government (provincial government needs the active support of central government to advocate on behalf of the regional plan and its investment priorities);
- The many interesting experiences from the project need to be captured, and lessons need to be disseminated;
- Participatory planning is essential;
- Investment linkages need to be diversified particularly to reduce the dependence of the regional plan on the central government; and,
- More Cities Alliance members active in the region need to be engaged.

Knowledge-Sharing Activities

During the year under review the Alliance promoted the urban agenda and key messages through proactive participation at organizing major communication and knowledge events, in collaboration with its members and partners. It worked with the city of Marrakech to successfully showcase the Government of Morocco's *Villes sans bidonvilles*

(VSB) programme at the public policy forum that preceded the Consultative Group meeting for 2005. The Alliance was well represented at the Third World Urban Forum (WUF III), in June 2006 which held in Vancouver, Canada, where it organized three networking sessions, and was a strong participant at the Africities 2006 in Nairobi. In the areas of identification of knowledge gaps, capture, and dissemination, the highlight was the release of the long-awaited *Guide to City Development Strategies: Improving Urban Performance*,¹ which is a rich, direct, and thought-provoking resource base for cities already undertaking or about to embark on the strategizing process. Other major publications by Cities Alliance members include UN-Habitat's flagship report *State of the World's Cities 2006/7*,² the World Bank–commissioned *The Dynamics of Global Urban Expansion*,³ and the Swedish International Development Cooperation Agency's (Sida's) *More Urban, Less Poor*.⁴ For its part, the Secretariat also took the first steps towards significantly upgrading its communications portfolio and strengthening its knowledge management plan for the capture and documentation of the increasing volume of knowledge that the Alliance and its partners are generating.

Morocco's *Villes sans bidonvilles* Programme, Cities Alliance Public Policy Forum, Marrakech, November 2005

The sixth Public Policy Forum of the Cities Alliance, hosted by the city of Marrakech and the Government of Morocco, focused on the national VSB programme. The VSB programme is part of the far-reaching *Initiative nationale de développement humain*, aimed at reducing social disparities and fighting exclusion.

More than 300 national, regional, and international participants from 20 countries attended the forum, November 7–9, 2005, which was jointly



Signature of an MOU with French Development Agency in Marrakech.

organized by the Moroccan Ministry of Housing and Urban Development, the City of Marrakech, the Near East and North Africa Urban Forum, Holding d'Aménagement Al Omrane (see below), and the Cities Alliance.

The VSB programme demonstrates the high priority the government of Morocco attaches to improving access to and affordability of formal housing, especially for the urban poor. Formally launched in October 2004 by King Mohammed VI, the VSB programme aims to provide accommodation by 2010 to some 212,000 households living in urban slums across the country. In his presentation at the opening ceremonies, Minister of Housing and Urban Development Toufiq Hjira outlined the three major objectives of the programme: (i) stopping the proliferation of slums; (ii) preventing the growth of new slums and promoting social habitat; and (iii) reabsorbing existing slums.

To more efficiently manage the implementation of the VSB programme, the government merged existing housing parastatals into a new structure, Holding d'Aménagement Al Omrane, in 2004,

with mandates to (i) increase the supply of serviced land for social housing and new residential developments; (ii) promote partnerships with the private sector to provide low-cost housing and upgrade sub-standard housing; and (iii) implement the government programme for slum upgrading in partnership with local governments and the private sector.

After one and a half years of implementation, the VSB programme has:

- Mobilized 3,400 of a proposed 5,000 hectares for the programme;
- Built two new cities (Nour Zaer, near Rabat, and Tamansourt, near Marrakech);
- Declared four cities free of slums by the end of 2005
- Achieved full integration in the larger framework of the *Initiative nationale de développement humain*;
- Fostered synergy between the various intra-ministerial departments;
- Encouraged ownership by the *walis*, the governors, and local officials;
- Mobilized public parastatals, such as Holding d'Aménagement Al-Omrane, Établissement régional d'aménagement et de construction, and Groupe caisse de dépôt et de gestion;
- Had positive effects on the lives of the slum dwellers;
- Facilitated the participation of NGOs and similar organizations; and,
- Gained the support of international organizations.

Sida Seminar on Creative Urban Finance for the Poor, Stockholm, Sweden, December 2005

Sida convened a gathering of key stakeholders in urban finance to systematically examine the main



Cross section of participants at the Sida Seminar on “Creative Urban Finance for the Poor.”

issues in providing urban finance and upgrading infrastructure, services, and housing. Declaring Sida’s long-term commitment to housing and associated infrastructure for a growing number of low-income earners, Rolf Carlman, head of Sida’s Department for Infrastructure and Economic Cooperation, noted the pivotal role of urban finance in achieving Millennium Development Goals (MDGs) where there is a need for innovative financing instruments to tap local and international markets.

Some of the speakers at the seminar included:

- Barbara Lee (on secondment to Sida from the World Bank), who emphasized the seminar’s objective of sharing and discussing financing solutions targeting the urban disadvantaged;
- Diana Mitlin (Institute for Development Policy and Management, University of Manchester), who advocated the equal weights of financial processes and of finance itself: whereas those with “somewhat secure tenure” need access to finance for incremental housing improvement, those with “less secure tenure”—with no opportunity for individualized market solutions—need collective action to improve

infrastructure and shelter with longer term group lending, often coupled with regulatory change;

- Kathleen Wu (U.S. Agency for International Development [USAID]), who saw private sector-led growth as critical for achieving the MDGs. Ironically, although there may be excess liquidity, credit access is often limited, particularly for the urban poor. USAID offers global loans and bond guarantees for housing and infrastructure, and experience has shown that home improvement microfinance loans are particularly suitable for the urban poor;
- Mark Hildebrand (Manager, Cities Alliance), who highlighted the Alliance’s focus on citywide and nationwide interventions. He was supported in this regard by Rajivan Krishnaswamy (senior urban finance specialist, Cities Alliance), who suggested that the poor need to be empowered to leverage budgetary resources with domestic capital to invest in infrastructure. Challenges include sorting out a messy decentralization process by supporting the role of cities as proactive developers of infrastructure;
- Malcolm Harper (Cranfield School of Management, Cranfield University; and Homeless International, United Kingdom), who saw microfinance institutions (MFIs) as unsuitable for housing and citywide infrastructure finance, because of the high interest charges on retained savings earnings. MFIs could offer secured base loan credit—but sub-sector analysis, experimentation, willingness to fail, research, and subsidies are also needed. To provide cheap, long-term shelter credit, MFIs need to know markets; find collateral substitutes; foster relationships with municipal and other authorities; and adjust loan amounts, terms, and target returns;

- Sheela Patel (founding director, Society for the Promotion of Area Resource Centres [SPARC], and chair, Cities Alliance Policy Advisory Board;), who noted the importance of community-initiated self-help shelter schemes. A relationship between organizations of the disadvantaged and banks exists in India. This relationship offers a platform for regular dialogue and negotiations for scaled-up interventions—with either party knowing each other’s functions, including risk management and mitigation. Effective cooperation needs a community-driven process, governments willing to change, a banking system that views informal sectors as a potential market, local all-stakeholder solutions, and familiarity with risks and mitigation; and,
- Michael Mutter (UN-Habitat), who outlined the objective of the Slum Upgrading Facility (SUF), which is to show that housing development or upgrading projects can access domestic capital markets for loans. SUF aims to scale up serviced land for housing development, with finance for all. Being multiphased, SUF also aims to help attract local private financing in the domestic capital market. Pilot project financing mechanisms will be executed through 2006 in Ghana, Indonesia, Sri Lanka, and Tanzania; domestic capital for low-income housing and home improvement loans will be attracted, in collaboration with local banks, housing cooperatives, and special purpose vehicles (that is, joint ventures to raise debt finance in local capital markets).

Presentations were followed by break out groups focusing on how to make finance for housing and infrastructure available to the urban majority. Groups discussed differences and similarities (and related issues and implications) between finance for housing and finance for infrastructure, and the role of financial institutions and markets: “how commercial lenders can be encouraged to make finance available for housing and infrastructure for the urban poor” and “how local private savings be mobilized by financial markets to provide finance.” The groups identified infrastructure as a public good; individual housing, as a private one.

UCLG Executive Bureau Meeting, Washington, D.C., February 2006

The Secretariat partnered with the World Bank to host the first meeting of the United Cities and Local Governments (UCLG) Executive Bureau, held in Washington, D.C., at the Preston Auditorium of the World Bank Group. More than 200 mayors attended the meetings, convened at the



Cities Alliance

Left to right: Anthony Williams, Joan Clos, Bertrand Delanoë, José Sera, Paul Wolfowitz, Paco Moncayo, and Clarence Anthony.

invitation of Anthony Williams, District of Columbia mayor and past president of the U.S. National League of Cities.

Chairing the opening session, “Financing Local Development,” World Bank president, Paul Wolfowitz, said, “The World Bank is pleased to co-host this event with the city of Washington DC, because we know that cities—and the people who make them run—have a vital role to play in creating opportunity for some of the 1.2 billion people who today live on less than \$1 a day.” He added that mayors are “on the frontlines of these development challenges. The choices you make can either alleviate these challenges or aggravate them. And the policies you pursue can either draw upon the strengths and opportunities of urban areas, or dilute them.”

Wolfowitz stressed the importance of good governance and transparency in local management and announced that the Bank wished to develop its partnership with UCLG: “Traditionally, the World Bank worked exclusively through states, and today we have a tool for financing private corporations. Now we are trying to develop new instruments in order to lend directly to local authorities without sovereign guarantees.” He invited local governments, through UCLG, to collaborate with the World Bank.

UCLG representatives underlined the need for the World Bank to decentralize its actions to directly benefit cities. Such a move would recognize the fact that cities currently provide services for 50 percent of the world’s population and that this figure is inexorably increasing. UCLG aims to improve the performance of cities, according to Bertrand Delanoë, mayor of Paris and president of UCLG: “The World Bank needs to recognize us as a partner. . . . We need support in the form of loans and naturally the World Bank can be our partner in this.” Paco Moncayo, mayor of Quito and co-president of UCLG, declared, “Effective and transparent financial management, supported by inter-

national investment that really takes into account the priorities of local governments, can really transform the daily life of citizens.”

Cities Alliance at the Third World Urban Forum, Vancouver, Canada, June 2006

Evidence of the Cities Alliance’s renewed commitment to enhancing its communication and knowledge-sharing focus was seen in the strong delegation it sent to the Third World Urban Forum which was held in Vancouver from 19th to 23rd June, 2006, and its organization of three well-subscribed networking sessions.

Close to 15,000 people from over 100 countries, representing governments, UN agencies, non-governmental organizations, urban professionals, local authorities, the private sector and academia, attended the conference, convened by UN-Habitat and the Canadian government under the theme of “Sustainable Cities—Turning Ideas into Action.” WUF III marked the 30th anniversary of the first UN Conference on Human Settlements, which was



Dr. Manfred Konukiewitz of the German Development Cooperation, Dr. Sameh el Alaily representing the Governor of Giza, Egypt, and William Cobbett of the Cities Alliance—panelists at the GTZ/CA session of WUF III.

Cities Alliance

also held in Vancouver and led to the creation of UN-Habitat. The WUF III Report will be submitted for consideration and appropriate action to the 21st session of the UN-Habitat Governing Council in spring 2007.

Throughout the weeklong, well-organized conference, participants met in plenary, dialogue and special sessions, and attended 13 roundtables and over 160 networking events, which explored various aspects of sustainable urban development. The three networking events that the Alliance held in collaboration with its members and partners, were:

- ***How to integrate environmental aspects in city long-term strategic planning***—hosted in collaboration with the United Nations Environment Programme and the International Council for Local Environmental Initiatives. Speakers, including Jeremy Harris, former mayor of Honolulu, Hawaii, and Mayor T. Krishna Reddy of Hyderabad, India, highlighted urban sustainability as the major challenge of the future. They gave evidence of how cities can benefit in multiple ways by factoring the environment into city planning and manage-

ment: for example, sustainable transportation models that do not depend on fossil fuels (in Bayamo, Cuba, horse-drawn carriages were introduced for public transport because of the lack of petrol); hybrid public buses; waste management initiatives introducing recycling options; cogeneration power plants; refuse-derived fuel plants; innovative public-private partnerships (contracting public services, such as waste collection, to local community groups); and leapfrogging technologies.

The speakers promoted a new urban paradigm, seeing the environment as an asset; and cities as managers of natural ecosystems. Other key recommendations include managing urban growth and using ecosystem boundaries as city boundaries; and taking a systems approach to planning, instead of a sectoral one. Ecocity planning, the Local Agenda 21 process, and the CDS were presented possible tools for sustainable urban planning.

- ***Empowering cities to mobilize domestic capital***—This session was designed to improve understanding of the process required for cities to mobilize domestic capital for urban infrastructure investments. It highlighted the need for systemic interventions in situations of imperfect decentralization of responsibilities and powers to cities and identified actions needed at the city and provincial levels, as well as on the supply side.

Practitioners representing each level of responsibility in the municipal financing system underlined the theme with case studies. These included Cornelia Richter, director-general of the Planning and Development Department of GTZ; Jason Ngobeni, chief financial officer, Johannesburg, South Africa; Swaminathan Malathi, commissioner of economics and statistics, Government of Tamil Nadu, India; and Mindia



Cities Alliance

Participants at a Cities Alliance session during WUF III.

Gadaevi, executive director, Municipal Development Fund of Georgia. At the core of their discussions was the need for partnerships between cities, national governments, and their development partners that are based on inclusive city strategies.

- **Understanding local economies: tools and methodologies**—This session focused on strategic planning for economic development. Strategic planning requires city managers and private sector and local stakeholders to understand the local economy, including its constraints and prospects.

Participants discussed the findings of the recent study, “Cities Alliance Local Economic Development Initiative”, by the London School of Economics and Kaiser Associates Economic Development Practice which the Alliance, with the support of the government of the Netherlands, commissioned to identify tools, methods, and good practices for cities taking steps to understand their local economies. Local economy assessment was positioned as a crucial part of city development strategy, and the more robust the assessment, the more likely a successful economic development strategy will be designed. Key elements of the study include (i) LED Indicators – key elements; (ii) Tools and Sources for Data collection; (iii) Tools for Data Analysis; and (iv) Strategic Frameworks. Case studies were presented by Dr. Mostafa Madbouly who highlighted the Egyptian experience of strategic urban planning for local economic development; Glen Robbins of the University of KwaZulu, Natal, South Africa who presented a case study of eThekweni (Durban); and, Deepali Tewari of the World Bank who presented the Karu, Nigeria local economic development experience.

WUF III concluded with a call for strengthening partnerships for urban development, as well as with

a growing recognition of the need to address the underlying causes of urbanization in order to achieve the vision of sustainable human settlements for all.

Cities Alliance at the annual Congress of the Federación Latinoamericana de Ciudades, Municipios y Asociaciones, Cali, Colombia, July 2006

The Alliance’s senior urban upgrading specialist, Jörg Haas, represented the Alliance at the annual Congress of the Latin American Federation of Cities, Municipalities and Associations (Federación Latinoamericana de Ciudades, Municipios y Asociaciones; FLACMA), which took place in July 2006 in Cali, Colombia. Present were more than 500 mayors from Colombia and representatives from two-thirds of Latin America’s national municipal associations, from bilateral donors and multilateral agencies, from NGOs, and from the private sector. The Congress comprised high-level meetings, thematic sessions, dialogues, site visits, and cultural side programmes. Speakers included the mayor of Cali, Apolinar Salcedo, President Alvaro Uribe of Colombia, and Secretaries-General Guillermo Torro of FLACMA, and Elisabeth Gateau, of UCLG.



Cali city centre.

Achim Pohl / Still Pictures

Cities Alliance at Africities 4

The Cities Alliance had a very successful outing at the fourth African summit for local governments, which was held in Nairobi from September 18 to 24, 2006. More than 6,000 participants representing local authorities, central government, the donor community, the media, civil society including the urban poor attended the triennial summit organized by the Municipal Development Partnership (MDP), United Cities and Local Government, Africa (UCLGA) in collaboration with the government of Kenya and other partners, and focused on theme of “Building local coalitions for an effective implementation of the MDGs in African local governments.”

Opening the conference, Kenya’s President Mwai Kibaki said that it was already becoming evident that African countries will not achieve all the MDGs by 2015 unless local authorities are strengthened: “The African experience has shown us that in order to achieve rapid progress in attaining the MDGs, it is necessary to involve the people in the identification and implementation of the programmes, and to strengthen local authorities in order to attain substantial progress towards development”.

During 37 special sessions, 23 thematic sessions and roundtables, participants examined the current state of the implementation of each of the eight MDGs and concluded : “. . . that Africa is seriously behind in meeting the targets.”

The fight to arrest this regression must rest with local authorities, who were adjudged ‘custodians of the goals’. Addressing mayors and other city officials at the session, Dr. Anna Tibaijuka, UN Under-Secretary-General and executive director of UN-Habitat said, “For the people of Africa, you are the closest institution that mediates the bulk of their everyday lives. Indeed, you are the ultimate custodians of the MDGs,” Her sentiments were echoed by Jean-Pierre Elong Mbassi, Secretary General of UCLGA, and chair of the Municipal Development Partnership, who said that “Unless local authorities in this continent are empowered to achieve their goals, no progress is going to be made.”

Achieving the goals will also depend on how well urbanization in Africa is managed. This, according to experts, requires that local governments and key stakeholders take the challenge of urbanization seriously. “The movement and transformation of human settlements into urban centres cannot be



Catherine Farvacque (World Bank), Pelle Persson (Cities Alliance), Sithole Mbanga (South African Cities Network) and Colin Bruce (World Bank) at the “Rethinking Planning and Programming Processes” session at Africities 4.



Cities Alliance

The Kenyatta International Conference Centre, venue of Africities 4.

stopped. It only needs to be managed and directed to improve the wellbeing of Africans and the development of their nations”, concluded Mrs. Tibajjuka.

For the Alliance, Africities was a tremendous opportunity to implement reinvigorated knowledge and advocacy outreach activities. The Alliance Secretariat hosted a large booth to allow members to co-exhibit, an invitation which was taken up by the German Development Cooperation (GTZ), the South African Cities Network (SACN), the South African Local Government Association (SALGA), United Nations Environment Programme (UNEP) and Sida. These contributed to making Cities Alliance booth 819 one of the most visible, active and popular at the exhibition, hosting a continuous stream of visitors enquiring about Alliance’s members and activities and how to access Alliance learning and support.

The booth was also the venue for the well-attended launches of the Alliance’s recent publications: *The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction*, by Christine Kessides of the World Bank; *Guide to City Development Strategies:*

Improving Urban Performance; and the South African Cities Network’s *State of the Cities Report 2006*. Clients and visitors were able to freely avail themselves of these and other publications which the Alliance prepared for Africities, including the *2005 Annual Report*, a basic informational brochure on Cities Alliance and a popular Africities poster with the thought-provoking message: “More Urban Growth . . . Less Rural Poverty”, which, as intended, generated lively discussions.

The Alliance also hosted, in collaboration with its members, the following sessions:

“Rethinking Planning and Programming Processes”—which discussed how integrated planning and programming approaches support the development of well governed, environmentally sustainable, productive and socially inclusive cities.



Cities Alliance

Cities Alliance booth 819.



Cities Alliance

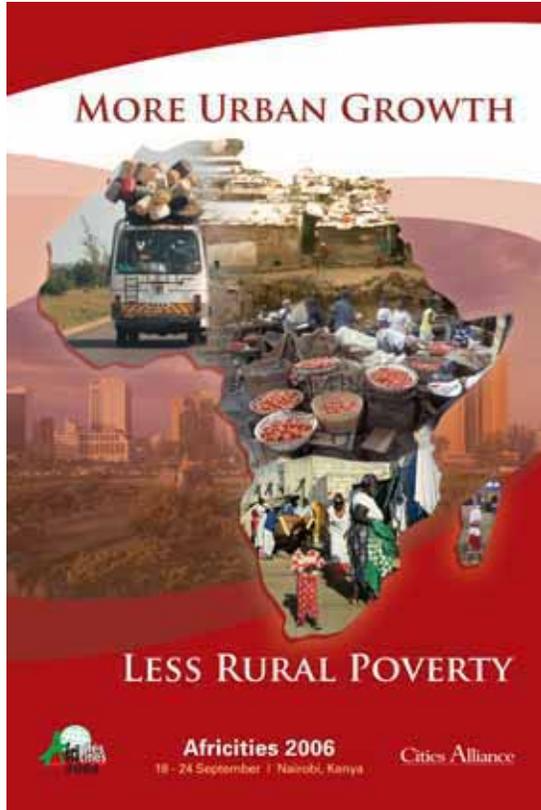
Launching *The Urban Transition in Sub-Saharan Africa*: From left to right: Alioune Badiane (UN-Habitat), Christine Kessides (World Bank), William Cobbett (Cities Alliance) and Maryvonne Plessis-Fraissard (World Bank).

Chaired by the World Bank country Director for Kenya, Colin Bruce, speakers included Sithole Mbanga, CEO of the SACN, Patricia Appiagyei, mayor of Kumasi, Ghana; Jane Weru, executive director of the Pamoja Trust, Kenya, Benedict Bennett, mayor, City of Mbabane, Swaziland, and Catherine Farvacque of the World Bank.

“The Positive Impacts of Urbanization”—This session formed the core of the Alliance’s participation at Africities. Chaired by Maryvonne Plessis-Fraissard, World Bank Director for Transport and Urban Development, it highlighted the opportunities linked to the urbanization process on a continent where more people are moving to the cities and where 70 percent of the urban population live in slums. Anchoring the discussions was the presentation by the World Bank’s Christine Kessides of the Cities Alliance’s recent publication, *The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction*, supported by eminent speakers such as Prof. Akin Mabogunje

of the Development Policy Centre, Nigeria, Ibadan, Nigeria and former Cities Alliance Policy Advisory Board member, Elisabeth Gateau, secretary-general of the UCLG, William Cobbett, the manager of Cities Alliance, and Abraham Tekeste of the Ethiopian Ministry of Works and Urban Development, representing the Cities Alliance’s newest member.

The debate centred on the fact that cities have always been the driving force behind economic growth and the birthplace of innovations. As demonstrated by Kessides’ work, economic growth that has taken place in Africa in recent years has been mainly urban-based. Local authorities have a crucial role in overcoming the salient intra-urban inequalities, effectively combating urban poverty and getting ahead of future slum formation. At the same time, there is need for national governments and their development partners to actively support local governments and strengthen their voices – especially in the debate on economic growth and job creation. Together, governments, cities and their development partners can learn from the past, embrace the



Cities Alliance

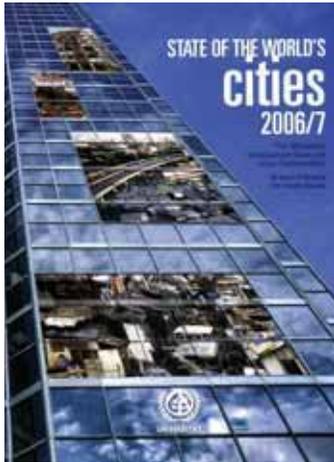
positive impacts of urbanization, and prevent widespread urban degradation and human misery.

“Local Economic Development in Africa.”—organized in collaboration with the Municipal Development Partnership. With Local Economic Development (LED) in Africa gaining momentum, the session discussed a new LED study commissioned by the Cities Alliance and the government of the Netherlands, sharing LED policy making and practices as adapted and applied to a common LED platform for Africa. The session enjoyed stimulating contributions from Jean-Pierre Elong Mbassi, secretary-general of UCLGA, Peter Beez, Swiss Agency for Development and Cooperation, His

Excellency Nicephore Soglo, mayor of the city of Cotonou, and former President of Benin, Kader Dicko of Mali’s Koutiala Municipality, Ibrahim Sadisu, chairman of the Business and Economic Development Committee of Karu, Nigeria, Alistair Fray of the Department of Provincial and Local Government, South Africa, as well as from representatives of MDP and the Cities Alliance. The recommendations and conclusions emanating from the session were presented and endorsed during the political segment of the Africities conference by Father Smangalisso Mkhathswa, President of UCLGA, who highlighted local economic development as one of the priorities of UCLGA for the coming years.

“Rethinking Financing Policies”—organized in collaboration with Agence française de développement (Afd). Once again, Africa’s rapid urbanization became the point of departure for a debate centred on how to finance the public investments needed to cope with sustained urban expansion. Investments are needed not only to meet the new and rapidly growing requirements but also to fill the gaps created by many years of under-investment that have resulted in substantially overloaded infrastructure, including transport, power and water distribution systems. Environmental pollution and substandard housing only compound the problem. Speakers included Thierry Paulais of the Afd, Mayor of Ouagadougou, Simon Campaore, Jean-Michel Daclin of the city of Lyon, France, Maleye Diop of UNDP/PPUE (United Nations Development Programme/Public-Private Partnerships for the Urban Environment), Thomson Banda of the Ministry of Local Government and Housing, Zambia and Crane Muleya of the Budget Office, Ministry of Finance and National Planning, Zambia.

Knowledge Products Review



State of the World's Cities 2006/7: The Millennium Development Goals and Urban Sustainability
(UN-Habitat, 2006)

Launched during WUF III, UN-Habitat's *State of the World's Cities 2006/7: The Millennium Development Goals and Urban Sustainability* argues that the world's billion slum dwellers are more likely to die earlier, experience more hunger and disease, attain less education, and have fewer chances of employment than urban residents who do not reside in a slum—what UN-Habitat has labelled the 'urban penalty'.

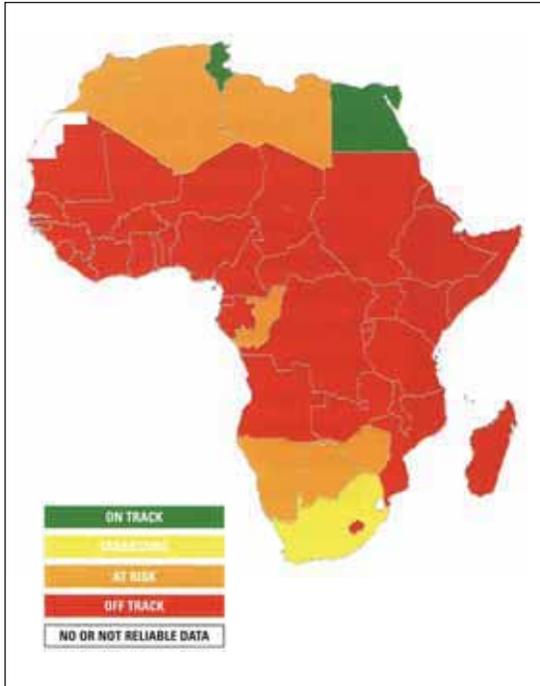
"For a long time, we suspected that the optimistic picture of cities did not reflect the reality on the ground," said Anna Tibaijuka, UN-Habitat's executive director. "This report provides concrete evidence that there are two cities within one city—one part of the urban population that has all the benefits of urban living, and the other part, the slums and squatter settlements, where the poor often live under worse conditions than their rural relatives. It is time that donor agencies and national governments recognized the urban penalty and specifically targeted additional resources to improve the living conditions of slum dwellers."

The report shows that slums and rural areas are remarkably similar in terms of health, education,

employment, and mortality. In countries such as Bangladesh, Ethiopia, Haiti, and India, child malnutrition in slums is comparable to that of rural areas. For example, in Ethiopia, child malnutrition in slums and in rural areas is 47 and 49 percent, respectively, compared with 27 percent in non-slum urban areas. In many sub-Saharan African cities, children living in slums are more likely than rural children to die from waterborne or respiratory illnesses. Women living in slums are also more likely to contract HIV–AIDS than their rural counterparts. In most sub-Saharan African countries, HIV prevalence is higher in urban areas than in rural ones; in Kenya, Tanzania, and Zambia, HIV prevalence in urban populations is almost twice that of rural populations. These differences between rural and urban conditions are attributed to the poor living conditions in slums, which expose women and children to a variety of health hazards and often force girls and women to engage in sexually risky behaviour.

The report also debunks some commonly held beliefs about people living in slums. Contrary to popular perception, young adults living in slums are more likely to have a child, be married, or head a household than their counterparts living in non-slum areas. In Uganda, for instance, 34 percent of young men living in slums head a household, compared with 5 percent of young men living in non-slum urban areas. The report shows that the share of women heading households is greater in urban areas, except in Africa, where more rural women head households.

The report comes at a time when the world is entering a historic urban transition: in 2007, for the first time in history, the world's urban population will exceed the rural population. Towns and cities of the developing world, which are least



Africa Scorecard.

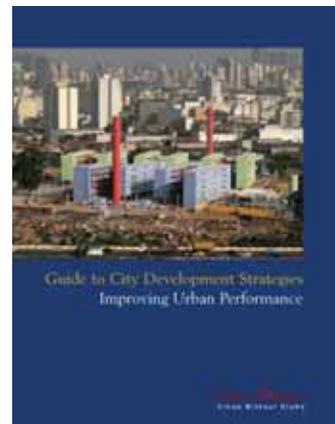
equipped to deal with rapid urbanization, will absorb most of the world’s urban growth—95 percent—in the next two decades. The majority of migrants will be moving to small towns and cities of fewer than 1 million inhabitants. As cities grow, so do their slum populations. In many sub-Saharan African cities, the slum population accounts for more than 70 percent of the urban population. Slums in southern Asia, western Asia, and sub-Saharan Africa are growing as fast as the urban population in general.

A global scorecard on slums developed by UN-Habitat shows that countries such as Egypt, Thailand, and Tunisia have not only managed to reduce slum growth in the past 15 years but also made considerable investments in improving slums. These countries either developed specific slum

upgrading and prevention policies or integrated slum upgrading and prevention into their broader poverty-reduction policies and programmes.

What comes out clearly in this report is that slum formation is neither inevitable nor acceptable. “Running the poor out of town”—through evictions or discriminatory practices—is not the answer; rather, helping the poor to become more integrated into the fabric of urban society is the only long-lasting and sustainable solution to the growing urbanization of poverty. Ultimately, as the developing world becomes more urban, and as the locus of poverty shifts to cities, development agencies will have to wage the battle to achieve the MDGs in the world’s slums.

Guide to City Development Strategies: Improving Urban Performance
(Cities Alliance, 2006)



In response to constant demand from its members and cities alike, the Cities Alliance commissioned this guide, which was produced by Douglas Webster, professor of global studies at Arizona State University, United States, and Larissa Muller, assistant professor of planning at the University of Calgary, Canada. The guide is based primarily on assessments of CDS processes and

products by the Cities Alliance, its members, and its city partners.

The *Guide* is a resource for cities in the developing world that are about to start a city or city–region strategizing process involving local actors in government, the private sector, and civil society, as well as their international partners (development agencies, international investors, and NGOs). The book is divided into two parts: part I first sets the context for the product itself: “The purpose of these guidelines is to improve the usefulness and positive impact of City Development Strategy (CDS) processes supported by the Cities Alliance” (p. 9). It also sets the context for any city’s undertaking of the CDS process: “The role of a CDS process is first to *shock* an urban system under controlled conditions, causing stakeholders to be truly objective in assessing their situation, and then to strategically deploy a limited number of actions to enable the city to dramatically change its performance” (p. 21, emphasis added).

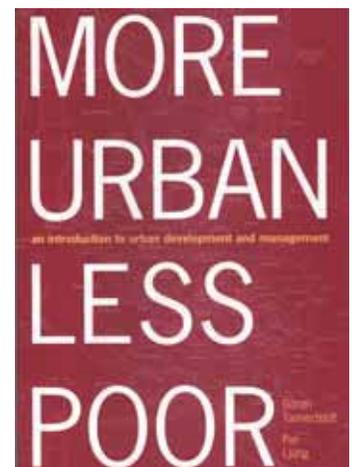
Part II outlines and discusses approaches to undertaking a CDS. Five substantive themes for CDSs to organize around are (i) livelihood, such as job creation, business development, and sources of household income; (ii) environmental sustainability and energy efficiency of the city and the quality of its service delivery; (iii) infrastructure and its spatial form; (iv) financial resources; and (v) governance.

The eight methodological steps to the CDS process examined in the guide are (i) initiating the process; (ii) establishing the initial parameters and the scope of the CDS; (iii) making an initial assessment; (iv) formulating a vision; (v) identifying strengths–weaknesses–opportunities–threats (SWOT analysis); (vi) setting strategic thrusts; (vii) building awareness; and (viii) starting the implementation.

The discourse at each stage is interspersed with self-explanatory boxes charting unique developing- and industrialized-city experiences of the CDS process—some successful, some not so successful, but always highlighting the lessons learned from these experiences.

Five appendices at the end of the *Guide* provide guidance on answering some of the questions Cities Alliance partners asked during the CDS process about the main themes.

***More Urban,
Less Poor: An
Introduction to
Urban Development
and Management***
(Sida/Earthscan,
2006)



Launched by Sida as part of its activities at the WUF III, *More Urban, Less Poor* is a well-written and refreshingly direct addition to the policy debate on the urban agenda. Uncluttered in their language and messages, the authors, Göran Tannerfeldt (Sida) and Per Ljung (PM Global Infrastructure Inc.) introduce urban development in the context of a world undergoing massive urbanization, with the population of cities projected to increase to more than 4 billion within 15 years, mostly in the developing world.

This historic shift is producing dramatic effects on human well-being and the environment. The most salient negative aspect of urban growth in

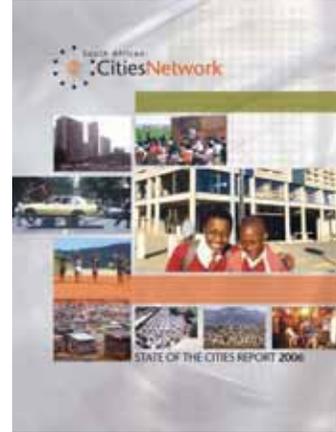
developing countries is the condition of the urban poor. Their numbers are underestimated and growing. At least 40 percent of people in developing countries are poor, and with present trends, in 2020 there will be more than 1.4 billion slum dwellers. The MDGs' target 11 calls for significant improvement in the lives of at least 100 million slum dwellers by 2020. It is recognized that for such a target to be meaningful, the formation of new slums must also be prevented. Affordable land and services for housing another 600 million people are needed to halve the number of slum dwellers by 2020.

In the view of the authors, unplanned shantytowns without basic services are not an inevitable consequence of urbanization, and slums are not explained by poverty alone. Urban misery also stems from misguided policies, inappropriate legal frameworks, dysfunctional markets, poor governance, and, not least, lack of political will. Urbanization and economic development go hand in hand, and the productivity of the urban economy can and should benefit everyone. Proper solutions, backed by decisive, concerted action, can dramatically improve living conditions for the urban poor.

The book also examines how cities grow, their economic development, urban poverty, and housing and environmental problems. It further examines how to face these challenges through governance and management of urban growth, the finance and delivery of services, and finding a role for development cooperation.

The timing of this report is auspicious, coming as it does in the midst of a deep ambivalence among many international development agencies about the importance of urban development and the role of towns and cities. As the report notes, "Urban poverty is different from rural poverty and a better understanding of its nature is required from governments and donors."

*State of the Cities
Report 2006*
(South African Cities
Network, 2006)



The 2006 version of the *State of the Cities Report* (SOCR) follows on the first report, produced in 2004, in providing a qualitative and quantitative analysis of South Africa's largest cities and highlighting the important role played by cities in driving the national economy and improving the lives of South African residents.

With six chapters, SOCR 2006 takes further steps to examine what has been achieved during the first municipal term of office under the new municipal dispensation, brought into being by *The White Paper on Local Government*, the *Municipal Structures Act*, and the *Municipal Systems Act*. It provides detailed information and analysis of trends that have affected urban development over the past five years. But it also looks forward to the key challenges and opportunities likely to be encountered in the years ahead.

Following an overview, the second chapter examines the role and importance of cities in the global and national contexts and how cities drive economic growth. These global trends are mirrored in the national context, where there is evidence of rapid, ongoing urbanization—more than half of South Africa's population now live in cities and towns.

In a departure from the original focus on the 9 largest cities, this chapter embraces an additional

12 cities and towns, providing an analysis of 21 key urban areas. It takes note of the 26 key urban nodes identified in the National Spatial Development Perspective being prepared by the Presidency and to be officially released at the end of 2006, arguing that these 21 key urban areas, which occupy only 2 percent of the land, contribute almost 70 percent of the national economy. These 21 key urban areas also accommodate many people living below the minimum level, suggesting that strategic investment in cities can achieve two things simultaneously: it can help the economy grow, and it can address the considerable challenges of poverty in cities. This chapter also explores urban–rural economic linkages, urban poverty, and the importance of informality to the South African urbanization process.

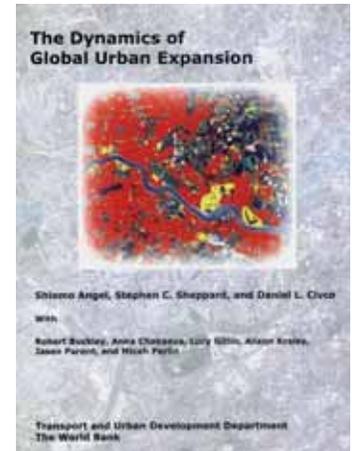
The third chapter returns to the nine-cities focus of the original report, consolidating data on what the nine cities have been doing over the last few years and using the same analytical framework—the productive city, the sustainable city, the inclusive city, the well-governed city—as in *SOCR 2004*.

Chapter four focuses on how the different cities have tried to address the challenges of city management and development. The analysis is based on surveys of the nine city strategies, enabling the team to assess (1) city progress in the past five years; and (2) ongoing challenges.

The fifth chapter examines the emerging strategic agendas of national governments and how these will influence South Africa’s cities over the next five years, and the final chapter provides an overall summary of the report.

The analytical overview of South Africa’s cities is complemented by six life stories of ordinary people and how they experience their cities. These stories illustrate that ongoing urban–rural linkages, informality, industrial growth, HIV–Aids, affordable housing, and public transport are not only the concerns of urban policy makers but also the very stuff of everyday life for urban residents.

*The Dynamics of
Global Urban
Expansion*
(World Bank, 2005)



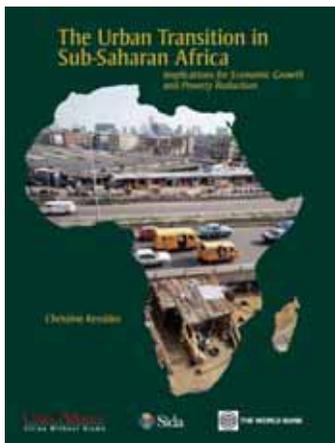
Co-authored by Shlomo Angel, Stephen C. Sheppard, Daniel L. Civco, and others, this report examines the dynamics of global urban expansion by defining a new universe of 3,943 cities with populations in excess of 100,000 and by drawing a stratified global sample of 120 cities from this universe.

It analyzes population data and satellite images for two periods a decade apart, in addition to looking at several measures of urban extent and expansion: for example, the authors calculated the built-up area of cities and the average density of the built-up area. The report also presents and analyzes data for 90 cities of the global sample of 120. Weighted averages of the built-up area and the average density, as well as compactness and contiguity measures, and their change over time are presented for nine regions, four income groups, and four city-size groups covering the entire globe.

The report found densities in developing-country cities to be some three times higher than those in cities in industrialized countries; and densities in all regions were found to be decreasing over time. It argues that if average densities continue to decline at the annual rate of 1.7 percent, as they have during the past decade, the built-up area of developing-country cities will increase from 200,000 square

kilometres in 2000 to more than 600,000 square kilometres by 2030, while their populations double.

The central message of this study is quite clear: developing-country cities should be making realistic, yet minimal, plans for urban expansion, designating adequate areas to accommodate the projected expansion, investing wisely in basic trunk infrastructure to serve this expansion, and protecting sensitive land from the incursion of new urban development.



The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction
(Cities Alliance, World Bank, 2006)

Published in French as *La transition urbaine en Afrique subsaharienne: Impacts sur la croissance économique et la réduction de la pauvreté* (Cities Alliance 2006)

The Urban Transition in Sub-Saharan Africa elaborates on the salient points of the positive impacts of urbanization captured in the introductory chapter of the Cities Alliance *2004 Annual Report*. It discusses the ongoing processes of urban and local government development in sub-Saharan Africa, how it can benefit the countries, and what conditions are necessary to achieve this outcome. Africa is facing close to a doubling of its urban population in 15 years.

Addressed to urban advocates and sceptics alike, this report takes a hard look at what the urban transition can offer to national development and what support cities and local governments require for

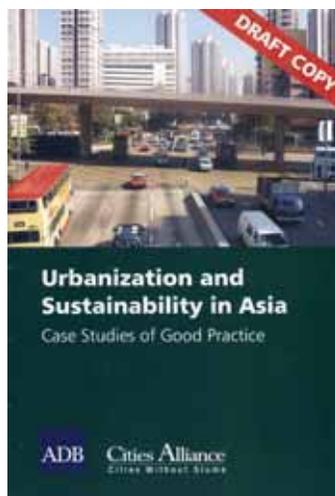
achieving these results. It argues that rather than devoting more attention to debating the urban contribution to development in Africa, development practitioners need to spend real energy unblocking it.

The book challenges several common myths that cloud discourse about urban development in Africa. It finds that urbanization in the region is neither excessive nor imbalanced relative to the experience of other regions. Internal migration, which is not the main source of urban growth, does not account for urban poverty. Migration is favourable for both the sending and the receiving areas, and population mobility benefits both rural and urban households, as many retain a foothold in both areas to spread risks. Nevertheless, the absolute rate of urban growth creates a major management task, particularly in the secondary cities, which tend to be the most underserved, and in large cities.

Although Africa has been frequently described as having a disconnect between urbanization and economic growth, in reality most of the economic growth that has taken place in the past decade derives from mainly urban-based sectors (industry and services), particularly in better performing economies. But cities have clearly not lived up to their productive potential, because of widespread neglect, inappropriate policies and bad management. Urban poverty is not mainly a function of urban expansion; nor is it a sign of failure of the urban economies in Africa. There is evidence that much of the deprivation in cities and the emerging urban public health problems relate to the policy and institutional failures that perpetuate social exclusion and inequalities between the urban poor and the urban non-poor.

Well-managed cities and towns support the national development agenda by providing market demand and remittances for the rural economy (implying a virtuous circle); fostering entrepreneurship and economic modernization and diversifica-

tion; reducing poverty by offering a deeper labour market, higher income earning opportunities, and better access to services; and creating the practical necessity for effective local governance and administration. But the simple concentration of firms and people does not guarantee that agglomeration economies will be realized. Much to the detriment of the economy and competitiveness, many African firms are not experiencing the market efficiencies, ease of mobility, and low transaction costs that better managed cities could deliver. Serious shortcomings in basic urban services, land, housing, and urban transport and the severe shortage of fiscal resources for local governments mean that urban firms and workers prematurely experience the downside of urban concentration: diseconomies such as high land costs, degraded public areas, threats to public health, and emerging crime. Neglect of urban management therefore reduces the benefits and raises the costs of the major private and public investment represented in cities.



Urbanization and Sustainability in Asia: Case Studies of Good Practice

(Asian Development Bank and the Cities Alliance, 2006)

Urbanization and Sustainability in Asia was commissioned to capture and disseminate knowledge about good practices in sustainable urban regional

development in Asia, a region where the urban population is projected to grow by around 70 percent, to more than 2.6 billion people, over the next 25 years. It examines urban development policies and good practice case studies in 12 countries of the continent—Bangladesh, Cambodia, People’s Republic of China, India, Indonesia, Lao People’s Democratic Republic, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand, and Viet Nam—highlighting examples of sustainability and discussing their replicability for other cities and countries. In analyzing the case studies, the book uses a framework for systematically documenting, comparing, and deriving lessons of good practice for sustainable urban development. Each good practice is assessed on its contribution to one or more of the following:

- Good governance
- Better urban management
- Effective and efficient infrastructure and service provision
- Financing and cost-recovery
- Social and environmental sustainability
- Innovation and change
- Ability to leverage international development assistance.

Lessons learned from good and bad practice have shown that to achieve urban futures in Asia, major changes, as proposed below, are needed in the way cities are developed and managed, in particular to address the large imbalance between demand and supply in the provision of infrastructure and services:

- *Managed decentralization*—All governments in Asia recognize that well-managed decentralization is needed to improve local infrastructure and services.



Curt Camermark/World Bank

Bangkok cityscape along the Chao Phraya River.

- *Institutional strengthening and capacity building*—City governance and local institutions need to be strengthened to have the capacity to meet the challenge of growing cities.
- *Stakeholder participation*—Decentralization relies on processes at the local level for fulfilling local needs and for holding local authorities accountable in meeting these needs and balancing priorities between all elements of society.
- *Problems of coordination*—Decentralization in rapidly expanding cities requires a common strategy and a coordination framework to facilitate the resolution of common issues and to manage interactions with rural areas.
- *Local leadership*—Local leaders play an important role in identifying issues, engaging the community, defining priorities and approaches, and mobilizing needed resources.
- *Financial sustainability and management*—Local governments need to move away from general reliance on revenue-sharing arrangements with

central government and develop their asset base, credit worthiness, and capacity to pay.

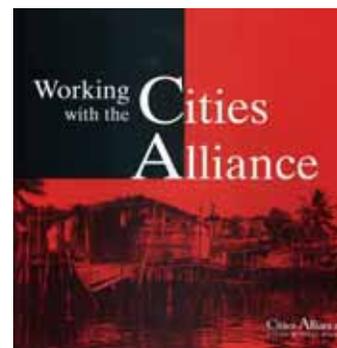
“Working with the Cities Alliance—Revised version 2005 and Financing City Infrastructure”,

Villes en développement, No. 69

(Cities Alliance and Institut des

sciences et des techniques de l’équipement

et de l’environnement pour le développement [ISTED], September 2005)



The Alliance strong communication and knowledge partnership with ISTED also yielded fruit during the year under review first with necessary updating of the English and French versions of the *Guide to Working with the Cities Alliance* to more



accurately capture target audiences, the proposals process, membership profile and co-financing details. This was followed later in the year with the copublication of a special edition of the *Villes en développement* newsletter, in both English and French. It focused on the theme of financing city infrastructure, which was also the thematic thrust of the Cities Alliance *2005 Annual Report*. The eight-page bulletin features articles on the topic by city finance experts, such as Juanita Amatang, former secretary of finance of the Philippines and a member of the Cities Alliance Policy Advisory Board; Jason Ngobeni, city treasurer of Johannesburg; David Vetter, a consultant spe-

cializing in city infrastructure finance issues; and Rajivan Krishnaswamy, Cities Alliance senior urban finance adviser.

In the foreword to the newsletter, Katherine Sierra, co-chair of the Cities Alliance Consultative Group and the World Bank vice president for sustainable development, noted that “while much international debate has focused on increased development assistance and debt relief, insufficient attention has been paid to local sources of investment funds for infrastructure in the towns and cities where the urban poor live” (p. 1). Helping cities become proactive facilitators of infrastructure provision is a critical development task, which requires “partnerships between cities, national governments and their development partners” (ibid.).

BOX 12. CITIES ALLIANCE KNOWLEDGE MANAGEMENT PLAN

During the year under review the Cities Alliance Secretariat formalized a Knowledge Management Plan to more efficiently manage the flow of knowledge and information resources, as well as policies and procedures. This plan—in effect, a Cities Alliance library—aims to:

- Improve internal knowledge and information resources management;
- Provide the Cities Alliance Secretariat team, partners, and clients with timely access to grant activity information, knowledge and publications sources.

The basic features of the Cities Alliance library include:

- An enhanced integrated projects database—an active, dynamic, and user-friendly Web-based database—related

to IRIS and the Cities Alliance Website, designed to preserve information and knowledge from Cities Alliance activities on CDS and slum upgrading;

- A more interactive Cities Alliance Website based on an open-source platform and enabling better content management, easier navigation, searches, RSS, blogs, and easily downloadable content;
- Greater interface with the World Bank’s institutional document and records management system;
- More systematic classification of tools made available to Cities Alliance clients and partners for planning and implementing CDSs and slum-upgrading programmes and key outputs from Cities Alliance-funded activities; and,
- More systematic classification of references and other resource materials.

CITIES ALLIANCE ORGANIZATION

*Membership in the Cities Alliance
has continued to grow, with South
Africa and most recently Ethiopia
joining Brazil and Nigeria as
developing-country members.*



In accordance with the charter of the Cities Alliance, its governance and organizational structure includes the Consultative Group, the Policy Advisory Board, and the Secretariat.

The Consultative Group

The Consultative Group—the Alliance’s board of directors—is responsible for setting the Alliance’s long-term strategy, approving its annual work programme and budget, and reviewing its achievements. The Consultative Group consists of financial contributors to the Cities Alliance Trust Fund and the political heads of United Cities and Local Governments (UCLG, the global organization of local authorities) and Metropolis (a world association of major metropolises), who have pledged their commitment to achieving Alliance goals. The Consultative Group is co-chaired by the World Bank’s vice president for sustainable development and UN-Habitat’s deputy executive director. Prospective financial contributors may serve as associate members for two years.

Membership in the Cities Alliance has continued to grow, with South Africa and most recently Ethiopia joining Brazil and Nigeria as developing-country members.

The Consultative Group has also set up the six-member Steering Committee, a subset of its members, to provide guidance to the Secretariat.

Meetings

Consultative Group meetings are held annually in connection with a public policy forum designed to share the lessons learned from experience and inform policy orientations and standards of practice in areas related to the Alliance’s goals. The following Consultative Group meetings have been held:

- **Berlin, December 1999**—Inaugural meeting, at which the *Cities without Slums* action plan was launched and the charter of the Cities Alliance and its 2000 work programme were approved.
- **Montréal, June 2000**—First Public Policy Forum (“Political Dimensions of Support for Cities”), at which the Consultative Group reviewed application guidelines and approved the Cities Alliance Vision statement.
- **Rome, December 2000**—Second Public Policy Forum (“Local Partnerships: Moving to Scale”), at which the Consultative Group approved amendments to the charter of the Cities Alliance Charter, the 2001 work programme, and procedures to establish the Policy Advisory Board and the Steering Committee.
- **Kolkata, December 2001**—Third Public Policy Forum (“Sustainable Partnerships for City Development”), at which the Consultative Group reviewed procedures for the independent evaluation of the Cities Alliance and approved the 2002 work programme.
- **Brussels, October 2002**—Panel discussion at the European Commission (“Achieving the Millennium Development Goal of Cities without Slums”), at which the Consultative Group reviewed the independent evaluation of the Cities Alliance and approved the 2003 work programme.
- **São Paulo, October 2003**—Fourth Public Policy Forum (“Sustainable Financing Strategies for Cities and Financial Services for the Urban Poor”), at which the Consultative Group approved procedures for developing-country membership in the Consultative Group and approved the 2004 work programme.

- **eThekweni, November 2004**—Fifth Public Policy Forum (“Making City Development Strategies Come Alive in South Africa”), at which the Consultative Group approved new Policy Advisory Board members and the 2005 work programme.
- **Marrakech, November 2005**—Sixth Public Policy Forum (“Morocco’s Cities Without Slums Programme”), at which the Consultative Group reviewed procedures for the second independent evaluation of the Cities Alliance and approved the 2006 work programme.

Members as of June 2006

The Consultative Group includes representatives of the following groups:

■ Local authorities

- United Cities and Local Governments
- Metropolis

■ Governments

- Brazil
- Canada
- Ethiopia
- France
- Germany
- Italy
- Japan
- the Netherlands
- Nigeria
- Norway
- South Africa
- Sweden
- United Kingdom
- United States

■ Multilateral organizations

- Asian Development Bank
- United Nations Environment Programme
- UN-Habitat
- World Bank

The Policy Advisory Board

The Policy Advisory Board of the Cities Alliance is composed of eminent urban experts from each

region. They provide guidance to the Consultative Group on key strategic, policy, and regional issues and support the implementation of Alliance activities. The Consultative Group established the composition, terms of office, and operating procedures of the Policy Advisory Board at the December 2000 Second Public Policy Forum meeting. The board brings together civic leaders and policy advisers with a formidable range of public and private sector expertise that spans the leadership of community-based organizations, nongovernmental organizations (NGOs) and their networks, local authority organizations, community banks, community savings and credit schemes, commercial banks, and public sector financial institutions. What they have in common is political experience and practical knowledge from working with poor cities and the urban poor worldwide.

The board meets twice a year and has eight members: two from Africa, two from Asia, one from the Arab States, one from Eastern Europe, one from Latin America and the Caribbean, and one from the industrial countries. The members serve on a rotating basis, typically between two and four years.

For the Alliance’s November 2005 Public Policy Forum, held in Marrakech, the board’s representative from the Arab States, Yousef Hiasat, then Minister of public works and housing for Jordan, led a session on regional experiences in urban upgrading.

In May 2006, the board gathered in Amman, Jordan, for its annual spring meeting, organized by board member and chief executive officer of Beit Al-Mal Saving and Investment for Housing (Beitna), Yousef Hiasat, and hosted by the Greater Municipality of Amman. Board members took advantage of the occasion to gain direct exposure to the strategic development planning and urban upgrading policies of the municipality and to learn of the innovative financing scheme that Beitna had



Cities Alliance

PAB members mingle with residents during a visit to an urban upgrading site in Amman, Jordan.

introduced for ground-breaking private development projects in the city.

The board meeting in Amman marked the second rotation of the Policy Advisory Board members, as incoming members, José Forjaz, of Mozambique, and Clare Short, of the United Kingdom, filled the regional representative positions of exiting members Akin Mabogunje and Mary Houghton, respectively. Cities Alliance partners hope to continue drawing on the wealth of experience and knowledge its two exiting members have offered since the board's formation:

- **Akin Mabogunje** is an internationally renowned African development scholar who has published and lectured widely on urban management and spatial perspectives in the development process. He is chair of the Presidential Technical Board of the Federal Mortgage Bank of Nigeria and former executive chair of the Development Policy Centre.
- **Mary Houghton** is the president and director of ShoreBank Corporation, in Chicago, a commercial bank holding company with \$1.7 billion in assets, organized to implement community development strategies in targeted urban neighbourhoods and rural areas. She is also an adviser to private banks and microcredit lending institutions in developing and transition countries.

Members as of June 2006

- **Juanita D. Amatong** is a member of the Monetary Board of the Central Bank of the Philippines; former secretary of finance of the Philippines; and a former executive director of the World Bank Group. With an educational background in business, economics, and public administration, she has worked with international consultancies, in academia, and as a tax economist at the International Monetary Fund. She is a prime proponent of strong local government finance in the Philippines.
- **José Forjaz** is the chief executive officer and founder of José Forjaz Arquitectos in Maputo, Mozambique; former senior adviser for the Mozambican minister for public works and housing, dealing with housing policy, human settlements, planning, training, and institution building; former national director of housing, responsible for regional and urban planning, housing, and social equipment, as well as training programmes for basic and mid-level rural and urban planning technicians; former secretary of state for physical planning; and a former member of parliament. Widely published, he has lectured at universities around the world and is now in his 15th year as director of the Faculty of Architecture and Planning at Universidade Eduardo Mondlane, in Maputo.

- **Yousef Hiasat** is the chief executive officer of Beitna, a leading investment and financial firm in Amman; former minister of public works and housing in Jordan, with responsibility for the country's road networks, government buildings, and construction and housing sectors; former director-general of Jordan's Housing and Urban Development Corporation, the public institution responsible for housing and urban development policies and housing schemes directed at middle- and low-income households; former principal adviser to the prime minister of Jordan, on housing and urban development issues; founding member and current president of the Morocco-based Near East and North Africa Urban Forum; and president of the Jordan Urban Management Society.
- **Jean-Pierre Elong Mbassi** is secretary-general of the Municipal Development Partnership for Africa, based in Cotonou, Benin; secretary-general of United Cities and Local Governments of Africa; and an experienced practitioner in urban management and slum upgrading. He is the organizer of the Africities Summit, the most important dialogue on decentralization in Africa.
- **Sheela Patel** is founding director of the Society for the Promotion of Area Resource Centres, in Mumbai, India, working in alliance with the National Slum Dwellers Federation and Mahila Milan in a federation of community-based organizations of the urban poor, facilitating their direct participation in addressing the problems of cities and their relationship with informal settlements; and chair of Shack Dwellers International, a global alliance of grassroots community federations of the urban poor.
- **Clare Short** is the United Kingdom's former secretary of state for international development. A Member of Parliament for more than 20 years, she continues to represent the constituency of Birmingham Ladywood. Former director of the Youthaid and the Unemployment Unit, she also worked at the Home Office and as director of All Faiths for One Race, a community-based organization promoting racial equality in Birmingham. A former opposition spokesperson on overseas development, shadow minister for women, and shadow secretary of state for transport, she is a member of the Helsinki Process on Globalisation and Democracy and an associate of the Oxford Research Group.
- **Paulo Teixeira** is a councillor for the Municipality of São Paulo, Brazil; former secretary of housing and urban development of the Municipality of São Paulo, responsible for the development of a large-scale slum upgrading and land tenure programme; a member of the United Nations Millennium Task Force 8 on Improving the Lives of Slum Dwellers; and a member of the UN-Habitat Advisory Group on Forced Evictions.
- **Ana Vasilache** is founding director of the Partners Romania Foundation for Local Development, a Bucharest-based NGO that supports democratic processes of governance and decentralization and works to strengthen the managerial capacities of local governments in central, eastern, and south-eastern European countries; and former head of the Settlements Management Office in the Ministry of Public Works and Regional Planning in Bucharest. She has extensive experience with planning legislation and designing and facilitating participatory strategic planning processes.

BOX 13. MARK HILDEBRAND, MANAGER, 1999–2006



As manager of the Cities Alliance Secretariat from its inception in 1999 until his retirement in February 2006, Mark Hildebrand was instrumental in establishing the Cities Alliance as a global coalition of cities and their development partners.

Following the establishment of the Alliance's *modus operandi* and the criteria for governing its activities, the Cities Alliance produced the *Cities without Slums* action plan, under Mark's personal direction. Launched in December 1999 by President Nelson Mandela of South Africa, who had agreed to act as patron of the Cities without Slums action plan, it went on to be adopted by the world's heads of state in the *United Nations Millennium Declaration*.^a

The action plan was short, and it was bold. Noting that slums and squatter settlements were growing at an alarming rate and projected to double in 25 years, it stated that "slums are the product of failed policies, bad governance, corruption, inappropriate regulation,

dysfunctional land markets, unresponsive financial systems and a fundamental lack of political will."^b The plan put forward six foundational key actions to improve the lives of 100 million slum dwellers by 2020. It was the first time anyone had presented the challenge of slums so directly, or so clearly articulated a global urban development target.

The target subsequently became Target 11 of the Millennium Development Goals and as such, slum upgrading became one of the world's development priorities, something on which all national governments would be required to report progress, both to the General Assembly and, far more importantly, to their own populations.

The Cities Alliance's members thank Mark Hildebrand for his leadership and vision.

a. Office of the United Nations High Commissioner for Human Rights, *United Nations Millennium Declaration*, General Assembly Resolution 55/2 (September 8, 2000),

b. Cities Alliance, *Cities without Slums: Action Plan for Moving Slum Upgrading to Scale*, (Berlin, December 1999) p. 1.

The Secretariat

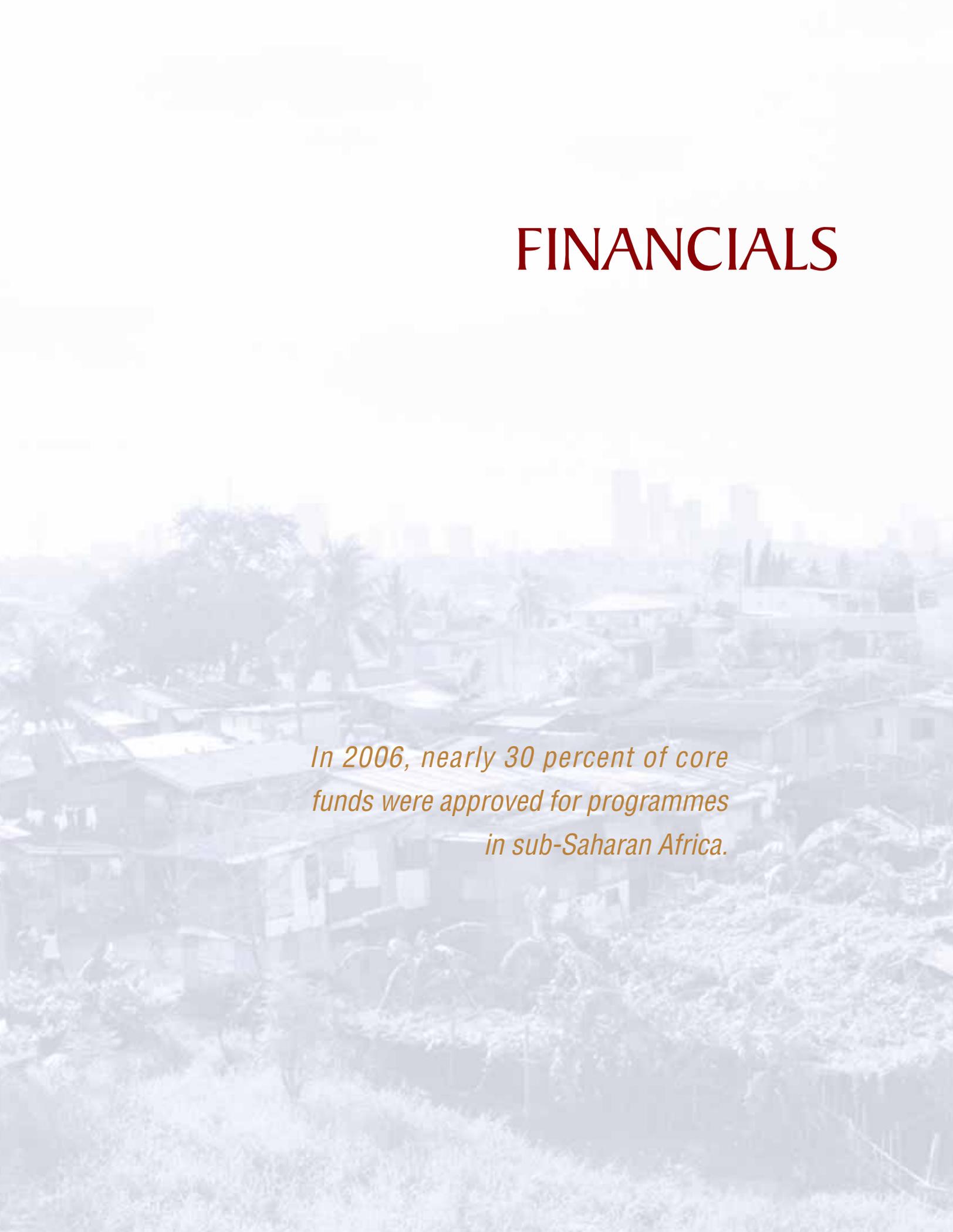
The Alliance Secretariat, housed at the World Bank headquarters, carries out the Alliance's mandates and manages its operations.

Staff as of June 30, 2006

Akporji, Chii – Communications Officer
Aubry-Kendall, Françoise – Resource Management Assistant
Chabrilat, Pascale – Urban Economist
Cobbett, William – Manager

Csorba, Ildiko – Programme Assistant
Einfeldt, Christiane – Research Analyst
Haas, Jörg – Senior Programme Officer
Henderson, Susanna – Programme Assistant
Merrick, Andrea – Programme Officer
Milroy, Kevin – Senior Operations Officer
Persson, Pelle – Senior Programme Officer
Puspa, Erika – Knowledge Management Analyst
Rajivan, Krishnaswamy – Senior Urban Finance Adviser
Rama Krishnan, Venkateswaran – Financial Management Specialist

FINANCIALS

The background of the page is a faded, light-colored image. It shows a city skyline with several tall buildings in the distance. In the foreground, there is a dense residential area with many small, simple houses and some trees. The overall tone is light and somewhat desaturated.

In 2006, nearly 30 percent of core funds were approved for programmes in sub-Saharan Africa.

Fiscal Year 2006 Highlights

During fiscal year 2006, Cities Alliance members sponsored nearly \$12 million in approved core funding allocations, and more than \$29 million in total allocations. Both figures established new records for the Alliance. These activities are linked to \$2.0 billion in committed or prospective investments, bringing the Alliance's links to investment to more than \$8.2 billion over the past six years.

Since the Alliance's founding in December 1999, its members have pledged more than \$100 million in financing and approved \$92 million of funding applications. Nearly \$54 million has been disbursed.

Significant new programmes were started during the year in all developing regions. Nearly 30 percent of core funds were approved for programmes in sub-Saharan Africa, with \$4.4 million in total allocated for programmes in Benin, Burkina Faso,

Cameroon, Ghana, Mozambique, Rwanda, Senegal, South Africa and Zambia.

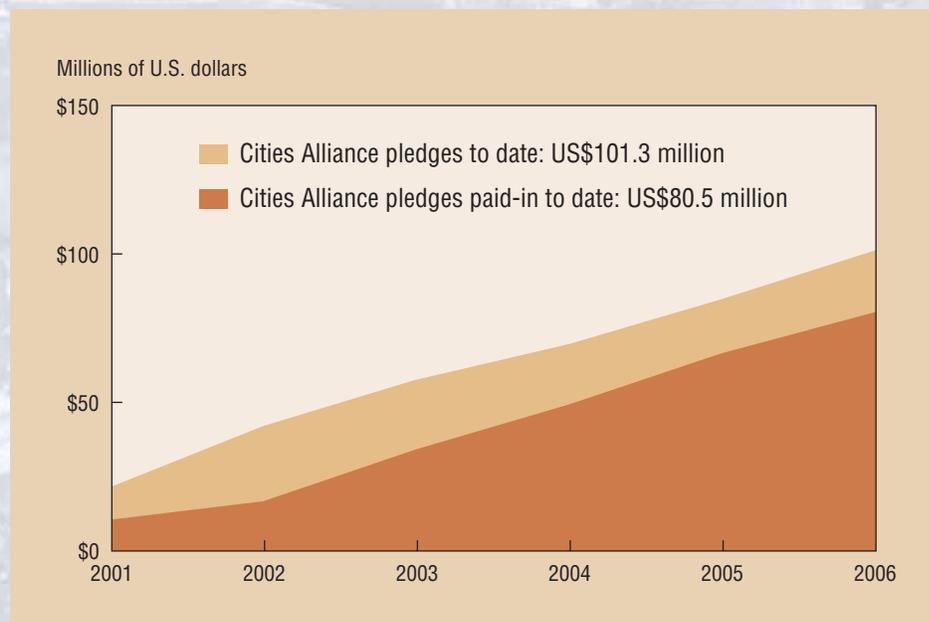
There were also record funding approvals for programmes in Asia, with total allocations of \$3.5 mil.

A major new non-core (earmarked) funding commitment by the Government of Italy resulted in approval of \$7.2 million in support of the statewide slum upgrading programme in Bahia, Brazil. Final approval was also provided for the \$10 million allocation from the UK-Department for International Development (DFID) to UN-Habitat's Slum Upgrading Facility (SUF), which will initially focus on mobilizing domestic capital for slum upgrading in four countries—Ghana, Indonesia, Sri Lanka and Tanzania.

New non-core funding of \$750,000 was provided by Japan for Asia CDS activities; £600,000 by DFID to support the Alliance's knowledge generation and learning activities, to enhance the Alliance's engagement with United Cities and Local Govern-

ments; and, \$225,000 was contributed by Norway to support the Alliance's urban finance initiative. Sweden also renewed its support for a Cities Alliance advisor to work with clients in southern and eastern Africa, and had previously provided funding for a secondment to the Cities Alliance Secretariat staff.

The Asian Development Bank renewed its membership in the Alliance for three years, and South Africa joined Brazil and Nigeria as developing country members of the Alliance, signing a membership agreement for \$250,000 over five years.



SOURCES OF FUNDS FY00–FY06 (Unaudited)

(US\$ as of June 30, 2006)

SUMMARY

Type of funding	Pledge	Paid-in
Core funding	42,235,000	36,017,672
Non-core funding	51,375,000	37,771,958
Non-core secretariat funding	7,678,000	6,688,405
Total funding	101,288,000	80,478,035

Donor	Pledges	Duration	Paid-in ^a
Core funding			
ADB	1,250,000	2002-2003, 2005-2007	500,000
Brazil	150,000	2004-2006	50,000
Canada	1,500,000	2000-2001, 2003-2006	1,585,293
France	1,200,000	2000, 2002-2005	1,190,327
Germany	2,200,000	2000-2007	1,744,052
Italy	3,080,000	2000-2006	2,632,905
Japan	1,750,000	2000-2005	1,750,000
Netherlands	2,750,000	2000-2004	2,750,000
Nigeria	50,000	2005	50,000
Norway	2,530,000	2000-2005	2,612,086
South Africa	250,000	2006-2010	
Sweden	4,125,000	2000-2007	2,829,383
UNEP	1,000,000	2003-2006	900,000
UN-HABITAT	200,000	2004-2005	200,000
United Kingdom	6,600,000	2000-2005	6,977,299
United States	1,750,000	2000-2006	1,500,000
World Bank	11,850,000	2002-2007	8,746,326
Total core	42,235,000		36,017,672
Non-core funding^b			
Canada	75,000	2004	73,608
Italy	13,135,000	2001-2008	7,461,948
Japan	4,250,000	2000-2005	4,250,000
Netherlands	350,000	2003-2004	350,000
Norway	2,075,000	2002-2005	2,131,802
Sweden	6,070,000	2003-2008	5,544,861
United Kingdom	22,620,000	2001-2008	16,794,736
United States	2,100,000	2003-2007	465,000
World Bank	700,000	2001	700,000
Total non-core	51,375,000		37,771,958
Non-core Secretariat funding^c			
World Bank	3,043,000	2000-2002, 2006	3,043,000
UN-Habitat	2,033,000	2000-2007	1,633,000
Sweden	685,000	2005-2007	455,405
Other	1,917,000	2001-2007	1,557,000
Total	7,678,000		6,688,405

Note: Fiscal year covers the period July 1 through June 30.

a. Amounts may vary from amounts pledged because of exchange rate fluctuation.

b. Non-core funding is earmarked for a specific facility, region, or activity. The facilities include the Community-Led Infrastructure Finance Facility, the Cities Without Slums Facility for Sub-Saharan Africa, the Community Water & Sanitation Facility, and the Slum Upgrading Facility.

c. Secretariat funding includes in-kind funding for staff secondments from UN-HABITAT, Germany, the United Kingdom and the World Bank Staff Exchange Program with the Caisse des dépôts et consignations.

USES OF FUNDS, FY00—FY06 (Unaudited)

(US\$ as of June 30, 2006)

SUMMARY

Funding source	FY06		Cumulative	
	Allocations	Disbursements	Allocations	Disbursements
Core activities	11,810,882	6,474,244	40,958,800	25,271,717
Non-core activities	17,246,680	5,596,686	50,820,907	28,503,379
Total uses of funds	29,057,562	12,070,930	91,779,707	53,775,096

APPROVALS BY TYPE OF ACTIVITY

Region	FY06		Cumulative	
	Core funds	Non-core funds	Core funds	Non-core funds
City development strategies	4,409,231	616,100	12,724,243	3,012,720
Scaling up upgrading	2,787,000	14,736,580	11,776,111	36,965,492
CDS and upgrading	2,864,651	1,719,000	10,908,446	5,150,195
Secretariat	1,750,000	175,000	5,550,000	5,692,500
Total approved grants	11,810,882	17,246,680	40,958,800	50,820,907

APPROVALS BY REGION

Region	FY06		Cumulative	
	Core funds	Non-core funds	Core funds	Non-core funds
Sub-Saharan Africa	3,410,000	1,060,000	8,623,240	2,672,620
Asia	2,470,651	1,019,400	9,608,076	3,202,000
Eastern Europe & Central Asia	571,000	0	2,159,227	0
Latin America & the Caribbean	1,507,000	6,958,280	6,068,165	14,377,475
Middle East & North Africa	979,231	0	3,613,231	0
Global/Multiregional	1,123,000	8,034,000	5,336,861	24,876,312
Secretariat	1,750,000	175,000	5,550,000	5,692,500
Total approved grants	11,810,882	17,246,680	40,958,800	50,820,907

SECRETARIAT EXPENDITURES

Expense	FY06	FY05	FY04	Cumulative
Operational				
Secretariat staff	910,708	885,442	516,468	4,112,571
Consultants, other labour	52,387	951	14,480	466,916
Travel	342,524	374,504	234,195	1,605,464
Other costs	36,798	24,945	24,901	698,410
Subtotal	1,342,417	1,285,842	790,044	6,883,361
Management and administration				
Secretariat staff	772,551	782,318	673,563	4,110,787
Rent, computing, other costs	293,068	273,658	191,803	1,091,870
Subtotal	1,065,619	1,055,976	865,366	5,202,657
Total	2,408,037	2,341,818	1,655,410	12,086,019

NEW AND ON-GOING ALLOCATIONS

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Start date</i>	<i>Country</i>	<i>Activity</i>
SUB-SAHARAN AFRICA				
	380,640	Mar-03	Burkina Faso	CDSs and local Poverty Reduction Strategy Papers for the local governments of Bobo-Dioulasso, Banfora and Ouahigouya
FY06	330,000	Apr-06	Burkina Faso	Strategy for Developing Greater Ouagadougou and Improving Basic Infrastructure and City Services in Underprivileged Areas
FY06	330,000	Apr-06	Benin	Development Strategy for Greater Cotonou
FY06	500,000		Cameroon	Urban Development and Poverty Reduction Strategy: City of Douala and its Greater Urban Area
	580,000	Jul-04	Ethiopia, South Africa	Participation of Johannesburg and Addis Ababa in the Johannesburg—Addis Ababa Partnership Programme
	75,000	Jul-03	Ghana	Preparing for a CDS in the Kumasi Region
FY06	75,000	Oct-05	Ghana	Preparatory Assistance for Ghana Municipal Finance and Management Initiative
FY06	75,000	Oct-05	Mozambique	Slum Improvement Demonstration Project for Maputo City
FY06	500,000	May-06	Mozambique	Improving Water and Sanitation in Quelimane City
	245,000	Mar-04	Niger	CDSs for Poverty Reduction for Dosso and Maradi
	215,000	Jul-03	Regional	Building Partnerships for <i>Cities Without Slums</i> in Eastern and Southern Africa
	215,000	May-04	Regional	Cities Without Slums: toward implementing a support programme for countries and cities of Western and Central French-speaking Africa
	246,600	Dec-04	Regional	Housing Upgrading Finance Initiative
FY06	240,000	May-06	Rwanda	Financial Management Modernization and Development Strategy for Kigali
FY06	380,000	Apr-06	Senegal	Greater Dakar Urban Development Strategy
FY06	430,000		Senegal	National Programme for Slum Improvement and Slum Upgrading in Senegal's Cities: "Senegalese Cities Without Slums"

NEW AND ON-GOING ALLOCATIONS (continued)

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Start date</i>	<i>Country</i>	<i>Activity</i>
SUB-SAHARAN AFRICA (Continued)				
	500,000	Mar-04	South Africa	South African Municipal Water and Sanitation Partnership Initiative
	75,000	May-05	South Africa	Preparation of the South African National Upgrading Support Programme
FY06	500,000	Sep-05	South Africa	Support for the Preparation of 2006 State of South African Cities Report
FY06	500,000	Jun-06	South Africa	Upgrading for Growth: Implementing the Breaking New Ground Policy within Ekurhuleni's City Development Strategy
FY06	535,000	Jun-06	South Africa	The Tshwane Sustainable Human Settlement Strategy and Financing Plan
	500,000	Jul-04	Swaziland	Development of a Comprehensive Urban Upgrading Programme for Mbabane
	360,000	Sep-04	Tanzania	Action Plan to Upgrade All Informal Settlements in Dar es Salaam by 2015
FY06	75,000	Jun-06	Zambia	Linking CDSs to Zambia's Emerging Intergovernmental Fiscal System
ASIA				
	215,000	Nov-05	Bhutan	Bhutan National Urban Development Strategy and Thimphu City Development Strategy
FY06	298,450	Dec-05	China	Urban Upgrading Strategy, Yangzhou
FY06	500,000	Oct-05	China	Economic Revitalization by Cities in Heilongjiang Province
FY06	250,000		China	Shanghai Development Strategy in Regional Context
	70,000	Oct-03	India	Tamil Nadu Urban Land Market Assessment for Chennai, Coimbatore, and Tiruppur
	450,000	Feb-03	India	Scaling-up the Provision of Universal Minimum Sanitation to slums in cities
	182,600	Jul-04	India	Community-Led Sangli Toilet Construction Activity
	495,000	Jul-05	India	Transformation of Mumbai into a World Class City
	180,700	Feb-05	India	Hyderabad City-Wide Slum Upgrading Action Plan

NEW AND ON-GOING ALLOCATIONS (continued)

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Start date</i>	<i>Country</i>	<i>Activity</i>
ASIA (Continued)				
	154,700	Mar-05	India	Visakhapatnam City Development Strategy and Slum Upgrading Action Plan
FY06	184,268	Dec-05	India	City Development Strategy for Hubli-Dharwad
FY06	478,300		India	Cauvery Agamana—Extension of Water Supply and Sanitation Services to the Urban Poor in Bangalore City
FY06	237,933		India	City Development Strategy for Pro poor Economic Growth for the Heritage City of Agra
FY06	500,000	Nov-05	Mongolia	Citywide Pro-poor “Ger Upgrading Strategy and Investment Plan” (GUSIP)
	75,000	Feb-05	Pakistan	Towards a CDS System in Punjab
	500,000	Mar-05	Philippines	Integrated Approaches to Poverty Reduction at the Neighborhood Level—a Cities Without Slums Initiative
FY06	541,100	Oct-05	Philippines	City Development Strategies in the Philippines: An Enabling Platform for Good Governance and Improving Service Delivery
FY06	500,000	Jul-06	Philippines	A Metro Manila ‘Cities Without Slums’ Strategy
	500,000	Sep-01	Regional	City Networking and Investment Marketplace Development initiative in Asia
	248,320	Jul-04	Democratic Republic of Timore Leste	City Upgrading Strategy for Urban Dili
	250,000	Jul-04	Vietnam	CDSs in Medium Cities
EASTERN EUROPE AND CENTRAL ASIA				
	500,000	Jul-05	Azerbaijan	City and Regional Development Strategies in Azerbaijan
	458,427	Mar-03	Latvia	Cities Programme—CDS for Economic Development
FY06	71,000	Mar-06	Moldova	Moldova – City Development Strategy
	230,000	Jul-05	Russian Federation	Vologda Development Strategy Alliance
FY06	250,000	Sep-05	Russian Federation	Stavropol Regional Development Strategy—Financial Assessment and Investment Review

NEW AND ON-GOING ALLOCATIONS (continued)

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Start date</i>	<i>Country</i>	<i>Activity</i>
EASTERN EUROPE AND CENTRAL ASIA (Continued)				
FY06	250,000	Sep-05	Russian Federation	Chuvash Republic Regional Development Strategy—Financial Assessment and Investment Review
LATIN AMERICA AND THE CARIBBEAN				
	165,700	Feb-02	Brazil	Anti-poverty and Anti-Exclusion Socio-economic Action Plan: City Networks for Development and Social Inclusion (Rio Grande do Sul)
	500,000	Dec-04	Brazil	National Urban Development Policy: Support to the National Programme for Land Tenure Regularization and Socio-Environmental Risk Prevention in Precarious Settlements
FY06	450,000	Oct-05	Brazil	Strategies for the Sustainable Planning, Financing and Implementation of Low-Income Housing and Urban Development Policy (Municipality of São Paulo)
FY06	7,208,280	Dec-05	Brazil	Bahia Integrated Urban Development Programme—Viver Melhor/BIRD: Technical and Methodological Assistance Project
FY06	232,000	Apr-06	Brazil	Enhancing Territorial Equity and Social Inclusion in Brasilia's Land Markets
	324,120	May-04	Colombia	Slum Upgrading and Land Tenure Regularization
	298,000	Apr-05	Colombia	Housing and Land for the Urban Poor
FY06	500,000	Jul-06	El Salvador	Preparation of an Urban Development Strategy for the Region La Paz in the Department of La Paz and San Vicente
FY06	75,000	Sep-05	Guatemala	0
	256,445	Nov-02	Jamaica	Kingston and St. Andrew Sustainable Development Plan
	879,195	Jul-04	Regional	Scaling Up Successful Methodologies in the Latin America and Caribbean Region (Italy)
MIDDLE EAST AND NORTH AFRICA				
	74,000	Jul-05	Egypt	Preparatory Assistance Proposal for Egypt Urban Sector, Slum Upgrading and City Development Strategies
FY06	350,000	Dec-05	Egypt	Alexandria City Development Strategy for Sustainable Development: Phase II

NEW AND ON-GOING ALLOCATIONS (continued)

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Star date</i>	<i>Country</i>	<i>Activity</i>
MIDDLE EAST AND NORTH AFRICA (Continued)				
	75,000	Mar-05	Iran	Preparatory assistance to the Ministry of Housing and Urban Development for the institutionalization of the CDS into the urban planning process in Iran
	200,000	Mar-04	Jordan	Greater Amman Development Strategy
FY06	379,231		Lebanon	Al Fayhaa Sustainable Development Strategy
	295,000	Aug-01	Morocco	Upgrading project for the Koraat Sbaa neighborhood in Tetouan
	245,000	Apr-03	Morocco	Metropolitan Cooperation in the Tetouan Region: the Role of the CDS
	490,000	Sep-05	Morocco	Partnership Framework Agreement for Ministry of Housing and Supporting and Monitoring of the Programme Urban Development “Cities Without Slums”
	250,000	Feb-05	Regional	Establishing a Regional City Development Strategy Facility at the Arab Urban Development Institute (AUDI), Riyadh, Saudi Arabia
	200,000	Jan-05	Yemen	Medium to Long Term City Development Strategy for Local Economic Development for Hodeidah and Mukalla Cities
FY06	250,000		Yemen	Sana’a City: Medium to Long-Term City Development Strategy for Sustainable Development
GLOBAL AND MULTIREGIONAL ACTIVITIES				
	100,000	Nov-04	Global	Knowledge Dissemination—increase (website, publications)
FY06	150,000	Nov-05	Global	Knowledge Generation and Learning—increase
FY06	75,000	Nov-05	Global	Consultative Group and Public Policy Forum meeting—increase (Marrakech)
FY06	100,000	Nov-05	Global	Policy Advisory Board Semi-Annual Meeting increase
FY06	15,000	Nov-05	Global	Technical Peer Reviews—increase
	10,000,000	Oct-02	Global	Development of the Community-led Infrastructure Finance Facility—UK Department of International Development funding
	2,300,000	Apr-03	Global	The Development of the Community-led Infrastructure Finance Facility—Swedish International Development funding

NEW AND ON-GOING ALLOCATIONS *(continued)*

(US\$ as of June 30, 2006)

	<i>Grant amount (US\$)</i>	<i>Start date</i>	<i>Country</i>	<i>Activity</i>
	249,666	Feb-03	Global	Building a Solid Foundation: Overcoming the Obstacles to Scalability of Housing Microfinance for the Poor
FY06	1,750,000	Jul-05	Global	Secretariat Budget FY06—Core Trust Fund
FY06	175,000	Jul-05	Global	Secretariat Budget FY06—Norway Non-core
FY06	75,000	Nov-05	Global	Final Project Evaluations—increase
	75,000	Dec-04	Global	Capacity Enhancement for Direct Sub-Sovereign Borrowing
	127,000	Jul-05	Global	Municipal Finance Task Force
	75,000	Jan-05	Global	Strengthening CA Collaboration with UCLG
	250,000	Feb-06	Global	Developing MDG-based CDSs
	250,000	Feb-06	Global	UCLG Municipal Finance Commission
FY06	517,000	Apr-06	Global	Mainstreaming Cities Alliance Engagement with UCLG
	685,000	Feb-05	Global	Secondment to Cities Alliance Secretariat (Sweden)
	3,000,000	Apr-05	Multiregional	Slum Upgrading Facility (SUF—Pilot Programme)
FY06 (incr.)	7,000,000	Jul-05	Multiregional	Slum Upgrading Facility (SUF)—Pilot Programme
	242,500	Mar-05	Global	Incubating Local Economic Development (LED) Partnerships
	525,000	Mar-05	Global	Advancing the Cities Alliance Knowledge Generation and Dissemination Agenda (DFID)—including MFTF and Urban Finance cofinancing
FY06	75,000	Dec-05	Global	CLIFF Independent Evaluation
FY06	610,000	Oct-05	Global	Enhancing Urban Development in National Policy Dialogues
FY06	240,000	Nov-05	Global	CA Independent Evaluation 2006
FY06	125,000	Nov-05	Global	CA Management Succession
FY06	100,000	Jan-06	Global	CA Urban Environment Initiative
FY06	75,000	Jan-06	Global	Peer Review on Slum Estimations

ACTIVITIES CLOSED OR CANCELLED DURING FY06

<i>Grant amount (US\$)</i>	<i>Completion date</i>	<i>Country</i>	<i>Activity</i>
SUB-SAHARAN AFRICA			
249,000	Sep-04	Ethiopia	Addis Ababa CDS
75,000	Jun-05	Ethiopia	Ethiopia Housing Sector Study
74,750	Jun-05	Nigeria	Preparatory Assistance for Lagos Strategy Development
750,000	Jun-06	South Africa	South Africa Cities Support and Learning Network
ASIA			
900,000	Mar-05	China	City-Region Development Strategies
98,065	Terminated Aug-05	India	Improving Access of the Poor to Basic Urban Services in the Ludhiana Municipal Corporation
250,000	Jun-05	Indonesia	Yogyakarta (DIY): Regional Development and Poverty Reduction Plan through Strategic Urban–Rural Linkages and Regional Integration
250,000	Dec-05	Mongolia	Development Strategy for Secondary Cities
31,000	Sep-04	Philippines	Preparation of a Proposal on Strengthening Urban Shelter Programmes in the Philippines
600,000	Aug-05	Regional	South Asia Regional Adviser
LATIN AMERICA AND THE CARIBBEAN			
560,000	Jun-05	Brazil	Building an Enabling Strategy for Moving to Scale
5,565,000	Mar-06	Brazil	Salvador, Bahia, Technical and Social Assistance Project
498,400	Jun-06	Chile	Local Development Strategies for Housing Solutions to Overcome Poverty
500,000	Cancelled	Panama	Public-Private Partnership for the Provision of Sanitation Services in La Cabima, Panama City
250,000	Dec-04	Peru	Metropolitan Lima City Poverty Strategy
213,500	Mar-05	Regional	Build capacities in Urban Knowledge Management
MIDDLE EAST AND NORTH AFRICA			
200,000	Feb-06	Egypt	Alexandria
			CDS for Sustainable Development
250,000	Jun-04	West Bank and Gaza	Establishment of an Integrated Strategic Planning Process for the Neighboring Towns of Ramallah, Al-Bireh and Beitunia
150,000	Jun-04	Yemen	Aden Medium- to Long-Term CDS for Local Economic Development
GLOBAL AND MULTIREGIONAL ACTIVITIES			
500,000	Jun-05	Global	Pro-Poor slum upgrading frameworks in India, the Philippines and South Africa
1,450,000	Jun-05	Global	Secretariat Budget FY05—Core Trust Fund
75,000	Jun-05	Global	Secretariat Budget FY0—Norway Non-core
225,000	Sep-05	Global	CDS Impacts Study
70,312	Jun-06	Multiregional	Support for Slum Upgrading Facility Pre-Implementation Plan

Endnotes

Poverty of the Urban Environment

1. Press release of August 28, 2006, accompanying the release of *Africa's Lakes: Atlas of Our Changing Environment* (Nairobi: UNEP, 2006).
2. Achim Steiner, UNEP Press Release on the Third World Urban Forum “Burying Urban Myths on the Environment.”
3. Christine Kessides, *The Urban Transition in Sub-Saharan Africa: Implications for Economic Growth and Poverty Reduction* (Washington, D.C.: Cities Alliance, 2006).
4. See *State of the World's Cities 2006/7* (London: UN-Habitat and Earthscan 2006).
5. See *Guide to City Development Strategies: Improving Urban Performance* (Washington, D.C.: Cities Alliance, 2006).
6. *Guide to City Development Strategies*, op cit., p. 3.
7. *Ecosystems and Biodiversity: The Role of Cities*, brochure (Nairobi: UNEP and UN-Habitat, 2005).
8. *Strategy for Denmark's Environmental Assistance to Developing Countries 2004–2008* (Copenhagen: Royal Danish Ministry of Foreign Affairs, 2004), p. 13.
9. See *Carbon Copy*, newsletter (Washington: World Bank, July 2006).
10. “Major Renewable Energy Investment in Nelson Mandela Bay”, press release by Nelson Mandela Bay Municipality, (August 2006).
11. The first substantial draft of this chapter was prepared by Jeremy Harris, formerly Mayor of Honolulu, Hawaii, one of the most articulate and passionate champions of sustainable cities. Revisions to the draft were based on continuous inputs from the team at UNEP, led by Julia Crause, as well as comments received from a number of eminent contributors, including Peter Palesch of GTZ Bangladesh, Tony Pellegrini of the Centennial Group, and David Satterthwaite of the International Institute for Environment and Development (IIED), as well as members of the Cities Alliance Secretariat, which bears ultimate responsibility for any mistakes.

Cities Alliance in Action

1. See *Guide to City Development Strategies: Improving Urban Performance* (Washington, D.C.: Cities Alliance, 2006).
2. This introduction draws heavily from the *Guide to City Development Strategies*, op. cit.
3. Shlomo Angel, Stephen C. Sheppard, Daniel L. Civco, et al., *The Dynamics of Global Urban Expansion* (Washington, D.C.: Transport and Urban Development Department, World Bank, 2005).
4. Ibid.
5. *World Urbanization Prospects*, New York: United Nations Department of Economic and Social Affairs, 2005]
6. Shlomo et al. (2005), op. cit.
7. Ibid.
8. Comment from the background note on the Mumbai Transformation Project, produced by the Mumbai Transformation Support Unit (2006).
9. As of September 2006, the exchange rate was \$1 = 4,022.90 Zambian kwacha.

Members' Contributions

1. Gilbert, Roy (2003) *Improving the Lives of Poor People by Investing in Cities*, Washington, D.C., The World Bank, pp. 9.
2. World Bank (2002) *Brazil Progressive Low Income Housing: Alternatives for the Poor*. Washington, D.C., The World Bank, pp. 14.
3. Although South Africa is not a case where Bank lending for upgrading is contemplated.

Learning and Communications

1. Cities Alliance, *Guide to City Development Strategies: Improving Urban Performance* (Washington, D.C., Cities Alliance, 2006).
2. UN-Habitat, *State of the World's Cities 2006/7: The Millennium Development Goals and Urban Sustainability—30 Years of Shaping the Habitat Agenda* (London and Nairobi: UN-Habitat and Earthscan, 2006).
3. Shlomo Angel, Stephen C. Sheppard, Daniel L. Civco, et al., *The Dynamics of Global Urban Expansion* (Washington, D.C.: Transport and Urban Development Department, World Bank, 2005).
4. Göran Tannerfeldt and Per Ljung, *More Urban, Less Poor: An Introduction to Urban Development and Management* (Stockholm and London: Sida/Earthscan, 2006).

Abbreviations and Acronyms

Note: All monetary amounts are US dollars unless otherwise indicated.

ADB	Asian Development Bank
AfD	Agence française de développement (French Development Agency)
Beitna	Beit Al-Mal Saving and Investment for Housing (Jordan)
BEDC	Business and Economic Development Committee, Karu, Nigeria
BMBF	German Federal Ministry of Education and Science
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CAIXA	Brazil's Housing and Urban Development Bank
CDP	City Development Plan (JNNURM)
CDS	city development strategy
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
CLIFF	Community-Led Infrastructure Finance Facility
DANIDA	Danish International Development Agency
DFID	Department for International Development (United Kingdom)
FCM	Federation of Canadian Municipalities
FINDETER	Financiera de Desarrollo Territorial (Colombia)
FLACMA	Federación Latinoamericana de Ciudades, Municipios y Asociaciones
GDP	gross domestic product
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICLEI	International Council for Local Environment Initiatives
IDRC	International Development Research Centre (Canada)
IFC	International Finance Corporation (World Bank Group)
IFIs	International Financial Institutions
ISTED	Institut des sciences et des techniques de l'équipement et de l'environnement pour le développement (France)
JBIC	Japan Bank for International Cooperation
JNNURM	Jawaharlal Nehru National Urban Renewal Mission (India)
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LCP	League of Cities of the Philippines
MDG	Millennium Development Goal
MFI	microfinance institution
MFTF	Municipal Finance Task Force
MINVU	Ministry of Housing and Urbanism (Chile)
MMA	Mumbai Metropolitan Region (India)
MTSU	Mumbai Transformation Support Unit (India)
NENA	Near East and North Africa Urban Forum
NGO	nongovernmental organizations
PPIAF	Public-Private Infrastructure Advisory Facility
SACN	South African Cities Network
SALGA	South African Local Government Association

SCI	Sustainable Cities Initiative
SEA	strategic environmental assessment
Sida	Swedish International Development Cooperation Agency
SoCR	<i>State of the Cities Report</i>
SUF	Slum Upgrading Facility (UN-Habitat)
UCLG	United Cities and Local Governments
UN-Habitat	United Nations Human Settlements Programme
UNEP	United Nations Environment Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VSB	<i>Villes sans bidonvilles</i> (Cities Without Slums programme) (Morocco)
WHO	World Health Organization
WUF	World Urban Forum

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