

Cities Alliance

Cities Without Slums

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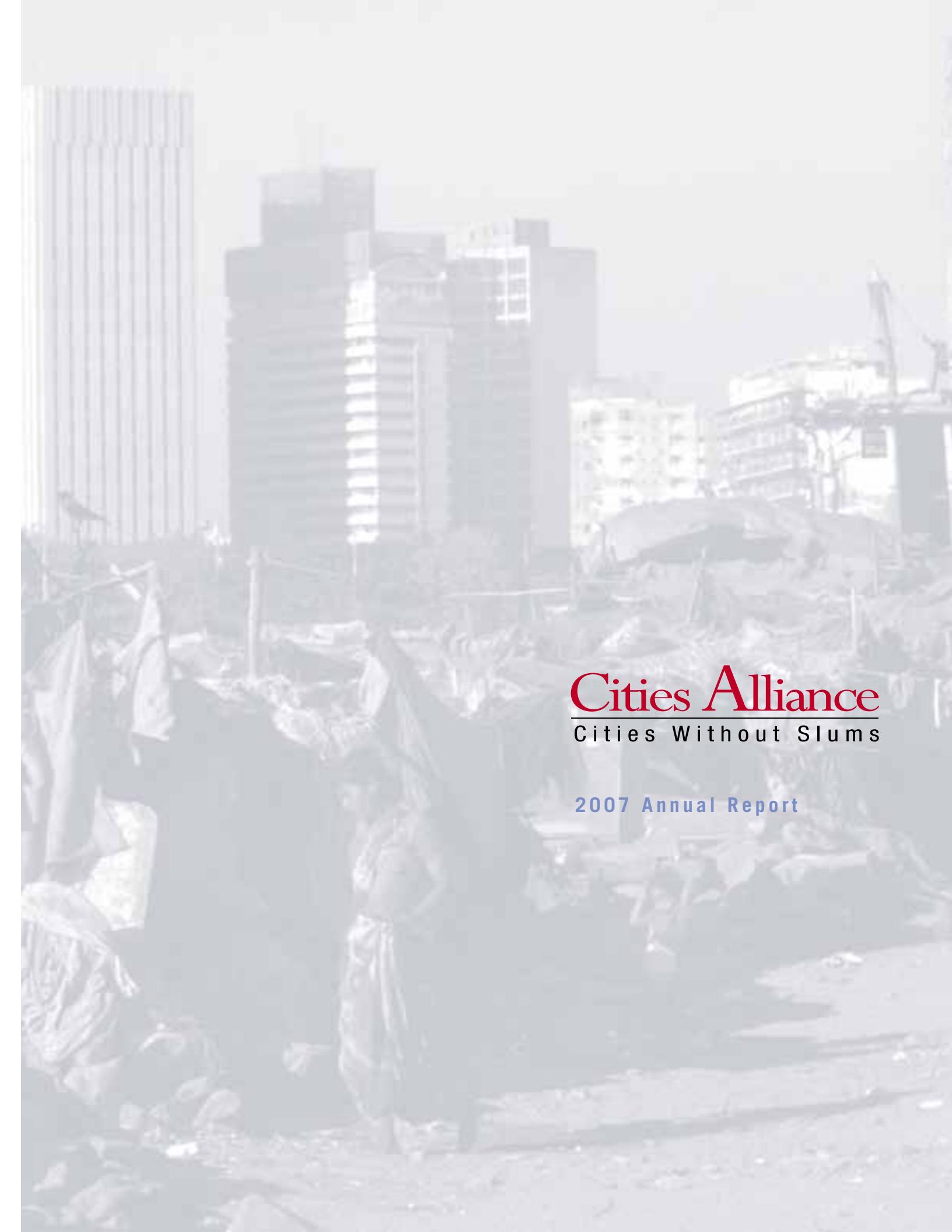


2007 ANNUAL REPORT

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Cover image: Informal settlement in Mumbai, India
(Mark Edwards/Still Pictures)



Cities Alliance

Cities Without Slums

2007 Annual Report

FOREWORD

Wherever it comes from, the growth of urban areas includes huge numbers of poor people. Ignoring this basic reality will make it impossible either to plan for inevitable and massive city growth or to use urban dynamics to help relieve poverty.

UNFPA State of World Population 2007

Despite the widespread perception that urban issues do not attract the attention they deserve, it is possible to discern a number of recent, significant trends that, combined, indicate a renewed interest in urban issues and, more importantly, on cities.

We can expect increased attention on the role of cities in the context of climate change, which has become a new global developmental priority. Marginal doubts about the negative global impacts of human activity have largely disappeared in the face of a broad international consensus, greatly assisted by coverage given to the Stern Report and, more emphatically, by the authoritative reports of the Intergovernmental Panel on Climate Change. As public awareness of climate change increases, so will the focus increasingly shift to cities, where many of the consequences of climate change will be most sharply felt, and need to be managed.

Cities Alliance members should be well placed to provide assistance, particularly to smaller cities, as they strive to identify ways to adapt to the consequences of climate change. The United Nations Environment Programme's efforts in strengthening the Cities Alliance focus on environmental issues in its work programme is thus particularly timely. Climate change will also be one of the main focus areas at United Cities and Local Governments' second World Congress, to be held in Jeju, Korea in October 2007.

Additional reasons for the growing international recognition of the scale and impact of urbanisation arises from the very effective role that has been played by the United Nations Human Settlements Programme (UN-HABITAT) in hosting the World Urban Forum (WUF). From its very modest beginnings in Nairobi in 2002, the Barcelona (2004) and, emphatically, Vancouver

(2006) conferences have firmly established WUF as the most significant platform for discussing and debating urban and city issues. Combined with Habitat's *State of the World Cities* reports, the convening, normative power of the United Nations has significantly boosted international attention on urban development issues and on cities, alike. WUF 4 in Nanjing in October 2008 is likely to consolidate and strengthen this process.

Elsewhere, after years of declining interest and budgets, a number of bilateral partners have begun to renew their interest in urban development. Supported by the publication of the very direct and readable *More Urban Less Poor*, the Swedish International Development Agency launched its new urban policy in 2006. The Norwegian Government is due to release its own urban development policy before this *Annual Report* is published. The summer of 2007 also saw the French Government produce a succinct analysis called *Emerging Cities*, designed as a guide for their Embassy staff, although it will doubtless attract a far wider readership. Spanish cooperation has prioritised decentralisation and the strengthening of local administrations in its comprehensive Master Plan to 2008. Looking ahead, the World Bank's 2009 World Development Report will focus on the spatial dimensions of development.

Outside of the membership of the Cities Alliance, a significant amount of media attention has been generated by the publication of two, high-quality reports. The first was the Worldwatch Institute's report *State of the World 2007: Our Urban Future*. This was followed by the United Nations Population Fund's flagship publication *UNFPA State of World Population 2007: Unleashing the Potential of Urban Growth*. Written in a very accessible style, the report was a welcome addition to the debate highlighting the positive potential of urbanisation and noting that: '**Cities concentrate poverty, but they also represent the best hope of escaping it**'.

For its part, the Cities Alliance is well situated to continue to provide support to partner cities and countries, especially through an increased focus on

learning and knowledge, and by helping cities to learn from each other, directly and indirectly. From its beginning, a central objective of the Cities Alliance has been to help improve the quality of development assistance, and be a party to effecting real, sustainable and long-term change. The Paris Declaration on Aid Effectiveness, to which most Cities Alliance members are signatories, has reinforced the importance of finding mechanisms to achieve this coherence of effort.

Following the second independent evaluation of the Cities Alliance in 2006, the core focus and mandate of the coalition—supporting citywide and national upgrading programmes, and promoting city development strategies—was reaffirmed. In order to maximise its impact, the Alliance is in the process of reviewing and amending some of its project and programme approaches. These are likely to translate into a far greater emphasis on utilising the knowledge generated by the activities of the Cities Alliance and its members, and improving the Alliance's reach through a combination of knowledge sharing, improved communication and advocacy.

The Cities Alliance 2007 *Annual Report* reflects some of these changes. Previous annual reports had been successful in combining a significant substantive message with a review of the highlights of the previous year's work programme and related activities. In anticipation of a steady increase in the number, and quality, of substantive outputs, this *Annual Report* focuses on reporting on the main activities of the year under review.

This *Annual Report* also marks my first complete year as Manager of the Cities Alliance. I want to thank the Consultative Group for its constant support and leadership, the members of the Policy Advisory Board for combining lively meetings with high quality advice. And, finally, I wish to thank my colleagues in the Secretariat for what I hope will be the first of a number of extremely challenging and productive years.

William Cobbett
Manager

Through small grants the Cities Alliance provided cities with resources to undertake a range of preliminary activities—surveys, workshops, studies, engaging with Cities Alliance members—that generate information for use in designing larger, more substantial proposals for city development strategies and slum upgrading activities.

City view of Bangkok, Thailand



CITIES ALLIANCE IN ACTION

Over the past year, the Cities Alliance expanded its commitment to smaller cities by supporting preparatory strategy development and slum upgrading initiatives in Africa and Asia. Through small grants, typically \$75,000, the Cities Alliance provided cities with resources to undertake a range of preliminary activities—surveys, workshops, studies, engaging with Cities Alliance members—that generate information for use in designing larger, more substantial proposals for city development strategies and slum upgrading activities. The Cities Alliance has found that these grants can offer smaller cities the same opportunities as larger cities to outline the vision for their futures, and develop customised strategies.

At the other end of the spectrum, the Cities Alliance continued to support a large portfolio of programmes in Brazil, with significant dedicated funding from the Government of Italy. Activities in Brazil encompass large metropolitan areas with millions of inhabitants living in informal or “precarious” settlements. Technical assistance and support provided by the Cities Alliance and its members over the past years will reinforce the unprecedented investment programme announced by the Government of Brazil, the *Programa de Aceleração do Crescimento* (Accelerated Growth Programme). City, state, and national

leaders have been actively supporting programmes and policy reforms that target the poorest Brazilians, particularly with respect to improvements in housing and basic services.

This chapter provides an overview of these and other Cities Alliance activities over the past fiscal year. Highlighted are the urban challenges of land shortages, resource availability, and scaling up city development strategies to a national level; as well the solutions that come from increased planning, resource mobilisation, more competitive economies, and greater government involvement—from the local to the national level.

Lessons from Slum Upgrading Activities

Slum upgrading, and slum prevention: lessons from experience

Cities with sizeable proportions of their populations living in slums invariably have a range of developmental challenges that require far more than a new housing or shelter strategy—such cities almost certainly require a fundamental re-examination of basic assumptions, and existing policies and practices. Many cities in Latin America, Africa and Asia have a major

Slum Upgrading and Prevention: MDG Target 11 priorities

"In pursuance of our commitment to achieve sustainable development, we further resolve: ...to achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020, recognizing the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading..."

*Resolution of the 2005 Millennium, Review Summit,
Article 56. September 2005*

Floral garland market on side street of Indian city

ity of their populations living in informal, precarious or slum conditions, indicating the depth and the breadth of the governance issues to be addressed. Simply stated, the global growth of slums cannot be reduced to a housing crisis, or a simple failure of housing markets. Rather, it is a very visible manifestation of a deeper set of policy failures.

When a sizeable proportion of a city's population is not recognised by authorities, or is viewed as temporary, a problem, or a burden, then it is likely that the city will weaken its capacity for economic growth. To improve its chances of economic growth and development, both city and national governments may need to undertake, as their first act, a thoroughgoing reappraisal of the official view of the urban—and urbanising—poor. As the United Nations recently noted: "*No country in the industrial age has ever achieved significant economic growth without urbanization.*"¹

1. United Nations Population Fund. 2007. *UNFPA State of World Population 2007: Unleashing the Potential of Urban Growth*. New York: UNFPA: 1.





Far left: Programme launch of *Quiero mi Barrio* (I love my barrio) in Chile's Valparaiso region

Left: Community-led sanitation project in Sangli-Miraj-Kupwad Municipal Corporation, India

Yet, the dramatic growth experienced by cities over the past fifty years pales in comparison with the explosion projected for the next three decades. Cities in developing countries are expected to grow from 2 billion inhabitants to 4 billion by 2030. For a variety of complex reasons, including a hostile policy environment, this urban growth is occurring with decreasing densities, and could lead to a tripling in the amount of land used by urban areas globally.² Slums in developing-country cities are growing by an estimated 120,000 people per day, generally being forced to settle on the most marginal and precarious land. As the world belatedly wakes up to the threats posed by climate change, and the realisation that the consequences of this global threat will be managed increasingly by cities, so the wider dimensions of the growth of slums should become clearer, further reinforcing the need for a far-sighted multi-sectoral response.

The Cities Alliance has consistently argued against using sensation and fear to draw attention to the growth of slums, believing that it is far more productive—and historically accurate—to point to the need for cities and national governments to adopt policies designed to capture the positive impacts of urbanisation. As the United Nations Population Fund (UNFPA) noted in its landmark *State of World Population 2007* report, “a pre-emptive approach is needed if urbanisation in developing countries is to help solve social and environmental problems, rather than make them catastrophically worse.”³

2. Angel, S., S.C. Sheppard, and D.L. Civico. 2005. *The Dynamics of Global Urban Expansion*. Washington, D.C.: Transport and Urban Development Department, the World Bank.

3. United Nations Population Fund. 2007. *UNFPA State of World Population 2007: Unleashing the Potential of Urban Growth*. New York: UNFPA: 2.

Now in its seventh year of supporting city and nationwide slum upgrading initiatives, the Cities Alliance is observing that increasing attention is being paid not only to the upgrading of existing slums, but also to the equally important challenge of anticipating future urban growth. There is a modest but growing awareness of the need to introduce development policies that would have the effect of preventing the growth of new generations of slums, by planning and providing for the needs of future urban growth. However, it is also clear that this process needs to be dramatically speeded-up and expanded. Strategies that anticipate future growth patterns are generally far less costly, less socially disruptive, and less complex than those attempting to deal with the issue after the fact. A quick examination of Latin America’s cities will demonstrate the scale of the challenge of upgrading neighbourhoods 10, 20 and 30 years after people have settled. A key challenge for the Cities Alliance and its members is to help share such experiences in the hope that Africa and Asia can learn from them, and avoid the worst pitfalls that continued inaction will guarantee. A 2006/7 review of the Alliance’s slum upgrading portfolio (highlights below) points to some of the central elements and emerging lessons of curative and preventive upgrading strategies.

Upgrading slums, and planning for city growth: the issue of land availability

Central to the challenges of city growth, slums, and urban poverty is the issue of demand for well-located and affordable urban land. Access to urban land markets has been, and continues to be, a politically charged process, often shrouded in secrecy and



Residents traveling to new housing project, Lusaka, Zambia

Cities Alliance Partners Focus on Land Issues

- UN-HABITAT, with support from the Swedish International Development Cooperation Agency and the World Bank, launched a Global Land Tool Network: a long-term effort to support and scale up ongoing initiatives on innovative, affordable, pro-poor and gender-sensitive land tools.
- The World Bank and partners devoted the fourth Urban Research Symposium in May 2007 to the issues of "Urban Land Use and Land Markets," including implications for city spatial growth, efficiency, and equity.

opaque procedures. Yet the manner of releasing land in a particular city has direct effects on how well that city functions and how efficiently its economy operates. In particular, it influences where people live, under what conditions, and at what cost. (See box 1 for an example in Brazil.)

As a recent policy document noted: "The reasons why the poor cannot find a place to build is rarely because there is a real shortage of suitable land. The failure is rather due to poor governance, an inappro-

priate institutional framework and non-functioning land markets. In some countries authorities try to discourage migration and deliberately limit access to land and services for new housing."⁴

While there is an increasing call for pro-poor land management and the development of equitable and transparent land legislation, many local governments face a legacy of limited authority, and poor land planning and management. Far too many cities in developing countries are now facing the reality of continued growth and the creation of new slums, even as their politicians debate whether and how to upgrade existing slums.

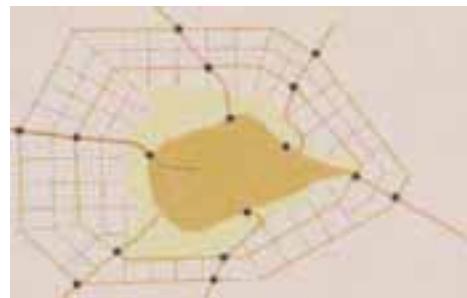
However, some interesting and innovative examples exist, demonstrating the possibility of planning for future growth. The Cities Alliance, in connection with a broader World Bank project, is supporting the Ecuadorian government in a bold initiative. Working with seven secondary cities, the government is antici-

4. Tannerfeldt, Göran and Per Ljung. 2006. *More Urban Less Poor: An Introduction to Urban Development and Management*. London: Sida and Earthscan: 58.

pating urban growth by making land available for future development, paying particular attention to the needs of low-income populations. Future urban expansion, new city limits and land acquisition for rights of way and service provision are also being planned. In assessing the prospective expansion and new boundaries of the cities over the next thirty years, the authorities have designed the preliminary layout of an arterial road grid covering the entire area designated for urban expansion. The right of way to build the roads is to be acquired by the municipality, and roads will be paved incrementally, as demand increases.

One of the main objectives of these Ecuadorian cities is to ensure that residential land remains affordable to the poor and to the city. Significantly, expanding the supply of accessible urban land will moderate land price increases and potentially reduce them.

Other cities are also taking steps to expand their boundaries, not only to accommodate urban growth and ensure land remains affordable for the urban poor, but as a critical step in promoting improved governance and economic performance. The city of Bangalore in the state of Karnataka provides one such example. Bangalore's growth over the past two decades, driven by its information technology sector, has seen the city emerge as a global competitor in a very competitive market. The value of its economy was approximately \$52 billion in 2006, and accounted for 38 percent of India's software exports. The reverse side of this economic growth and wealth creation has



From the final report: *Urban Expansion Strategy for Intermediate Cities in Ecuador* (December 2006)

Santo Domingo, Ecuador's local authorities plan for urban growth with an urban expansion grid, to connect and extend the existing urban network.

been an increase in the gap between rich and poor, as well as increased spatial and social marginalisation.

Part of the response was a bold decision by the Government of Karnataka to constitute Greater Bangalore, tripling the geographical area of the city to over 700 square kilometres, incorporating an additional 2.5 million inhabitants in eight adjacent local authorities, and 111 villages.⁵

The stated aims of this decision were to:

- Improve infrastructure development
- Upgrade urban civic services
- Strengthen administrative capacity and improve compliance
- Optimise expenditure, especially on staff.

The Cities Alliance and its members have been approached to provide support to Greater Bangalore as it deals with the consequences of these very significant changes.

In Tunisia, the city of Sfax has long been one of the country's premier manufacturing centres, although some of the sectors underpinning the local economy—such as textiles and bulk chemicals—are viewed as increasingly risky. The city has gradually been losing its competitive edge over other Tunisian cities since it has a weaker growth rate than Tunis and an increasing rate of unemployment, especially for women.

As a first step in responding to these structural challenges, the seven municipalities that make up Greater Sfax took the unprecedented step of drafting the Greater Sfax Development Strategy. Captured under a vision for Sfax 2016, this strategy aims to promote local development, rethink land use and planning policies, reduce urban poverty and promote



© Suzi Mutter 2005

Slum area in Bukit Duri, Jakarta, Indonesia

5. The challenge to Bangalore is succinctly captured in a paper entitled "Greater Bangalore—Governance Options," prepared by S. Krishna Kumar, IAS (Ret'd).

Box 1. Land Regularisation in Brazil

Around eighty percent of Brazilians live in cities. Some 12 million urban poor households—more than a quarter of all households—live in informal settlements without secure land tenure. Millions of urban residents also lack basic services: 26 million lack access to water, 14 million are not served by rubbish collection, and 83 million are not



Mark Edwards/Still Pictures

connected to sewerage systems. Improvements in land planning and management have been viewed as a means to improve the situation of urban poor households.

Recognising the scale, severity and implications of the informal urban development process, the Brazilian government formulated a national policy in 2003 to orient all government programmes towards the regularisation of urban informal settlements. With support from the Cities Alliance, the Ministry of Cities has promoted land regularisation to improve living standards in precarious settlements.

From 2004 to 2006 the Ministry of Cities earmarked around \$14 million* of the federal budget for municipalities, state governments, nongovernmental organisations, and public defender offices for the development of land regularisation actions in 397 settlements, encompassing 73 municipalities in 21 states. This was the first federal initiative on this issue, and it has resulted in 1.5 million regularisation processes currently underway, nationwide.

The Ministry of Cities has documented this experience in a recent publication, *Land Regularization*,** including the preventative actions undertaken to avoid the formation of new low-income informal settlements. The publication recounts the many obstacles that municipalities have encountered in confronting the process of growing informal land development, as well as highlighting actions to address the issue, from transfers of federal budget resources and the use of federal and other public land for the poor to information dissemination and awareness-building activities.

* In August 2006, US\$1 = R\$2.15 (reals)

** *Land Regularization*. 2005. National Secretariat for Urban Programmes, Ministry of Cities, Brazil.

Favela Rocinha, the largest shanty town in Rio de Janeiro, Brazil

sustainable development for Greater Sfax. While the Greater Sfax Development Strategy made it possible to identify investment priorities, Cities Alliance assistance will help to incorporate these priorities into coherent sets of actions to maximise their economic, social, and environmental impacts.

Finally, the three governorates that constitute Greater Cairo in Egypt are embarking on long-term urban expansion strategies to upgrade existing sub-

standard settlements and provide opportunities for future urban growth. Cairo is a particularly challenging case as over 50 percent of households live in informal settlements, with 82 percent of these settlements built on agricultural land. The current mechanism for public land tenure and management is complex and often contradictory, governed by a complicated network of laws, by-laws and decrees, and subject to overlapping authorities.

Egypt's General Organization for Physical Planning recently commenced a large consultative process with the support of a number of Cities Alliance members [German Agency for Technical Cooperation (GTZ), Japan International Cooperation Agency (JICA), UN-HABITAT, and the World Bank] to develop a strategic urban development plan for Greater Cairo to 2050.

Mobilising resources for slum upgrading

Even if the political will exists, very few cities in developing countries have been able to keep up with the basic infrastructure and service needs of growing urban populations. This is a huge challenge that requires long-term financing, often beyond the limited means of local governments, and points to the need for partnerships that include municipalities, slum communities, the private sector and other stakeholders. (See box 2 for an example of public-private partnerships in China.)

Two mechanisms for financing slum upgrading are particularly important: first, systems which allow city governments access to finance for public infrastructure; and, second, systems which allow the poor to access credit for home improvements. Ideally these financing mechanisms can work in tandem, underscoring the need for partnerships between city governments, community savings groups, and the private sector.

In the area of microfinance for housing, ACCION International released a study in May 2007 on scaling up shelter finance for the poor. The study points to some encouraging trends.⁶ Drawing on the Cities Alliance-funded experience of Ecuador's Banco Solidario, Haiti's Société Générale de Solidarité (SOGESOL), and the Uganda Microfinance Union in launching housing microfinance products, and reviewing the experience of eight of ACCION's other partners in Latin America, the study revealed that:

- Rapid portfolio growth has occurred for the microfinance institutions (MFIs) offering housing microfinance, typically at a pace much higher than the expansion of the core microcredit portfolio.

6. ACCION. 2007. "Getting to Scale in Housing Microfinance: A Study of ACCION Partners in Latin America." *Insight*, No. 21, May.



Nini Kraan/Still Pictures

Slum on the outskirts of Cairo, Egypt

- Repayment rates of housing microfinance portfolios have been higher than for traditional microcredit portfolios (lending for businesses), likely due to clients' emotional (and practical) attachment to their homes and the priority they put on their housing stock as one of the household's most valuable assets.
- Before housing microfinance loans were offered by institutions, managers knew that customers often diverted some or all microenterprise working capital loans for home improvement. The market opportunity became much more obvious when MFIs started to offer specific housing microfinance products that truly addressed customers' needs.
- Lack of legal title to the home need not necessarily pose an obstacle to MFIs providing affordable housing solutions to low-income segments, as they already have methods to underwrite credit with non-traditional forms of collateral.

In Swaziland's capital city Mbabane, the private Swaziland Building Society (SBS) is responding to the city's developing slum upgrading programme by adapting microcredit products to meet the needs of the city's lower-income communities. Among the products SBS expects to launch for the urban poor—who are engaged in the informal economy, yet lacking secure land tenure (land titles are planned for the upgrading programme)—are unsecured loans for shelter improvements, with loan maturity periods, rates and repayment schedules tailored to this market.

Box 2. Yangzhou Engages Private Sector in Urban Upgrading

In the Chinese municipality of Yangzhou, the city has ensured that the local private sector has been actively involved in developing an upgrading strategy for the historic city centre. Their engagement in the planning process—through workshops and interviews—has contributed to an upgrading strategy that taps into local private sector resources, introducing public-private partnerships in the provision of public services, as well as

promoting private sector involvement in the conservation and management of cultural heritage. Private construction companies and local materials suppliers have also participated in renovation and construction activities in the old city centre. The municipality has received support for its upgrading initiative from Cities Alliance members GTZ, the Asian Development Bank, and the United Nations Environment Programme.



Dr. Reinhard Goethert, Consultant GTZ

Above: Community action planning activities engaged residents in planning, financing, and implementation in collaboration with the municipal government

Left: Yangzhou, China's historic city centre is being rehabilitated, making it more attractive for residents and tourists, and creating job opportunities

Dr. Maria Jaimes/Consultant GTZ

The most significant new nationwide upgrading programme this year was the *Programa de Aceleração do Crescimento* (Accelerated Growth Programme) launched by the Brazilian Government of President Luiz Inacio Lula da Silva in January 2007, shortly after da Silva's electoral victory for a second term. The PAC, as it is popularly known, is an unprecedented package of investments in energy, and transport, as well as sanitation and slum upgrading. The programme is intended to generate a total of \$234 billion (2007-2010) in new public and private investments. Some \$8.5 billion will be invested in slum upgrading and basic sanitation through contracts between the Ministry of Cities and the states and municipalities over the next four years.

This will provide a huge and almost immediate boost to most large Brazilian cities' upgrading programmes, including those that have already been receiving Cities Alliance support. The new Governor of the State of Bahia, Jacques Wagner, has signalled his intention to continue his government's active collaboration with the Cities Alliance programme. The programme involves several Alliance members since it is financed by the Government of Italy and task managed by the World Bank. The Associazione Volontari per il Servizio Internazionale (AVSI) implements the programme. The State of Bahia will receive approximately \$700 million of federal assistance for slum upgrading. The area selected for PAC financing in the City of Salvador, the state capital, is part of the same macro-area (Bacia de Pituaçu) where Cities Alliance support is concentrated, allowing synergies and cross-fertilisation of efforts.

The Municipality of São Paulo, the largest in Brazil, is due to receive a total of about \$700 million for slum upgrading from federal and state resources over the next four years. The municipality is using Cities Alliance support to devise one of the most innovative, informed and comprehensive citywide upgrading programmes anywhere. Among the many interventions being utilised by the newly-energised team at the municipality is a detailed information system, combining the use of cadastral data, classifying the tenure systems of different settlements, updating the cartographic base, and analysing orthophotos—all of which will allow the city to arrive at a rational and defensible methodology to prioritise their interventions. The team is also tackling some of the most dif-

ficult policy issues normally associated with slum upgrading, classifying different categories of informal settlements, and providing a basis for determining which can (or should) be upgraded, and which will require relocation. Included in this mix is the need to differentiate between interventions on private land, and those on public land.

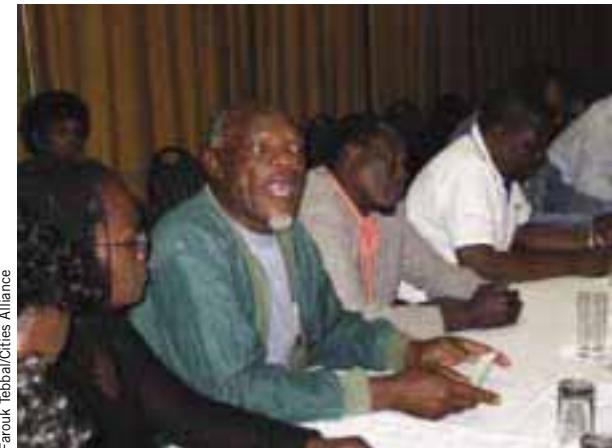
Field evaluation in Swaziland: lessons from Mbabane's upgrading experience

Swaziland's land markets are still impacted by its traditional land tenure systems. Security of tenure on Swazi Nation Land, which accounts for about 60 percent of rural and peri-urban land, has normally been allocated by traditional chiefs on behalf of the King to



Farouk Tebbal/Cities Alliance

Slums on steep terrain in Mbabane, Swaziland



Farouk Tebbal/Cities Alliance

Mbabane's Neighbourhood Upgrading Facilitators discussing community priorities, Swaziland

Swazi nationals. In this context, security of tenure is underwritten more by customary practice than by legally entrenched and enforceable rights. Informal settlements have developed within and around formally proclaimed urban areas which offer proximity to work opportunities, while permitting traditional lifestyles. Some aspects of urbanisation require significant changes to lifestyles and budgets for newly-urbanised Swazis, such as finding resources to pay for essential services.

This phenomenon has been particularly pronounced in the Swazi capital city of Mbabane. To address these challenges, the Mbabane City Council decided to upgrade all informal settlements within the city's boundary. With support from the Cities Alliance, and building on the World Bank-funded Urban Development Project, the City Council set out to develop a comprehensive urban upgrading programme that improves roads, water services, sewerage facilities, electricity and streetlights, and ensures that residents have secure property rights.

In developing its citywide slum upgrading programme, the Mbabane City Council has had to address a range of diverse issues. The steep terrain on which informal settlements have been established pose costly topographical challenges to settlement upgrading. From a social and health perspective, the country's high rates of HIV/AIDS infection—affecting over 30 percent of the population—have a huge impact on the country's current outlook, while its impact on the future can only be speculated. Furthermore, Swaziland's classification as a middle-income developing country conceals the realities it faces: 69 percent of its citizens live below the national poverty

line, 25 percent depend on food aid, and some 30 percent are unemployed.

In 2007, the Cities Alliance Secretariat completed an evaluation of Mbabane's urban upgrading programme, which uncovered a number of significant lessons of relevance for other countries and cities undertaking comprehensive slum upgrading programmes:

- ***Provide for the implementation of a few small-scale activities, or 'quick wins.'*** Strategy development can raise expectations of imminent benefits: when these do not materialise, the resulting frustration can jeopardise any gains from community mobilisation. In Mbabane, community representatives (Neighbourhood Upgrading Facilitators) undertook significant work, including mapping exercises, but simple strategies—such as pegging plots to maintain momentum—were not initiated, resulting in fears that the original enthusiasm will dissipate.
- ***Strike a balance between expectations and available resources.*** Upgrading projects should be realistic, reflecting not only the available financial resources of the city and beneficiary communities, but future user charges and maintenance fees. For example, when allocating land, often a contentious issue, plot sizes may need to be reduced to ensure overall affordability and take into consideration density and locality. Likewise, infrastructure standards may need to be modified for these very reasons. This reality was articulately acknowledged by both the community beneficiaries and the Mbabane City Council.
- ***A committed and active city council is vital for success.*** While the involvement and contributions of community residents and the private sector are integral to any slum upgrading initiative, an effective local authority leading the process improves the chances of programme sustainability. Mbabane's City Council was actively involved in planning the city's slum upgrading framework, resulting in high levels of community participation and resolve.

Mbabane's upgrading programme revealed a number of lessons of wider relevance. The preparatory stage of an upgrading programme, where priorities and resources can be established, is particularly sig-

nificant. In this regard, the benefits of developing a slum upgrading initiative alongside a city development strategy become ever more apparent, especially insofar as this can also facilitate planning for future urban growth and preventing new slum formation.

Lessons from City Development Strategies

Trends in strategic city planning

Cities Alliance members continue to experience strong demand from cities of all sizes for support to respond to their governance and developmental challenges. The city development strategies (CDSs) supported by the Cities Alliance encourage cities to look beyond their most immediate and pressing problems, and sectoral problems like transport and sanitation, and take the time to consider the city as a whole. The logic behind this is straightforward and compelling—a mayor or a city manager cannot afford to respond to issues sector by sector, or crisis by crisis, although this still describes the approach of many cities.

Undertaking a set of carefully planned actions that will give a city and its citizens the opportunity to identify their strengths and weaknesses, to initiate essential reforms, and to implement a long-term city-wide strategy calls for a vastly different approach than that of short-term, sectoral projects. Preparing a city development strategy requires politicians to think beyond the next election, just as it requires development partners to think beyond the next financial year. Moreover, there is an increasing body of evidence, not just from the Cities Alliance portfolio, of the tangible benefits being reaped by those cities that take the time to analyse their own circumstances, talk to all residents, engage with the private sector and potential investors, obtain the support of different levels of government, and then devise a long-term strategy. These are the towns and cities that are turning to the Cities Alliance and its members for support. (See box 3 on tailor-made CDSs.)

Over the past few years, we have observed a trend whereby this approach has moved beyond the initiative of far-sighted or innovative mayors, and has become institutionalised at a national level. Notable examples of this trend include not just the Philippines, India, Brazil and South Africa, but also include



Pascale Chabriat

Site visit by Nigerien officials and Cities Alliance consultant to Gamkallé neighbourhood, Niamey Commune IV, Niger

significant developments in Egypt, Ethiopia, China, and Mozambique, to name a few.

Scaling up local CDS initiatives

Scaling up local CDS initiatives to a national level has often occurred as a result of local initiatives, using local resources. National associations of cities have increasingly the capacity to influence national policy and institutional frameworks. One of the important implications that the Cities Alliance is starting to identify is that, except in rare instances, standalone CDS initiatives are rarely sustainable. To spread effects across cities within a country and over time under conditions of imperfect decentralisation, cities ideally need to work through their national associations. In doing so, they can obtain support, share learning, and improve the quality of their engagement with higher tiers of government, without whose support systemic and institutional reforms are rarely possible.

In the Philippines, a combination of the energy of the League of Cities, and a responsive national government, have combined to offer an excellent example of scaling up, with local CDS initiatives directly informing national policy changes. In 2007, the League of Cities and the Government entered into a Memorandum of Understanding with the Working Group on Decentralization and Local Government, created by the Philippines Development Forum. This Memorandum recognises the need to harmonise the national and local planning processes, and is part of the effort to institutionalise the CDS process in national planning. A year-long collaborative effort has also produced guidelines for reducing the often conflicting and contradictory requirements issued by various oversight agencies to local governments for

Box 3. Tailor-made CDS Guides Produced by City Networks and Associations

Many cities and city-networks that have undertaken city development strategies are now developing their own CDS guides, guidelines and toolkits, thus enabling nationwide replication and institutionalisation of processes. Generally, these products bring together the building blocks of the methodology and situate them in the national context, legal system and development programmes. Informed by local city experiences, they provide lessons learned from successful local practices.

This knowledge-sharing exercise has been particularly strong in the Philippines, a country in its third CDS cycle. The CDS team at the League of Cities is revising their initial toolkit. Based on extensive city experience, an enhanced methodology has been developed, including several tools that can be downloaded from the national CDS Web site (<http://cdsea.org>).

Cities Alliance grants have also funded the development of CDS tools by other networks and associations of cities. In January 2007, the Moroccan Urban Forum produced a methodological guide in Arabic and French—*Stratégie de développement des villes: guide méthodologique*.

Based on conceptual approaches and insights from the experience in Tetouan, the guide provides a roadmap that Moroccan cities can use to develop their own strategies. The process is described in the guide as “one of the most innovative methodological tools for urban development of the last decade.” In Niger, the national Association of Cities also developed a CDS guide as part of the Cities Alliance grant for Dosso and Maradi—*Guide d’élaboration des Stratégies de développement de villes*. Although the CDS activities in Dosso and Maradi did not trigger the establishment of a national urban development strategy, the experience can be used to inform other

processes much needed to enable local strategic planning in one of the poorest countries in the world (see evaluation findings later in this section).

With a Cities Alliance preparatory grant, *Guidelines for Strategic Planning* was produced for the Government of Punjab (Pakistan), based on the CDS planning experiences of four municipalities in the province. The World Bank Institute provided resources to convert the guidelines into a practical learning tool, which will be used to expand the CDS planning methodology to at least 15 additional municipalities in Punjab.

These products stress that each CDS process is unique since each city has its own development path, challenges, priorities, and potential. However, all are based on common building blocks that aim to develop a strategic platform, and provide a foundation for long-term, sustainable development through the elaboration of comprehensive strategies. The 2006 Cities Alliance publication *Guide to City Development Strategies* also highlights many of the most common and essential elements of strategy development for cities.



Mark Edwards/Still Pictures

Families living in Bagong - Silansan, a new community housing project in Manila for families who scavenge landfill sites, the Philippines

planning, investment programming, and financial management. Cities Alliance support has been used strategically by the League of Cities to replicate CDSs in different cities, producing tangible results and building a groundswell of support at the city level.

To date, 65 Philippine cities have completed city development strategies, and many of these cities have the reputation for being among the best run in the country. A further two phases of the CDS programme are being designed to ensure that all 118 cities undertake city development strategies, which would make the Philippines the first country to achieve total coverage. The Government of the Philippines has also decided to join the Cities Alliance, and will host the Alliance's 2007 annual meetings comprising the Public Policy Forum, a thematic event to which non-Alliance members are invited, and the Consultative

Group meetings, in which Alliance governance and programming are discussed.

In Vietnam, CDS development has emerged as a strategic tool for cities of all sizes to identify ways to meet the challenges of urbanisation and decentralisation. The first two cities to undertake strategy development were Ho Chi Minh City and Haiphong in the late 1990s. Since then, Haiphong has produced a second city development strategy, with a much greater emphasis on local control. CDSs have also been produced by the cities of Da Nang, Dong Hoi, Nam Dinh, Ha Long, and Can Tho, the latter two with Cities Alliance support. The growth in the use of city development strategies as an urban planning tool arose largely as a result of the 2004 Cities Alliance-funded international CDS conference in Hanoi. The conference created local and regional interest, and

Woman on her way to the floating market in Can Tho, a city on the south bank of Hậu Giang, a branch of the Mekong River. The area's river and canal settlements will be upgraded as a result of a recently-completed city development strategy.



Pelle Person/Cities Alliance

provided a platform for reconsidering centrally-controlled urban planning practices.

In Vietnam, the integration of CDS processes into broader development plans has made considerable progress within a relatively short period of time. Increasingly, strategy development is being used to coordinate and integrate existing plans and put them into action. Challenges for the future are: (i) generating the resources to implement CDSs, (ii) sharing CDS experiences with more cities nationwide, (iii) institutionalising the CDS process, and (iv) creating a support structure for cities that wish to undertake a city development strategy.

In India, the primary national urban development programme, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), continues to gather momentum. JNNURM advocates government promotion of city efficiency, economic growth and poverty alleviation, and supporting these through central government grants for cities. Billed as the country's most ambitious programme ever for urban development, the \$22 billion programme funds the expansion of economic and social infrastructure in some 63 towns and cities based on a local city development plan, which has similarities to a CDS. To support Government of India efforts, the Cities Alliance has provided preparatory support that will feed into preparations of a National Urban Strategy (projected to the year 2025). The strategy will guide the Government of India's Planning Commission in establishing a framework of urban reforms and initiatives in

which urban growth issues and poverty reduction can be addressed.

Additionally, a Cities Alliance preparatory grant is being used as seed funding to assist Cities Alliance members in responding to a request to design a significant capacity support programme, enabling them to access national and state JNNURM funds. The project will provide technical assistance to help cities prepare strategic city development plans, and improve revenue management, service delivery, accountability, and budget planning execution, through better citizen interface. It is also expected to increase the knowledge base of elected officials in municipal finance and administration.

Promoting a city's competitiveness

A second trend among CDS activities is an increasing emphasis on promoting a city's competitiveness, with the aim of enabling stronger and more inclusive economic growth. Experience has demonstrated that a thorough understanding of local economic conditions, and being able to identify a city's comparative and competitive advantages, is the foundation necessary for developing effective strategies to facilitate economic revitalisation and job creation. Yet, developing a clear and constructive profile of a local economy has proven to be one of the most challenging aspects of city development strategies.

However, some notable examples have materialised in which cities have analysed their local economic structure and urban competitiveness, and then successfully translated their economic findings into concrete investments aimed at retaining existing, and attracting new, economic activities.

The Alexandria, Egypt CDS relied on two principles to increase the likelihood of sustainability of the strategic planning and local economic development effort: (i) broad-based public, private and civil society stakeholder participation, formalised as a Partnership Forum, and (ii) using the CDS as an overarching mechanism to organise and leverage donor support.

The CDS process and consequent investments identified essential infrastructure that would improve the living conditions of people, and tackle key constraints to private sector development and economic growth. Through the same process, key barriers to investment and building local capacity were also identi-

Panoramic view of São Paulo, Brazil



fied. The latter included the streamlining of business start-up procedures, easing the process of property registration, enhancing private sector participation in the management of industrial estates, and strengthening city capacity in managing local assets and sustaining strategic planning processes.

The Alexandria CDS, and the resultant capital investment plan that will be partly implemented under the project, resulted in a shift in local development practice in Egypt away from the traditional top-down, supply-driven process. The latter had been criticised for (i) its narrow focus on infrastructural issues and limited emphasis on local economic dynamics, needs and institutions, (ii) limited private sector participation and understanding of market dynamics and trends, and (iii) the non-participatory nature of the planning, decision making and implementation. Instead, the Alexandria CDS and follow-up investments rely on a bottom-up approach where ownership rests with the municipality and local partners, jointly formulating a long-term vision and identifying development programmes.

The success of the Alexandria CDS has been monitored by other cities and governorates in Egypt, and a similar process is in its early stages in Greater Cairo with the support of Cities Alliance members.

Situating development in national strategies

Notwithstanding the Cities Alliance's focus on city development and slum upgrading strategies, the challenge of scale invariably requires the active co-operation and support of policymakers in higher levels of government, both state and federal. To improve our collective understanding of the major impediments to growth and employment creation, and to study the relationship between different tiers of government in designing possible policy solutions, the Cities Alliance has partnered with the World Bank in undertaking a study entitled "Urban and the Growth Agenda—Assessing and Promoting the Roles of Cities."

With inputs from case studies in Dhaka, Lagos, and São Paulo, this two-level exercise aims at capturing knowledge on (i) assessing the linkages of urban areas to national growth, and (ii) identifying specific actions to reduce the constraints for economic growth at the city level. The study is intended to strengthen national and local dialogue on the promotion of growth and



Courtesy of Addis Ababa Housing Development Project Office

Hollow concrete block production by a small enterprise for housing development in Addis Ababa, Ethiopia.

employment creation. It will also disseminate lessons from the different approaches to assessing the impediments to growth and removal of bottlenecks. The World Bank also envisions using the study to build the analytical basis for integrating urban development into investment climate surveys.

The body of analytic knowledge generated by the firm surveys and household surveys has been a critical element of the forward-looking and action-oriented growth strategy for Lagos. The work has led to a strategic operational intervention supported by the World Bank through the Lagos Metropolitan Development and Governance Project. The project leverages Lagos's own resources alongside project resources to target investments to improve the productivity of firms and households in the metropolitan area. (See box 4 on assessing the local economy in Lagos.)

The São Paulo strategy work has been completed, discussed with governments—dissemination included a three-day workshop in Brasilia where the results were presented—and parts are being translated into Portuguese. The Dhaka case study is not yet complete, as it was interrupted due to political problems.

The World Bank will gather lessons learned over the past ten years and share that knowledge globally through 2008. The study will support the analytical basis for understanding the essential role of cities in economic growth. In addition, the report will help the World Bank's client countries and their cities in understanding the microeconomics of cities, analysing the economic potential of cities, and designing strategies based on economic and business tools being tested in developed countries. Globally, it will help raise awareness and improve the technical tools used

Box 4. Lagos: Assessing the Local Economy

The work undertaken in Lagos offers insights for cities wishing to develop growth and employment strategies, particularly those with insufficient detailed data on firms of different sizes and different sectors, formal and informal. Lagos is a quasi city-state and one of thirty-six states in Nigeria. It generates about 20 percent of Nigeria's gross domestic product (GDP) or 35 percent of Nigeria's non-oil GDP, making it of significant macroeconomic importance. Given Lagos's population growth rate of 4.8 percent per year, and the visible expansion of the informal sector, employment creation remains a key concern for Lagos State Government. Fiscal stability, local infrastructure provision, market efficiency, improved business registration practices, and access to finance are all essential and well-known factors for successful business growth – but these alone did not provide Lagos with options for directly influencing employment creation through microlevel interventions.

To better understand the structure of the economy and employment, and establish an economic intelligence unit to monitor economic changes over time, the Lagos State Government undertook a comprehensive set of firm surveys covering all sizes and spectrums of the economy.

Preliminary analysis highlights that the *large manufacturing firms* in Lagos do not constitute a dynamic sector of the economy. They are not challenged, there are few newcomers, and they have made limited investments in expansion and upgrades. There has been no search for new markets, and only 18 percent export their products—and even then, largely within Africa only. Given that electricity and access to finance, both major requirements for business growth and expansion, require federal-level interventions, Lagos could take steps in the critical areas over which it has control. One step could be scaling-up public-private partnerships for infrastructure, particularly to reduce flooding. Floods in Lagos impact households, firms and infrastructure. Annual flooding affects nearly one-third of the population annually. Expenditures on medical treatment for waterborne diseases, property damage, and lost infrastruc-

ture and productivity are the result. To reduce flooding and minimise flooding-related expenditures, Lagos could ensure public-private oversight of solid waste and drain management parastatals.

The *large service-sector firms*, by contrast, have grown rapidly since 1999. More than half of these firms regard the licensing requirements as reasonable, but they are even more concerned about infrastructure than the large manufacturing firms. The small, medium, and micro enterprises (SMMEs) in Lagos are entrepreneurial, displaying growth across all sectors. Despite constraints affecting all private sector activity in Lagos, 29 percent of SMMEs had expanded, and profits and turnover increased for 58 percent of enterprises. Ninety-three percent of the SMMEs reported finding permit requirements reasonable. They were not constrained by wages, did not feel they needed to export to grow, and did not fear export competition. To generate employment, Lagos could increase market demand for the products of SMMEs through support for marketing and promotion. Ninety-one percent of informal sector firms had never tried to register, so improving business registration is unlikely to affect SMMEs or the informal sector, both dominant generators of employment in Lagos. Seventy percent of informal firms reported expansion, 93 percent expected to sell more products the next year, and 53 percent wanted to make new investments.

The study not only highlights the determinants of firm growth in Lagos, but also locations where there is the highest density of firms that possess the determining characteristics for growth in Lagos.

To map service delivery at the household level, Lagos also undertook a comprehensive assessment of access to a variety of services by households and mapped them to geographical coordinates. This detailed household-level data now provides a baseline for prioritising and spatially targeting infrastructure investments, planning, and budgeting over the medium term, and monitoring the impacts of service delivery.



Crowded street
in Lagos, Nigeria

Courtesy of Government of Nigeria

in preparing strategies for growth and employment at the city level.

Building an economic corridor in northeast China

The Cities Alliance has supported the ongoing development of an economic corridor comprising three large cities in Heilongjiang Province in northeast China—the cities of Harbin, Daqing and Qiqihar. It is believed that the future economic growth of these cities can be enhanced through Ha-Da-Qi Corridor-wide planning and coordinated development. Examples of co-operation being promoted include: (i) shared infrastructure along the corridor, (ii) cross-corridor initiatives to improve inputs for industry clusters, and (iii) coordinated national and international marketing of the corridor, its municipalities, and industrial zones.

The corridor planning process has encouraged government to support industry clusters, not by choosing winners and losers, but by helping each cluster get the economic inputs needed to grow and become more competitive. It has emphasised that corridors and regions are able to form, expand, and attract business clusters when they provide competitive advantages in particular economic categories, such as innovation, environment, land availability, transportation and logistics, finance, and human resources. A corridor development entity convenes and works with all the clusters, each at different stages of lifecycle development, to identify challenges, prioritise strategic initiatives, and promote the corridor. This entity also helps to coordinate among corpora-

tions, institutions, municipal and provincial agencies, and national programs to improve the alignment of their services with the needs of the corridor's cluster portfolio.

State of the Cities Reports

Over the past few years, the Cities Alliance and its members have identified the enormous potential that exists in the production of national state of the cities reports. A well-executed process can provide an excellent mechanism for a country to better understand the main trends and challenges facing local authorities. Report preparation includes analyses of cities' economic contributions to the national economy, examination of the state of intergovernmental (including fiscal) relations, discussions among representatives of organised local governments, and encouragement for these organisations to engage with their members. These activities raise national awareness about the main issues facing cities of all sizes, and also engage different tiers of government.

In 2006 the South African Cities Network (SACN) completed its second *State of the Cities Report (SoCR)*, with the support of Cities Alliance and other partners. The highly acclaimed report highlights the trends in urban performance and the dynamics of the forces that shape the country's 21 largest cities. It explores how city development strategies have stimulated economic growth, and the extent to which cities have provided access to services, amenities, and opportunities for all residents. The report delivers a positive message about the growth potential of South



Courtesy of South Africa Department of Housing

Brickfields Social Housing Project (completed in 2006) with more than 700 housing units in New Town, Central Johannesburg, South Africa

Africa's cities, and provides a wealth of data and analysis for policymakers. Moreover, the SACN and its members are using the report as an effective advocacy tool to influence national urban policies. The South African example also shows the benefits of turning the SoCR into regular state of the cities reporting to chart progress over time and develop effective planning tools.

South Africa's widely-read *State of the Cities Reports* have generated interest, particularly among countries in sub-Saharan Africa. The Cities Alliance has now received preliminary and formal requests to support the preparation of country SoCRs for Ethiopia, Kenya, Nigeria, and Tanzania. The Alliance welcomes these opportunities to support SoCR development and to further explore how it can be used to give voice to local governments, especially insofar as these have the potential for Cities Alliance members to make a positive contribution to strengthening local government and promoting good urban governance.

Field evaluation in Niger: using CDSs to improve development in small African cities

Niger is one of the world's poorest countries, with a GDP per capita of \$280, and the bottom ranking on



Pelle Persson/Cities Alliance

Concluding evaluation discussions with mayors, stakeholders, and representatives of the Niger Association of Cities

the United Nations Human Development Index. Of Niger's 14 million inhabitants, 3.3 million live in cities (23.3%). The country is characterised by high population growth rates (3.5 % countrywide and over 6% in urban areas), a weak economy based mainly on agro-pastoral production, a weak natural resource base with rapidly increasing desertification, and a low level of human development (the literacy rate for children under 15 is less than 30%).

Since independence in 1960, the country has faced several military coups, the last in 1999. However, since the return of democratic rule in 1999, the push for increased democratisation and decentralisation has become increasingly important. In 2004 further progress was made with the holding of the first municipal elections in the country's history. Some 4,000 representatives in 265 newly-established communal parliaments were elected.

The Association of Cities of Niger (AMN), now representing local governing bodies, submitted a proposal to the Cities Alliance to develop two CDSs, in the secondary cities of Dosso (population 70,000) and Maradi (population 305,000).

The proposal was supported by the World Bank and the Agence Française de Développement (AfD). Key CDS objectives were to reduce urban poverty,

develop institutional mechanisms to increase the impact of development programmes, and disseminate the CDS approach to all urban communes in Niger.

The agreement between the Cities Alliance and the AMN was client-executed, and managed by a co-ordinating team located in the office of the prime minister. The work started in early 2004, and finished near the end of 2005. The process was based on a participatory approach involving household surveys, meetings with elected councillors and traditional leaders, and extensive discussions with major stakeholders—a new experience for both communities. (See box 5 for comments from stakeholders.)

Key challenges. During the initial diagnostics, it became apparent that the two cities faced enormous challenges:

- The quality of life for the most vulnerable groups was extremely low.
- There was considerable untapped economic potential in developing markets and transport-related trade.
- The quality of the local infrastructure was poor.
- The institutional and financial capacity of each municipality was extremely weak, with only about one dollar per capita in investment funds available.

Box 5. CDSs in Niger Triggered Innovative Action

Residents of Dosso told project evaluators that they appreciated the knowledge they gained while involved in the CDS process. A neighborhood chief (*chef de quartier*—a traditional leadership position) said this:

"I learned that there were 10,000 people in my *quartier*—this was something I didn't know before! It showed us about many aspects of the life of the people. It also showed that there were many problems, but at least it proposed solutions!"

In Maradi, private sector needs were identified in the CDS. To address the needs of transporters, city hall and a transporters association organised the construction of a truck parking and reloading facility to improve efficiency and revenue collection from border traffic. The action was taken by people in the city, without any external support.



City and national officials visiting the new truck parking and unloading facility in Maradi, Niger

Pelle Persson/Cities Alliance



Pelle Person/Cities Alliance

Shop in Dosso's main market, Niger

Outcomes. The CDS identified four areas of strategic development comprising better social integration, local economic development, investments in infrastructure, and improved urban management. The strategic areas were accompanied by a list of priority projects in the form of an action plan: 22 projects in Dosso, and 23 in Maradi. In most cases, specific projects in the action plans were not linked directly to financiers or finance sources such as government transfers and international donors. However, the action plans have been widely used by city representatives to attract funding from partners. The most promising possibility is a \$16 million World Bank credit, the Local Infrastructure Development Project, focusing on solid waste management, central market improvement, truck parking and upgrading of informal settlements.

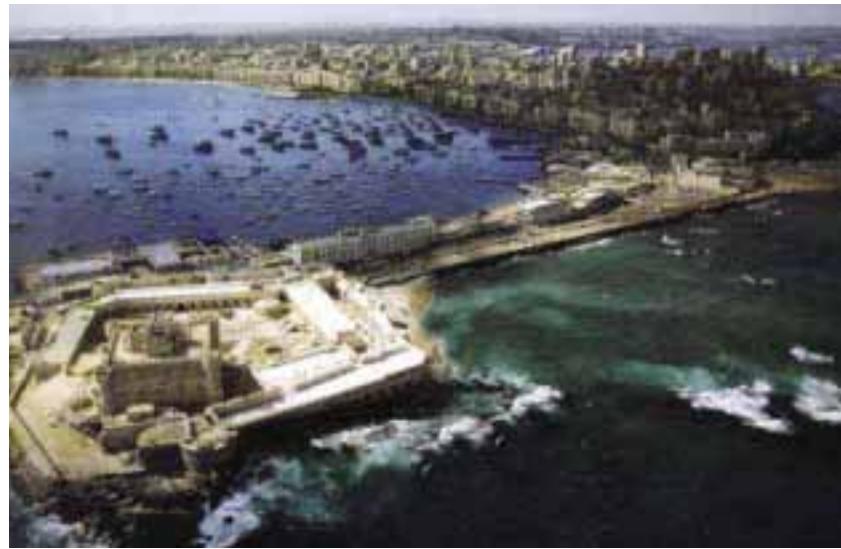
All outputs from the two CDSs, including detailed urban poverty mapping, were used to inform the Plans de Développement Communal for the two cities.

Based on the findings in Niger, the following lessons have emerged:

- **The decentralisation of functions needs to be balanced with increased fiscal transfers.** The decentralisation of roles and responsibilities from the national to the local level is currently taking place without the appropriate transfer of resources, such as funds and skilled staff.
- **Involve the private sector.** Much bolder action needs to be taken to bring in the private sector as a strong development partner to stimulate economic growth and job creation. As in many other African countries, it is the public sector that is expected to play the most significant development role. Early and sustained involvement of the private sector, however, could increase possibilities for economic growth and job creation, particularly in the expanding agricultural trade and added-value chain. This potential is currently under-recognised by governments and donors.
- **Coordinate donor assistance and build local resources.** Niger is highly dependent on grant financing from bilateral and multilateral organisations. Stronger donor coordination, with budget support channelled through a monitored government-donor mechanism, is needed to develop a programmatic approach and minimise donor financing of stand-alone projects. However, such funds can only be catalytic—cities also need to rely more on local resources, both financial and human, and mobilise private capital. Particular priority should be given to economic growth activities that can build local tax revenue.
- **Local government should facilitate co-ordinated development.** The methodology for programming local development is scattered, with many programmes pursuing different tools. Government needs to take a lead and design streamlined directives for local development planning. Donors should support such unified coordination efforts.
- **Participation empowers stakeholders and builds ownership in the CDS process.** The CDS process is particularly beneficial if a range of stakeholders are involved from early in the planning process. Local government authorities, city associations,

civic groups, NGOs, businesses, and potential financiers are more likely to support a process in which they have been invited to participate, and have seen their views respected. Broad involvement and training also help spread more accurate information about the process and build trust.

- **Develop realistic expectations and sets of actions.** Initiating a CDS process will raise expectations. With early stakeholder involvement, planning authorities work to develop realistic expectations and an agreed timeline for implementation.
- **Cities Alliance should enhance its coordination role at the local level.** The Cities Alliance should facilitate the sharing of information about CDS activities with local and national authorities and Alliance members working in-country.



Courtesy of Bibliotheca
Alexandrina, Alex-Med

Sustainable Financing of Investments

Linking cities with domestic capital—lessons learned

All Cities Alliance activities, whether undertaken as citywide slum upgrading strategies or city development strategies, should also assist cities, national governments, and their development partners in moving towards a more modern, self-sustaining financing system. Learning from CDS and slum upgrading grants in countries as diverse as Niger, the Philippines, Swaziland and Vietnam strongly suggests the need for systems that assist city governments in raising commercial finance, creating infrastructure and paying for their use over an appropriate length of time.

As the twin global trends of urbanisation and decentralisation continue, there is increasing international recognition that traditional systems of financing which rely on *ad hoc* grants or unstable revenue streams will not succeed in addressing the existing backlog of essential civic infrastructure.

Furthermore, direct lending to cities and financial institutions by bilateral and international development institutions underscore both the importance and the value of establishing a more accountable financing relationship with city governments. For example, Agence Française de Développement supports a blend of loans and grants to financial institutions, such as the Caisse des Prêts et de Soutien aux Collectivités Locales in Tunisia. AfD also supports direct loans to Ouagadougou, Burkina Faso's capital, to

finance its central market. USAID's Development Credit Authority has provided partial credit guarantees to assist small and medium cities in India to directly access markets. Multilateral institutions, such as the World Bank-International Finance Corporation Sub-national Technical Facility, and the Asian Development Bank's Sub-Sovereign Window, have begun making direct loans and guarantees.

Sustainable financing systems imply that cities are empowered with sufficient authority to provide and charge for services, and can design the use of their assets based on an inclusive medium-term prioritisation of needs. While there are a few good examples of such cities, the majority of cities in developing countries are not so empowered—indeed, they are far more likely to have limited financial autonomy or manoeuvrability, and be beholden to the vagaries of unstable and unpredictable fiscal transfers from higher tiers of government.

Yet, international experience shows that empowered cities have been better positioned to attract commercial finance. In the 1990s larger cities such as Ho Chi Minh (Vietnam), 14 cities in India (including Ahmedabad, Bangalore, and Nagpur), Douala (Cameroon), Johannesburg (South Africa), and cities in Michoacán State (Mexico) have reorganised their finances to leverage grants with commercial finance.

Smaller cities have used commercial intermediation to pool their financing needs—examples include: the Infrastructure Finance Corporation Limited (INCA) in South Africa, Financiera de Desarrollo Territorial (FINDETER) in Columbia, Tamil Nadu Urban Development Fund (TNUDF), and the Karnataka Urban Development Infrastructure Finance Corporation (KUDIFC) in India.

This movement from traditional to more modern financing systems is not merely a change in the means of financing, but is one of the most important and essential adjustments to intergovernmental institutional arrangements required to help cities and countries manage the consequences and, ideally, reap the benefits of rapid urbanisation. This repositioning involves fiscal systems of transfers that are untied, rational, and linked to buoyant taxes. The intergovernmental fiscal framework in South Africa, the Mexican decentralisation of the 1990s, common local body laws in some Indian states, and the Local Government Code in Philippines, embody the principle of empowering municipalities to finance and create infrastructure. As this repositioning involves the transfer of real powers, as well as significant responsibilities, it is often resisted, both as a consequence of a reluctance to cede power, but also due to fears of capacity constraints at the city-government level.

In most countries, these kinds of institutional and fiscal reforms will require a paradigm shift through which city governments move from unequal relationships with national governments—and aid agencies—to that of responsible local authorities dealing with local commercial financial institutions on equal terms. This kind of systemic change is most effective when achieved in a consultative manner, in the form of partnerships among cities, national governments, and their development partners.

The Cities Alliance and its members have supported this shift at two levels: at a macro level, by supporting knowledge products, and on a more micro level by working with cities and national governments in specific city and country contexts. Examples include work in Ghana, Zambia, and Russia in the Chuvash and Stavropol Republics. This annual review provides an early opportunity to reflect on the extent that these macro and micro interventions have been able to trigger and support systemic change—measured by the improved prospects of city governments

to repeatedly access commercial finance for public goods, and for the urban poor to obtain financing for home improvements.

International experience and the learning from Alliance grants suggest that three types of interventions are essential to enable a sustainable financing framework:

- **City-level actions** that demonstrate a clear revenue stream through efficiency improvements, especially own-source revenue management.
- **National-level policy actions** to enable a new market for private capital to finance public infrastructure, such as a regulatory framework for municipal debt, removal of fiscal distortions, and systems that encourage non-collateral-based lending.
- **Partnership with the private sector** in supporting mechanisms for pooling demands of small and medium cities.

Learning from grants

Described below are initiatives supported by the Cities Alliance to improve the links between city financing needs and domestic capital in Zambia, Ghana, South Africa and India.

In the 1970s and 1980s, Zambia's local government system was one of the best performing in post-colonial Africa. Fuelled by high prices for copper, Zambia's city and municipal governments were generally well managed and provided services in a sustainable manner. With the combination of the international collapse of copper prices and a move towards increasingly centrist policies in the 1980s, the country's local government system has been in a process of slow decline for about 20 years.

Zambia is engaged in key design work that will allow a well-functioning intergovernmental fiscal system to emerge, with some additional support from the Cities Alliance. This work will include specification of strategic planning processes—in essence city development strategies—that will be the basis for funding to city governments through the decentralised fiscal system. This reform process, which includes the clear articulation of roles of different levels of government and parastatals, is the basis for a framework for private financing of public infrastructure.

The impact of these reforms will be to establish a clear enabling environment for local governments in

Zambia, clear rules of access that should empower local governments to access recurrent and capital grants, and the preparation of credible development strategies based on predictable budgets.

The first step towards fiscal empowerment of cities was taken in early 2007 by the commitment to move finances to local levels and the adoption of an intergovernmental fiscal transfer framework. (See box 6 for a statement on Zambia's decentralisation policy.) This legislative measure provides an excellent platform to move onto the next effort which could be to assist the cities and municipalities to formulate restructuring plans within the CDS approach. The quantitative impact of this work could be significant, with possibilities of stable flows to local governments through a harmonised, budget-support approach.

Children collecting water from a community pump,
Lusaka, Zambia

Box 6. Zambia's Decentralisation Policy

Extract from the 2007 Budget Speech of the Honorable Ng'andu Peter Magande, Minister of Finance and National Planning, Republic of Zambia

Mr. Speaker, with the launch of the Decentralisation Policy in 2004, the government has continued to progress towards the devolution of functions to the local levels. With this devolution, certain functions in some ministries will move to the district level by the end of 2007. Sir, an intergovernmental fiscal transfer system, through which funds shall be transferred to the district councils, has been designed. To this effect, this budget has provided for the restructuring, recurrent and capital grants to assist district councils achieve solvency, fund retrenchments and ensure that they do not get back into the debt trap. The government intends to continue with the decentralisation sensitisation process to ensure that each and every Zambian is not left behind in this important national process.



Through the late 1990s, Ghana had a good track record of fiscal devolution through the District Assembly systems. Further still, the macro framework allowed for the beginning of a growing debt market for sovereign bonds. Alongside these developments has been rapid economic growth in Accra and medium cities such as Kumasi and Tema.

The need for a more modern financing framework became apparent to the government, and, accordingly, the Ministry of Local Government and Rural Development has established significant partnerships across levels of governments and the private sector. The government has also used Cities Alliance support to develop a framework for sustainable financing. This framework provides a basis for an investment loan that can blend commercial finance with long-tenor multilateral and bilateral support. The main issues addressed in the design are to better align responsibilities and powers.

To achieve this, the government has drafted a Local Government Finance Bill, which provides process guidelines for selecting cities, based on specific reforms that they are required to undertake. The steps also include city-level measures to address leaks in property taxes—at present private collectors are paid commissions for property tax collections. This has led to a situation where collectors have concentrated on a few areas where the costs of collection are low and the rewards are high. This has left large sections of cities ignored.

Cities Alliance support to the Government of Ghana, implemented by the World Bank, provides a template for reform-driven investments in cities and is available for implementation. These investments could comprise three defining elements: (i) reforms (on both the demand and supply side) to enable city governments to design, finance and pay for infrastructure; (ii) investment by cities through institutionalised loan-grant blends, based on access criteria for cities (such as collection efficiencies etc); and (iii), investment in basic services in slums.

The process of empowering city governments is perhaps best illustrated by the South African example. The Local Government Municipal Systems Act 2000 provides the enabling framework for the sharing of powers and responsibilities. Further, legislation has been backed by Municipal Infrastructure Grants requiring municipalities to prepare three-year capital



Courtesy of South Africa Department of Housing

Construction of Brickfields Social Housing Project in New Town, Central Johannesburg

investment programmes. The Municipal Finance Management Act (MFMA) 2003 provides a transparent framework for cities to access commercial finance. The MFMA itself is an outcome of a national process of putting in place an intergovernmental system which rewards performance at the municipal level, and provides a borrowing framework and active support for intermediation for small and medium cities through the Infrastructure Finance Corporation Limited (INCA).

In this context, the South African National Treasury is using Cities Alliance assistance to develop a policy tool for tracking the financial health of cities so that early action can be put in place for recovery. It also attempts to avoid moral hazard problems in an intelligent manner. This is work in progress, though it is designed for South Africa (specific to provisions of its constitution and the MFMA) and has generic elements for applications elsewhere, with Brazil, India, and Mexico being obvious examples.

India is in the midst of implementing a major national programme, the Jawaharlal Nehru National Urban Reforms Mission (JNNURM), to energise its major cities through a centrally-sponsored mechanism. As discussed in more detail in the CDS section of this chapter, key features of the reform include strategic planning at the city level. The Cities Alliance is assisting the Government of India in the two major objectives of the Mission, namely, reforms at the city level and enabling frameworks to guide cities to a sustainable growth path for financing their investments.



View of Varanasi, India from the Ganges River

Curt Carnemark/
World Bank Photo Library

The positive aspects include: the first policy action by the Government of India to move from scattered financing of *ad hoc* programmes into reform-based capital investment of a significant size, links with the 74th Constitutional Amendment empowering local governments, and the use of structured partnerships with states and cities in an organised manner.

Cities Alliance is assisting the Government of India and a World Bank-led partnership with the aim of mapping out the reform agenda, with specific focus on municipal finance. Since the term for the Mission is seven years, it is useful for the World Bank and other development partners to use this opportunity to support the Indian Government's attempts to bring greater coherence in the country programmes both thematically and geographically.

The challenges for JNNURM are to address what has been until now a list of reforms not entirely relevant to local constraints, an incomplete mechanism for financial support to city governments, and a lack of a typology for slum upgrading. Further still, there is the need for the national government to position

itself as the facilitator of a new market, rather than a supplier of grant finance without adequate involvement of the states.

As Thomas Issac, the Finance Minister of Kerala recently stated: "The role of Government of India needs a critical examination. It is often thought that fiscal decentralisation to local governments is a state issue. But this needs reconsideration. For proper fiscal federalism the imbalance between the state and the centre has to be first addressed for a balance to be struck between the state and the local government."⁷

On the supply side of finance, the Cities Alliance supported the Russian Republics of Chuvash and Stavropol to define their development strategies and clarify demarcation of municipal and oblast responsibilities—a design which could be replicated for other oblasts. This work has been completed and, in the case of Chuvashia, also led to a successful domestic

⁷. Speech at the Roundtable on Urban Fiscal Decentralization, Kochi, India, April 2006.

market financing, thereby linking the investments prioritised in the CDS with domestic private capital. (See box 7).

Global Knowledge Products

The Cities Alliance supports and develops partnerships at the global, country, and city levels. For municipal finance, these include the established Municipal Finance Task Force (MFTF), detailed below, and an upcoming urban finance tracker incorporating inter-governmental fiscal relations (IGFR) and the role of intermediation in financing small and medium cities.

As national governments and cities decentralise, there is a need to track these reforms and provide access to information on efforts being undertaken globally. Standardised information is routinely being provided for Organisation for Economic Co-operation

and Development (OECD) countries through publications for the European Union by Dexia. Cities Alliance members have expressed the need to generate similar information for developing countries—an information system which allows national governments and cities to track their performance over time and compare with other frameworks elsewhere in the world.

At a global level, the Cities Alliance shares information about municipal finance through the Municipal Finance Task Force Web site, launched in 2005. This resource has become important to a variety of users—policymakers, researchers, financial institutions—through providing an information-sharing platform to assist cities in mobilising domestic long-term capital. The Web site provides a platform which allows practitioners to analyse and share the knowledge and experience of cities which have successfully

A Yangzhou, China pilot project provided homeowners with technical support and subsidies to upgrade their houses and found a public implementing agency to improve infrastructure



Dr. Zhu Longjin/Consultant GTZ

Box 7. Chuvash Republic, Russia: Linking CDS with Domestic Market Financing

The Cities Alliance financed a CDS grant for the design of a regional capital investment strategy and prioritisation of capital expenditures for the Chuvash Republic, Russia. Given the Republic's massive infrastructure investment needs, the Republic is seeking financing from official and private funding sources on the basis of its own financial strength that include:

- A regional development strategy, key elements of which included a well-defined capital investment plan.
- Regional-city partnerships for raising infrastructure investment, defining the Republic's responsibilities for infrastructure service provision, and prioritisation of capital expenditures.
- Review of specific investment projects for accessing market-based finance.

A joint World Bank-International Finance Corporation (IFC) team engaged with the Republic to identify the potential for financial support through an IFC partial credit guarantee for the Republic's RUB1 billion bond issue.* The key outputs of Cities Alliance support of \$250,000 included the IFC partial credit guarantee of 23 percent of the bond's principal, which helped lengthen the bond's maturity, reduce the cost of capital and improve liquidity. The bond was placed successfully in mid-2006 and achieved a one-notch upgrade over the Republic's standalone rating by Moody's.

* In July 2007, US\$1 = RUB25.4.

mobilised long-term private capital, as well as the frameworks necessary, at all levels of government, to facilitate this process. Users from over 50 countries worldwide regularly download information from the MFTF Web site, with the commercial sector being the dominant user group.

In parallel the Cities Alliance has supported the initiative of United Cities and Local Governments (UCLG) in establishing a global commission on local finance. This commission is working on two major issues: the design of rational fiscal systems, and domestic sources of financing for small and medium cities. (See box 8.)

In summary, the Cities Alliance, during the year under review, has supported cities in mobilising domestic capital at two mutually reinforcing levels: (i) assistance for cities and national governments to reform their enabling frameworks to develop more self-reliant financing systems through improved intergovernmental fiscal relations, and (ii) supporting knowledge products that facilitate information sharing.



Courtesy of CAIXA

IDB-financed housing programme in Vila Sô Neném neighbourhood, Juiz de Fora (Minas Gerais State), Brazil

Box 8. The UCLG Committee on Local Finance

What is the UCLG Committee on Local Finance and Development?

Created at the United Cities and Local Governments (UCLG) World Council in Beijing (June 2005), the Committee on Local Finance and Development, chaired by Gilberto Kassab, Mayor of Sao Paulo, aims to advise UCLG members on matters related to municipal finance and resource mobilisation. The Committee meets twice a year and is supported by the Cities Alliance.

Why local finance matters

Creating more autonomy and flexibility for local governments to control their finances is a crucial dimension of decentralisation. There is no decentralisation process without local governments being able to raise sufficient financial resources to fulfil the functions assigned to them by the law. To provide services to their citizens, local governments must be assigned sufficient own-source revenues and have access to external funding.

The scale of the need in terms of local public infrastructure in developing countries is necessitating new thinking on how to finance these investments. Local governments in developing countries cannot contribute effectively to the achievement of the Millennium Development Goals without accessing or developing additional financial resources. The financing of local public goods or local public infrastructure remains insufficient, unless access to external funding is provided and own-source revenue increases drastically.

Besides the mobilisation of domestic private capital, other financial means, like development bank loans and international aid, need to be even more directed to the cities of the South, which face the challenges of rapid urbanisation.

What UCLG can do

UCLG intends to address these issues through the activities of its Committee on Local Finance and Development.

Assist UCLG members to mobilise their own revenues and improve their governance:

- Gather information on successful practices from UCLG members and partners.
- Develop toolkits based on lesson learned, particularly in developing countries.
- Promote research on local finance reform in developing countries.

Promote local government access to finance for local public infrastructure:

- Contribute to the analysis of strategies and frameworks to mobilise long-term capital.
- Contribute to discussions with financial institutions on developing access to funding—domestic and international.
- Develop innovative funding mechanisms for local government, namely through actively engaging in the initiative to create a World Bank of Cities.
- Develop partnerships with financial institutions to make them aware of the funding needs of local authorities.
- Provide advice and act as a sounding board to the Municipal Finance Task Force within Cities Alliance to strengthen the linkages between city finance needs and demands, and financing options.



Courtesy of UCLG

UCLG World Council Meeting in Marrakesh, Morocco

CITIES ALLIANCE MEMBERS' REPORTS

The *2006 Annual Report* incorporated, for the first time, short summaries of the major activities of our members. We have expanded the section this year, further revealing the rich and diverse range of activities in which our members are involved. We are also pleased to highlight the contributions of the Governments of Chile and Ethiopia, two of our new members—with the Philippines—that continue to breathe new life and vitality into the Cities Alliance.





Support for Local Government. The urban versus rural population balance witnessed a significant change in 2007 as city dwellers began to outnumber country dwellers. As a result, mayors called for greater participation in setting the policy agenda for the issues affecting their constituents. They also requested more funds to meet these needs since, as United Cities and Local Governments (UCLG) observes, less than one percent of global development funding is channelled through local governments.

Present in 136 of the 192 United Nations members states in seven world regions, UCLG's members include individual cities, regions, and national local government associations.

Success in finding effective and practical solutions to major policy questions through peer-to-peer work within its broad network (70 percent of the world's local governments participate in decentralised cooperation programmes) makes UCLG a vocal advocate for greater involvement of local authorities in the

definition and implementation of the global development agenda.

The concerted lobbying efforts of local and regional governments and partners contributed in no small part to the approval of the International Decentralization Guidelines by the UN-HABITAT Governing Council. These guidelines recognise the need for effective decentralisation both as a prerequisite of good governance and as an expression of democratic practice. In 2007 UCLG celebrates the launch of a new European Union (EU) thematic programme which is expected to facilitate access to EU funding for local government programmes.

The first UCLG Global Report on Decentralisation and Local Democracy (GOLD) will be published this year. The report—the first of its kind—aims to periodically assess the progress of and obstacles to the spread of local democracy and decentralisation. It will provide analysis of global trends and should become an advocacy instrument for local authorities.

Links with Cities Alliance Goals and Activities. UCLG plays an active role in the governance of the Cities Alliance. As a result, the voice and role of local authorities have steadily grown stronger in the Alliance and UCLG is actively promoting Millennium Development Goal-based city development strategies, notably through programmes in Latin America and Africa. UCLG hopes this initiative leads to more cities implementing projects directly.

Through its membership, UCLG promotes capacity-building initiatives that enable local governments to increase their role in the execution of slum upgrading programmes. Furthermore, UCLG is developing a policy paper on local finance that will serve as

a reference in local governments' international advocacy efforts and offer tools and reforms aimed at increasing the integration of sustainable financing in CDS and slum upgrading initiatives.

At the second UCLG World Congress to be held in Jeju, Korea under the title "Changing Cities are Driving our World," local and regional government leaders will come together to define their international agenda for 2007 to 2010. Progress toward the Millennium Development Goals, facing the challenges of climate change, and promoting peace through city diplomacy initiatives are all high on the agenda. Other sessions will include topics such as innovative governance and fostering greater social cohesion.



Courtesy of UCLG

Mayors attending UCLG Executive Bureau meetings in Paris

Brazil's federal government established a Ministry of Cities in 2003 to address society's demand for and to fill a gap in designing a coherent urban policy. The new ministry incorporates citizen input into policy formulation and addresses challenges that arose due to the lack of a national urban policy.

New housing policy. In 2004, the new Ministry of Cities designed a housing policy that established that sector's institutional-political framework. The ministry also began working in partnership with the Brazilian Federal Savings Bank (Caixa Econômica Federal, or CAIXA), the biggest public commercial bank in Latin America, to overcome the significant housing deficit, estimated at 7.9 million houses. CAIXA has a leading role in this process since it facilitates housing credit and provides technical and specialised human resources.

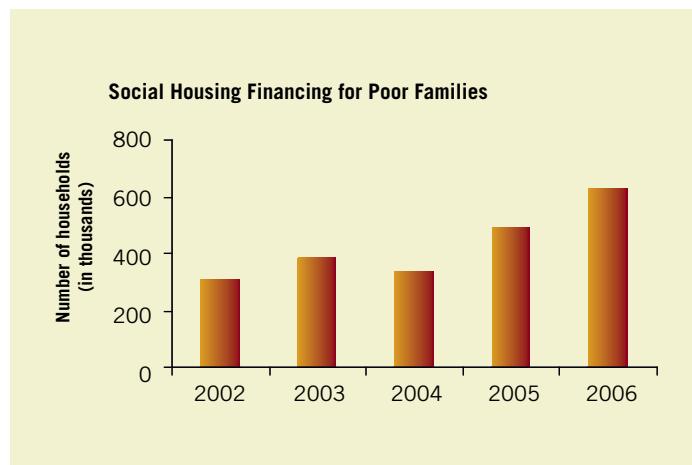
In addition to the institutional activities, citizen participation played a role in passing the law creating the National System for Housing of Social Interest

and the National Fund for Housing of Social Interest. The law sets national criteria under the guidance of the Ministry of Cities and contributes to the policies and programmes that promote access to dignified housing for low-income populations (see figure 1). The fund gives grants to cities and states for slum upgrading projects. In 2006, \$500 million was allocated. Government investment in housing has been growing, compared to the past 25 years. From January 2003 to December 2006, R\$35.14 billion⁸ were directed to housing. In 2006, the National Fund for Housing of Social Interest had a R\$1 billion budget, of which R\$850 million was to be invested in urbanising settlements, with priority being given to *palafitas* (shanty houses).

Urbanisation in precarious settlements. The issue of urbanisation in precarious settlements was in the spotlight after its inclusion in the Brazilian Growth Acceleration Programme (PAC). The plan contains

8. US\$1 equals about R\$1.9 (reals).

Figure 1. Rising numbers of poor households receiving housing financing (2002–2006)



Government of Brazil Increases Housing Assistance to Poorest Households

From 2002 to 2006 the number of poor families in Brazil receiving federal housing assistance more than doubled, from 309,400 to 630,500 households.

Of these, assistance to the very poorest (those earning less than 3 times monthly minimum wage, a government unit of income measurement) increased by 350 percent.

R\$170.8 billion for the next four years, directed to eliminating infrastructure and energy bottlenecks and improving economic growth and equitable income distribution. Some R\$2.3 billion is expected to be invested annually to urbanise precarious settlements and address urban, environmental and land regulation issues.

In parallel with housing investments, efforts are being made by the National Secretary for Urban Programmes to encourage land regularisation in precarious settlements as a way of assuring land ownership and housing rights. Through the programme “Papel Passado” that favours sustainable land regularisation, the Ministry of Cities, with Cities Alliance funding,⁹ has supported regulatory interventions countrywide. Some 1.4 million families in 2,300 settlements have benefited. Of these, 380,000 families have received land ownership certificates, or have been granted the right to live and to occupy land. With the resources allocated by the PAC, it will be possible to signifi-

9. The full name of the programme is: The National Urban Development Policy: Support to the National Programme for Land Tenure Regularisation and Socio-Environmental Risk Prevention in Precarious Settlements.



Courtesy of CAIXA

IDB-financed housing programme in Alagados IV and V neighborhoods, Salvador (Bahia State), Brazil

cantly expand activities and improve lives in 12 million urban households lacking land tenure.

By adopting such policies, Brazil reassures its commitment to the Millennium Development Goals (MDGs), especially MDG Target 11 that advocates improvement in the standard of living of slum dwellers. Brazil, therefore, as a Cities Alliance member, contributes actively to reaching this target.

Success of Development Measured by Quality of Life

Michelle Bachelet Jeria,
President of the Republic of Chile

People's quality of life is a country's measure of success. Economic and political progress is not very useful if peoples' living conditions do not improve. The success of development is measured by peoples' ability to feel safe in their neighbourhood, live with dignity in their homes, travel expeditiously to their workplace and enjoy their free time together with their family and friends indulging in culture, sports and recreation.

Housing deficit addressed through neighbourhood recovery. One of the major challenges facing Chile's Concertación¹⁰ governments in the 1990s was the housing deficit, totalling nearly 1,000,000 homeless families. Between 1990 and 2005, the government cut the deficit almost in half as a result of a housing policy based on a "trilogy"—subsidies, savings and credits—and focusing 67 percent of fiscal resources on the poorest 30 percent of Chile's population. The model has not been problem-free, however. Urban segregation, a lack of citizen participation and public space, deterioration of the existing housing stock, and insufficient comprehensiveness and neighbourhood perspective in the housing policy remain challenges.

10. Coalition of political parties in government since 1990, following the return to democracy in Chile.



Courtesy of Government of Chile

Summer Water Festival in Coquimbo, Chile



Voting for *Obra de Confianza* (Trust Works), a programme that carries out *Quiero mi Barrio* (I love my barrio) and seeks to re-establish co-existence and collaboration among neighbours to protect, develop and empower the neighbourhood.

In response, the government developed the Neighbourhood Recovery Programme with the goal of working in 200 neighbourhoods countrywide from 2006 to 2010. The goals of the programme, co-financed by the Cities Alliance, are to create neighbourhoods with a greater degree of social integration, recover deteriorated public space, and strengthen community relations. The programme will include the coordinated participation of municipalities and other public and private sector institutions linked to housing and targeting specific sectors of society, including female-headed households, youth, the elderly, and the disabled. Programmes supporting education, health, training and employment will also be supported.

A participatory process was conducted in each of Chile's thirteen regions. Two-hundred neighbourhoods in 79 communes were identified. Programme implementation began in the last quarter of 2006 in 75 neighbourhoods. An additional 72 neighbourhoods were added at the beginning of 2007 and programmes in the final 53 neighbourhoods are expected to begin in 2008. It is estimated that 450,000 people will benefit from the programme.

The implementation model for interventions involves three phases:

- **Phase 1—Design of the neighbourhood contract:** conduct a basic technical study conducted jointly with local residents to provide general guidelines for designing a management plan for the neighbourhood contract, establish a neighbourhood development council, and undertake confidence building work.
- **Phase 2: Execution of the neighbourhood contract:** consider three funding sources: direct programme financing (\$500,000 to \$1,500,000 per neighbourhood), other Ministry of Housing and Urban Planning (MINVU)-financed programmes, and programmes belonging to other public and private institutions.
- **Phase 3: Conclusion of works and closure of the Neighbourhood Contract:** Evaluation of programmes by MINVU and neighbourhood development councils.



Emerging urban agenda. The Ethiopian Government approved an urban development policy in March 2005, and created the Federal Ministry of Works and Urban Development in October 2005. These actions demonstrated the importance of an “emerging urban agenda” in terms of national policies and actions. The government’s Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06 to 2009/10) includes two urban programmes—the **Urban Development Package** and the **Urban Good Governance Package**—which were developed by the Ministry of Works and Urban Development during 2006.

The **Urban Development Package** has five strategic pillars: a micro- and small-enterprise programme; an integrated housing development programme; a youth development programme; provision of land, infrastructure and services; and strengthening of urban-rural linkages.

It will:

- Construct 400,000 houses in 72 urban centres; at least 20 percent of beneficiaries will be women.
- Create employment opportunities for 1.5 million urban residents in 825 urban centres. Fifty percent of beneficiaries will be women.

- Enable the voluntary creation of 10,000 small enterprises.
- Provide social facilities for youth to gain knowledge and engage in recreation in a productive and meaningful way.
- Ensure the participation of urban residents, public authorities and other stakeholders in all programmes.
- Deliver 13,825 hectares of serviced land in all urban centres.

Implementation of the Urban Development Package, by federal, regional and local government authorities, started in mid-2006 and is continuing as the ministry’s main activity.

The **Urban Good Governance Package** provides the policy, legislative, regulatory, administrative, systems, institutional, and capacity building support for the five strategic PASDEP urban pillars. Seven areas are addressed: land management, financial management, development planning, organisational and human resource development, infrastructure management, public participation, and justice reform. Implementation of the package’s seven sub-programmes and 23 projects commenced in the first half of 2007.

Linkages with Cities Alliance goals. The five pillars of the Urban Development Package will have real impacts on urban employment generation, fixed capital formation, slum reduction, poverty reduction and improvements in health. The Urban Development Package will increase GDP growth and help achieve Millennium Development Goals. The package contributes directly to Cities Alliance goals by:

- Scaling up successful approaches to urban poverty reduction through job creation, vocational and technical training, and development of micro- and small enterprises.
- Identifying and providing financial and other resources that help cities of all sizes obtain more financial and human resources for improved and expanded delivery of infrastructure and services, including housing.
- Promoting positive impacts of urbanisation such as job creation and urban contributions to national GDP that support urban and rural development goals.

The seven sub-programmes and 23 projects of the Urban Good Governance Package will support implementation of good urban governance practices in



Addis Ababa Housing Development Project Office, 2007

Inner City Urban Renewal through Housing Development, Addis Ketema Sub-City Housing Development (Amanuel Site), Addis Ababa, Ethiopia

Ethiopian urban centres to facilitate accelerated and sustained urban development. The Urban Good Governance Package contributes directly to Cities Alliance goals by bringing cities together in direct dialogue, promoting the developmental role of local government, and helping local urban authorities plan and prepare for future growth.



Urban development activities. The Agence Française de Développement (AfD) is strongly committed to supporting local and central governments as they work towards sustainable management of their urban settings. AfD is involved in over 100 urban development projects worldwide and pledges annually an average of an additional €150 million.

Financial Instruments for Urban Development. AfD channels its funds through a wide range of financial instruments that include loans and grants. Central governments and local governments are eligible for this assistance. For example, Ouagadougou, Burkina Faso's capital, recently received a sub-sovereign loan to finance its central market. AfD also offers credit facilities to national financial institutions specialising in municipal finance, such as the Caisse des Prêts et de Soutien aux Collectivités Locales (CPSCL) in Tunisia, and credit enhancement tools for local governments wishing to access directly the financial markets.

Local Governments at the Centre of AfD's Operations. Local governments are at the centre of AfD's strategy since most projects are undertaken in the framework of increased decentralisation. AfD supports its partner cities in meeting the challenges of poverty alleviation and access to basic services, economic development and environmental management.

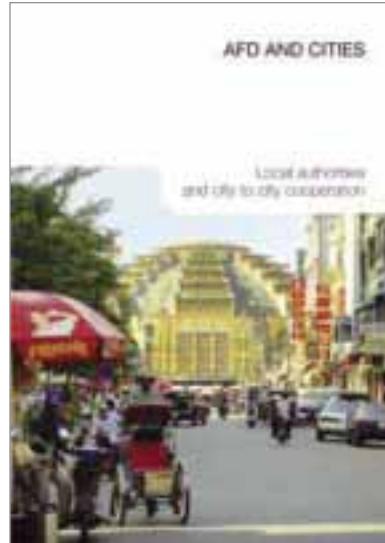
For this purpose, AfD focuses on three types of operations. First, AfD supports city governments in strategic planning for urban expansion, investment programming, and sector and economic development strategy formulation.

Second, AfD is at the side of cities to finance infrastructure for water and sanitation services, roads, drainage, waste collection and treatment, and schools. AfD's support extends to new infrastructure and infrastructure rehabilitation as well as to sustainable management and maintenance mechanisms, involving the private sector as appropriate.

Lastly, AfD facilitates the strengthening of local government capacity to implement strategic plans and maintain and develop infrastructure. This in-

cludes training technicians, managers and officials; providing technical assistance; and building capacity to mobilise sustainable financial resources. For the latter, AfD supports municipalities in optimising local taxation systems and revenue-earning infrastructure. Likewise, AfD promotes a contractual approach between the central government and the cities, which enhances the local government's capacity to plan and finance investments over several years. As shown in Niger, Senegal and Tunisia, such municipal contracts officially empower municipal authorities tasked with implementing development projects, while allowing the central government to monitor financial and governance issues.

Promoting City-To-City Cooperation. In several instances, AfD builds on the experience of French local governments who wish to get involved with their counterparts in the South. These partnerships, mostly city-to-city as demonstrated between Lyon and Ouagadougou, Lille and Cotonou, and Paris and Amman, facilitate the exchange of experience, particularly when initiated at the identification stage of an AfD project. This three-sided cooperation has proven very efficient, notably in planning and municipal management improvement programmes.



AfD and Cities Alliance. Collaboration with the Cities Alliance has become central to many AfD operations. Several city development strategies have been co-financed by the Cities Alliance and AfD. Recent examples include projects in Cotonou, Benin; Dakar, Senegal; and Ouagadougou, Burkina Faso. The cooperation will extend in the near future in the field of municipal finance.

The Cities Department of the Institut des Sciences et des Techniques de l'Equipement et de l'Environnement pour le Développement (Isted) coordinates activities to collect partner know-how in the field of development, promote the exchange of experience among Northern and Southern countries, and support the international activities of its members.

Isted works frequently in coordination with local, national and international public and private organisations on the following types of activities:

- Creating knowledge opportunities through studies, thematic working groups and missions of expertise.
- Strengthening skills through training, research programmes and seminars.
- Facilitating networks and partnerships.
- Sharing and disseminating information through conferences and publications.

Urban Development Research Programme. In 2006, Isted published the final evaluation of its urban research programme PRUD (Programme de recherche urbaine pour le développement)¹¹ whose activities were undertaken in conjunction with the Groupe-

ment d'Intérêt Scientifique pour l'Étude de la Mondialisation et du Développement (Gemdev). Under the programme, thirty research projects with broad geographic reach were supported. The research, initiated by the French Ministry of Foreign Affairs, invited proposals with two research thrusts: (i) intervention in a city (metropolisation, the environment and cultural heritage, and creating infrastructure, city services and community facilities), (ii) the different approaches and strategies of city managers (governance, decentralisation and local democracy; the use of expertise with regard to professional knowledge and urban culture).

As a result of the PRUD programme, the French Ministry of European and Foreign Affairs decided to launch, for the next four years (2007–2010), a new programme devoted to urban and local governance. That programme will support: (i) the African municipal network, (ii) western and central African local sustainable development and decentralised policy strengthening, (iii) urban governance strategies, (iv) evaluation and follow-up.

Basic services. Isted published the guide *Basic services in cities in developing countries: Equitable access and coverage for low-income households* in June 2006. Programme Solidarité Eau (pS-Eau) led the working group to complete this guide. The guidelines note

11. See www.gemdev.org/prud for more information.

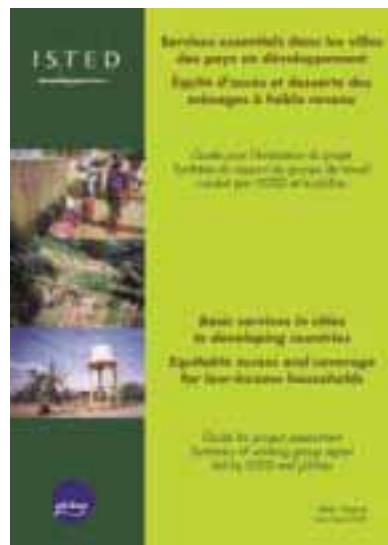
the conditions required for poor people to achieve good access to services and suggest three approaches for water, sanitation, and waste management:

- Improving universal services to ensure the same regulations are applied to all without causing exclusion.
- Establishing partnerships with neighbourhood stakeholders.
- Associating users with service management by encouraging users to organise into groups and manage services.

The main results were presented and discussed with African local authority delegates in Nairobi during the Africities Summit in September 2006.¹²

Emerging cities. Based on the results of 25 years of urban development programmes supported by French aid, Isted was requested to conduct a review of urban topics as keys to understanding and action for growing cities. A book and a Web site were launched in July 2007 to help local and national authorities discuss activities with French representatives, public and private entities, and mayors.

12. Executive summary of this report available at: www.isted.com/pole-ville/services_essentiels/synthese_services_essentiels_2006.pdf.



Urban development activities. The German Federal Ministry for Economic Cooperation and Development (BMZ) continued to expand its urban portfolio through new programmes, primarily in Asia.

Under the theme “Investing in Asia’s Urban Future,” more than 100 representatives of municipal, local, provincial and national agencies dealing with urban development joined donors at a conference held by BMZ and the Asian Development Bank (ADB) to discuss new ways to improve the living conditions of the 1.6 billion people in Asia’s cities. The main outcome of the conference was the establishment of a joint City Development Initiative for Asia (CDIA). The CDIA will provide technical support to cities to facilitate their access to financing from international and domestic sources. The CDIA is expected to complement Cities Alliance efforts as it is envisioned as a mechanism to direct resources to cities following the preparation of a city development strategy. Cities Alliance member Sida is also joining efforts in support of this initiative.

On the occasion of the third session of the World Urban Forum in Vancouver, BMZ organised a joint BMZ-Cities Alliance networking event on “The Inclusive City.” Recent and emerging urban strategies to counterbalance the widening socio-spatial and economic gap were presented. The discussion among panellists and network participants helped to pinpoint essential requirements for practical urban and national development policy.

Links to Cities Alliance goals. In its urban portfolio, Germany will continue its focus on the following main approaches to improving urban services:

- Capacity development in various fields of urban management to implement poverty-oriented programmes.
- Financing and development of new finance facilities for urban infrastructure and services.

Its main areas will lie on the poverty-oriented improvement of urban infrastructure and the promotion of good urban governance.

Germany continued supporting the Cities Alliance through its financial contribution and secondment of personnel to the Alliance’s secretariat. Germany would like to contribute further to the dissemination of best practices in pro-poor urban policies and encourages proposals from partner cities of the Cities Alliance.



Courtesy of BMZ

Beneficiaries of poverty alleviation programme in Egypt

Government of Japan

(www.mlit.go.jp/english/ and www.jbic.go.jp/english/)



CDS in the Philippines. The Japanese government has supported cities in the Philippines in conducting city development strategies. The CDS programme, now in its third phase, has been notable for involving mayors, local governments and a range of stakeholders in defining city strategies. The League of Cities of the Philippines (LCP), consisting of 117 cities, has been the implementing agency.

CDS phase 1 was initiated by the World Bank in 1998 for seven cities. Participating local government units (LGUs) worked on city improvement by planning, budgeting, and programming development projects and individual action programmes through the CDS process. About 30 more cities became involved in strategy development during CDS phase 2.

CDS phase 3 built on the successes of the first two phases and began with the signing of an agreement between the World Bank's Philippines country office and the LCP in September, 2005. To date, 47 cities in the Philippines have undertaken a CDS process supported by the Cities Alliance, in part with Japanese contributions, and the World Bank.

Unique features of Philippines CDS work include the role of LCP as the implementing agency, and the

many member cities that have participated in the CDS process. Information dissemination to share knowledge, challenges, and experiences is part of the CDS process. LGUs give presentations on the challenges they face and look for ways to improve their projects by learning from the examples of others. About fifty LGUs are trying to expand and improve their responses to challenges in the Philippines through CDS processes.

Two notable approaches to CDS in the Philippines include projects in San Fernando and Marikina cities. In San Fernando City, La Union, the city government implemented a housing project to relocate informal settlers based on CDS experiences in other cities, since informal settlers are common in the Philippines. In San Fernando, La Union, 100 houses were built with World Bank support. The city government is also tackling waste management and traffic issues.

In the Philippines, *jeepneys* (popular transport vehicles) cause traffic congestion and air pollution. Marikina City, Metro Manila, wanted to reduce urban traffic congestion and improve air quality. The city government began promoting bicycle transportation as a safe, inexpensive, and clean alternative. Sixty kilometres of bikeways are now planned and the city is conducting classes on safe bicycle riding and bicycle maintenance. Two kilometres of World Bank-supported bikeways have been completed, to date.



Courtesy of Government of Japan



Courtesy of Government of Japan

Far left: CDS-3 Investment Planning Workshop, Philippines

Left: Housing Project in San Fernando (La Union), Philippines



Two ministries merged. In recognition of the inextricable linkages between the environment and human settlements as interdependent and mutually reinforcing pillars of sustainable development, the ministries responsible for the environment and human settlements were merged into a single body in December 2006. The new Federal Ministry of Environment, Housing and Urban Development will pursue successful delivery of MDG 7 target on ensuring environmental sustainability.

Urban development programmes. Building on the gains of democratic governance, a National Economic Empowerment Development Strategy (NEEDS) was implemented from 2003 to 2007. NEEDS aims to enhance economic growth, human development and service delivery, especially through positive governance, zero tolerance for corruption, public service reform, and improvements in financial planning and control. In April 2007, a NEEDS-2 action document emphasising urban upgrading as a strategy for poverty reduction was prepared.

The Federal Government, in collaboration with the Lagos and Ogun State Governments, has embarked on city-wide redevelopment of the Lagos Mega-City region. A Lagos Mega-City Development Authority was established in March 2007 with responsibility for implementing strategies proposed for infrastructure development, slum upgrading, sanitation, physical planning, security, sanitation, traffic and transportation, funding and institutional reforms.

The first phase of a Rapid Urban Sector Profiling Studies (RUSPS) was initiated for six Nigerian cities. It involves action-oriented urban assessments of needs and capacity-building gaps, and focuses on governance, local economic development, basic urban services, slums, gender, and the urban environment. Project components include preparation of feasibility studies, policy development, project implementation, local economic development, local leadership, and environmental management. It will provide strategic guidelines for balanced and integrated development.

The MDG Debt Relief Fund project commenced in the Moferere-Ondo central business district in 2006. It involves redevelopment and upgrading of basic services, an HIV/AIDS community advocacy programme, and general awareness campaigns. Similar projects will start in Bilbis-Tsafe (Zamfara State) and Awka, Umunze (Anambra State) in 2007.

Improving national standards. A National Environmental Standards and Regulations Enforcement Agency was established in November 2006 with responsibility for environmental protection, biodiversity conservation, and the sustainable development of Nigeria's natural resources. Also, a National Building Code was adopted in August 2006 to guide and regulate activities in the building industry, set standards, and specify sanctions and remedies for infringement.

Courtesy of Federal Ministry of Environment,
Housing and Urban Development, Nigeria



Oshodi highway in Lagos, Nigeria: a challenge
in urban management

The potential of Nigerian cities. While cities in most Western countries drive the national economy, Nigerian cities have yet to achieve this role as its cities have inadequate planning, congestion, squalor, and extreme poverty. Nigeria has an estimated population of 140 million, is one of the most rapidly urbanising countries in Africa and has about 60 percent of its population living in urban areas. The proportion of urban dwellers in slums rose from 24.09 percent in 1990 to 50.7 percent in 2005 and is on the increase. Nigerian cities have enormous potential for economic development and poverty reduction if properly administered and managed, however budgetary allocations to urban management are grossly insufficient, and technical and managerial capability are deficient.

In addition to on-going activities and to better ensure effective administration, strengthen the capacity of city administrators and mobilise increased resources for sustainable development and poverty reduction, Nigeria will undertake a State of the Cities Report in 2007 to assess and analyse the performance of 20 of its largest cities in terms of livelihoods, environmental sustainability and service delivery, spatial form and infrastructure, financial resources, and governance, with a view to generating information for preparation of MDG-based city development strategies. Also imperative for the future is the need to develop new strategies for increased private sector involvement in the financing and management of sustainable urbanisation.



Courtesy of Federal Ministry of Environment,
Housing and Urban Development, Nigeria

Slum settlement in Makoko, Nigeria



New urban development policy launched in 2007. In early 2007, Norway's main activity in urban development was the production of an urban development policy entitled "Cities—hopes and challenges." The policy will be launched publicly later in the year. The process has been open and transparent, bringing government ministries, universities and research institutions, civil society organisations, and corporate business and consultancy firms into active dialogue and cooperation. On this basis, an informal Norwegian urban development network has emerged. During the process, Norway's ongoing urban development assistance was also mapped.

The policy emphasises full integration of the urban perspective in all Norwegian assistance sectors. It also promotes a synergistic relationship among bilateral, multilateral and civil society players with regard to urban development and national and international

urban knowledge production and advocacy. The environment, gender, humanitarian assistance, and peace and reconciliation are singled out in the policy as broad cross-sectoral perspectives of particular interest for Norwegian assistance. These are also perspectives highly relevant to the future work of Cities Alliance. It is explicitly stated in the policy that Norway shall contribute to a strengthening of the work of the Cities Alliance with regard to knowledge development, urban environment, gender, and rights-based advocacy.

Priorities and partnerships. At the UN-HABITAT Governing Council 21, a main human settlements event in 2007, Norwegian priority issues included youth, gender, decentralisation, and local democracy. The meeting resulted in the adoption of resolutions paving the way for a Youth Opportunities Development Fund, a gender strategy and further emphasis on decentralisation as important UN-HABITAT tasks and challenges. Identical priorities will also be reflected in Norway's upcoming negotiations with UN-HABITAT for a second programme agreement phase (2008–2009). This comes in addition to urban financing, water and sanitation and urban land programmes.

Norway has been involved in the Cities Alliance strategy process following the 2006 Universalia evaluation of the Cities Alliance. To make the Cities Alliance more relevant and effective in relation to stakeholders, Norway supports strengthened involvement of civil society in the work of the Alliance at all levels. In 2007, Norway expects to nearly double its core assistance to the Cities Alliance and UN-HABITAT.

Jan-Andreas Solberg



Community leader explaining savings project run by
Rede InterAção to new members and the media in
São Paolo, Brazil



Housing provision. During the financial year 2006/7 a total of 271,219 housing opportunities were provided through the government subsidy programme. Of this total the vast majority were built directly by government, while a small proportion was built through private sector developers. Thus, the total number of units completed and under construction since 1994 stands at 2,355,913.

The right to adequate housing remains enshrined in South Africa's constitution (section 26, Act 108 of 1996), and the government continues to play a leading role in the provision of adequate housing, especially for the poor, and low-income earners. Yet despite the achievements stated above, the demand for low-income housing is not abating, with the current backlog standing at 2.2 million units.

Since 2005, government has made a concerted effort to involve the private sector, including developers and financial institutions, in the provision of low-income housing. These efforts have paid off and in recent years various excellent examples of "inclusionary" (mixed income, mixed typology) housing have been developed through this partnership.

Informal settlement upgrading. The Comprehensive Plan for the Development of Sustainable Human Settlements (commonly referred to as Breaking New Ground/BNG), announced by South Africa's Minister of Housing in 2004, foresees a dramatic change in the approach to housing, moving away from the "mere" provision of shelter to a strategy for developing integrated communities close to social amenities and economic opportunities. In line with this plan, a pilot programme that includes at least one informal settlement upgrading project per province is being undertaken. These lead projects are taking a phased, area-based approach to services and housing, and include social and economic amenities in their planning, with a strong focus on community participation. The experiences from these lead projects will form the basis for the consolidation of a national upgrading strategy to be developed in the current financial year (2007/8), and eventually roll out to all existing infor-

mal settlements country-wide in order to meet our Millennium Development Goals target.

Integrated development planning. In 2006, a specific programme was introduced to address inadequate housing planning at the municipal level. The programme provides support to municipalities in the compilation of good quality, credible and realistic housing plans as part of the overall process of integrated development planning. The programme provides process and product guidelines for municipal housing sector plans, as well as an indication of the division of roles and responsibilities regarding housing planning for municipalities and provinces. Capacity building initiatives to support municipalities will remain a priority for the South African government. The close linkage between the Provincial Planning Dispensation and the programme for Housing Sections of Integrated Development Plans ensures realistic planning and better collaboration between provincial and local spheres of government, thereby contributing to more effective service delivery on integrated housing programmes, including programmes aimed at the upgrading of informal settlements.



Courtesy of South Africa Department of Housing

Aerial view of Brickfields Social Housing Project in New Town, Central Johannesburg, South Africa

New urban development policy launched. The Swedish International Development Cooperation Agency (Sida) launched an urban development policy in 2006 entitled “Fighting Poverty in an Urban World.” It identifies five strategic focus areas for Sida’s urban work and guides Sida staff in integrating urban issues into development cooperation. By demonstrating why appropriate urban development is the key to economic growth and poverty alleviation at local and national levels, it provides a useful tool for dialogue with partner countries, development partners, civil society organisations, the private sector—and within Sida.

While the policy text is brief, a more comprehensive document entitled “More Urban—Less Poor” provides a descriptive and analytical background to the critical issues related to urban development. This reader-friendly publication has received worldwide recognition.

Urban development planning. Recent urban development work has begun to show results. In Kenya, for example, urban development was recently proposed to be one of the three principal sectors in the 2007 to 2010 cooperation strategy between the Kenyan government and Sida.

Sida also supports a programme in Kosovo to enhance development planning in six municipalities in response to an unprecedented construction boom and urban growth, and the limited local capacity for

managing these changes. The programme, implemented by UN-HABITAT, will help meet the significant need for improved spatial and urban planning. Through the programme, civil society and other stakeholders are actively involved in shaping the development of their own neighbourhoods.

In cooperation with the Ministry of Industry in Bangladesh, support is given to efforts to relocate some 175 highly polluting tanneries from central Dhaka to the outskirts of the city. This is the first industrial relocation of this scale in the country and environmental issues are in focus. Valuable lessons are being generated at a national level for managing future industrial relocations.

Publications and events. In cooperation with the Aga Khan Trust for Culture, “Fighting Poverty in Historical Cities” was published. Focusing on Africa, the paper describes how the fight against urban poverty can be combined with and managed by using resources embedded in a rich cultural heritage. The case of Zanzibar is described in detail. Another publication widely distributed during the period was Sida’s report from the World Urban Forum held in Vancouver in June 2006.

Two major events supported by Sida during this period included a workshop in Stockholm, “Financial Services for the Majority: Experiences and Innovative Methodologies,” in December 2006; and a Consultative Group to Assist the Poor working group on housing microfinance.

Housing finance support. By entering new agreements covering the period 2006 to 2008, Sida remains one of the major contributors to the Slum Upgrading Facility (SUF) and the Community-Led Infrastructure Financing Facility (CLIFF). Also, the successful microfinance programme for housing and infrastructure investment in Central America continues. It is now estimated to have reached at least 550,000 people, corresponding to about five percent of the urban population in the five cooperation countries.

Donor harmonisation. In line with the ambitions to support urban development in harmony with other donors, Sida recently joined the Asian Development Bank and Germany's Ministry for Economic Cooperation and Development in their efforts to establish a city development initiative for Asia.

On an innovative pilot basis, a fund to support new technologies within the field of sustainable municipal environmental projects is under preparation.



Courtesy of Sida

Untreated Wastewater from 175 tanneries in Dhaka, Bangladesh flowing into the Buriganga River

Urban development support. The Department for International Development (DFID) of the United Kingdom (UK) supports urban development through bilateral grants, support to global initiatives, and urban content of other sector programmes. DFID programmes in well-performing, low-income countries increasingly emphasise general poverty reduction budget support. The nature of fiscal decentralisation in each country will determine the share of DFID budget support spent at the city level.

International initiatives that DFID supports include annual core funding of \$2 million to UN-HABITAT, and specific funding to improve monitoring of MDG target 11 that seeks to improve the lives of slum dwellers. DFID supports the Cities Alliance with a commitment of \$6.5 million until 2010.

Housing finance. With little access to secure housing, and often working in the informal economy, slum dwellers are seldom able to access finance. DFID currently supports two partnerships to bring together private finance for housing for the urban poor. This includes a DFID grant for \$13.4 million to the Community-Led Infrastructure Financing Facility (CLIFF), which helps mobilise public and private finance for housing improvements. CLIFF has disbursed \$10.4

million which has leveraged \$65 million more from the private and public sector. This has led to the construction of 7,000 homes and access to sanitation for over two million slum dwellers.



DFID Image Library

Kadija (9) and Mobina (3) beg at a market in Dhaka, Bangladesh to support their family

DFID also provides \$10.9 million to the Slum Upgrading Facility. This exists to mobilise domestic capital for slum upgrading and municipal development. In November 2006 pilot activities started in four countries: Ghana, Indonesia, Sri Lanka and Tanzania.

Country programme highlights. DFID's largest bilateral urban poverty programme is in India. DFID currently has large, long-term urban programmes totaling \$527 million in the focus states of Andhra Pradesh, Madya Pradesh and West Bengal. These are aligned with the Jawarhal Nehru National Urban Renewal Mission, which links investment with urban reform.

DFID's large sector involvement in urban development in India initially focused on service delivery. The emphasis has moved to strengthening city governance, improving policy and planning processes, and community strengthening to make service delivery more accountable to citizens.

The UK government is engaged in a sustainable development dialogue with China. The partnership involves high-level dialogue and technical exchanges. The urban component of the dialogue involves working with ministries in China on the critical issues of regeneration of low-income urban areas and better urban planning, drawing on new and best practice in both countries.

DFID water and sanitation programmes frequently have a significant urban component. For example, the \$31.5 million Advancing Sustainable Environmental Health project in Bangladesh has a large urban component. International initiatives on water and sanitation also have an urban component, including rural-urban disaggregated data in the UNICEF/WHO Joint Monitoring Programme, and the Water and Sanitation for the Urban Poor initiative.

Publications. The UK recognises that making an impact on urban poverty requires working in partnership; thus the funding detailed above is directly linked to Cities Alliance goals. DFID also supports the production and dissemination of publications on urban poverty. In DFID's recent white paper, "Making Governance Work for the Poor," the importance of improved governance is highlighted as central to poverty reduction. Also, the DFID-funded publication "Making Planning Work" was launched at the

third World Urban Forum in Vancouver in 2006. The publication covers the importance of establishing effective partnerships and sharing skills, and includes 20 case studies.



Urban development activities. The United States Agency for International Development (USAID) and its partners worldwide continue to support cross-sectoral solutions to improve the capacity of cities and local governments in addressing the challenges of rapid urbanisation. Programmes supported include local economic development, improved service delivery, and sustainable financing of basic infrastructure and services. USAID promotes pro-poor local governance policies, economic growth, and more equitable access to services in countries worldwide. USAID also supports the development of employment-based activities that generate jobs and raise working skills among the urban poor and youth through public-private partnerships to improve the business environment and connect the informal sector with the formal economy. For example, the employment rate for graduates of Entra 21, an innovative workforce development programme now operating in 18 countries throughout Latin America and the Caribbean, is 50 percent.

To respond to the demands of urbanisation, USAID also carries out programmes in shelter finance, secu-

rity of tenure, and increasing local government revenue. Through a partnership with Shorebank International in Morocco and South Africa, financial sector institutions were brought downmarket. By bringing the formal banking sector into urban slums, over \$23 million in new loans were issued for housing. USAID supports city-to-city partnerships that bring greater transparency, participation and accountability to local governments and also improve service delivery in cities to demonstrate the tangible benefits of a more democratic society. In Afghanistan, for example, USAID will build on the successes of a partnership programme to improve community services in Kabul and expand the model to other Afghan cities. By partnering with national and local governments, associations, the private sector, non-governmental organisations and other donors, USAID aims to bring greater resources to improve the lives of the urban poor.

Links to Cities Alliance programming. By working across a range of sectors, including democracy and governance, economic growth, and health, and by leveraging public and private sector resources to reduce

the causes and effects of urban poverty, USAID supports the goals of the Cities Alliance. USAID works at the community, local government, and national levels to build capacity and improve policy. At the municipal level, USAID's decentralisation and local governance strengthening programmes introduce participatory approaches to planning with the aim of increasing transparency and accountability at the local level. By building the foundation of good governance and management at the municipal level, it is possible for local governments to access resources from the private sector to finance improved urban services. In Mexico, USAID's partner, Evensen Dodge International, has demonstrated that sub-national governments can successfully access private capital markets, opening the way for local governments with sound financial management practices to invest more in improving water, sanitation and other essential services. USAID is expanding its work on innovative financing to build models from regions as diverse as Africa and Asia.



Courtesy of USAID

Drainage system being put into place with matching contributions from the community of Marwari Basti in Agra, India

Thirtieth anniversary of UN-HABITAT's founding. The year 2006 marked the 30th anniversary of a meeting in Vancouver, Canada that led to the founding of the United Nations Human Settlements Programme (UN-HABITAT). Today, UN-HABITAT has 150 technical cooperation programmes and projects under execution in 48 countries, of which the majority are in the least developed countries. In many of these, the Cities Alliance is a key collaborator.

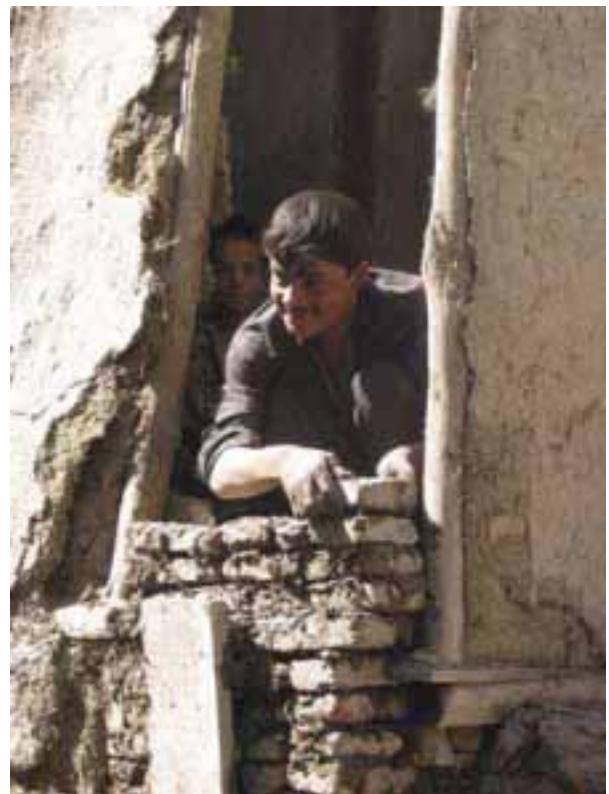
The United Nations convened the Habitat I conference in Vancouver in 1976 as governments began to recognise the consequences of rapid urbanisation, especially in the developing world. In those days, when two-thirds of the world's population lived in rural areas, urbanisation and its challenges were barely considered by a United Nations created just three decades earlier.

The growing global awareness of human settlements challenges contributed directly to the resounding success of the third session of the World Urban Forum held in Vancouver in June 2006 to mark UN-HABITAT's 30th birthday. More than 10,000 people participated in the World Urban Forum, now a biannual event.

Asia-Pacific regional conference. In a fitting climax to 2006, the first Asia-Pacific Ministerial Conference on Housing and Urban Development unanimously adopted a new mechanism setting up a permanent secretariat. Like governments in Latin America and Africa that hold regional conferences, the Asia-Pacific governments agreed to meet regularly at the regional level. High on the agenda will be urban poverty and governmental accountability for addressing poverty issues.

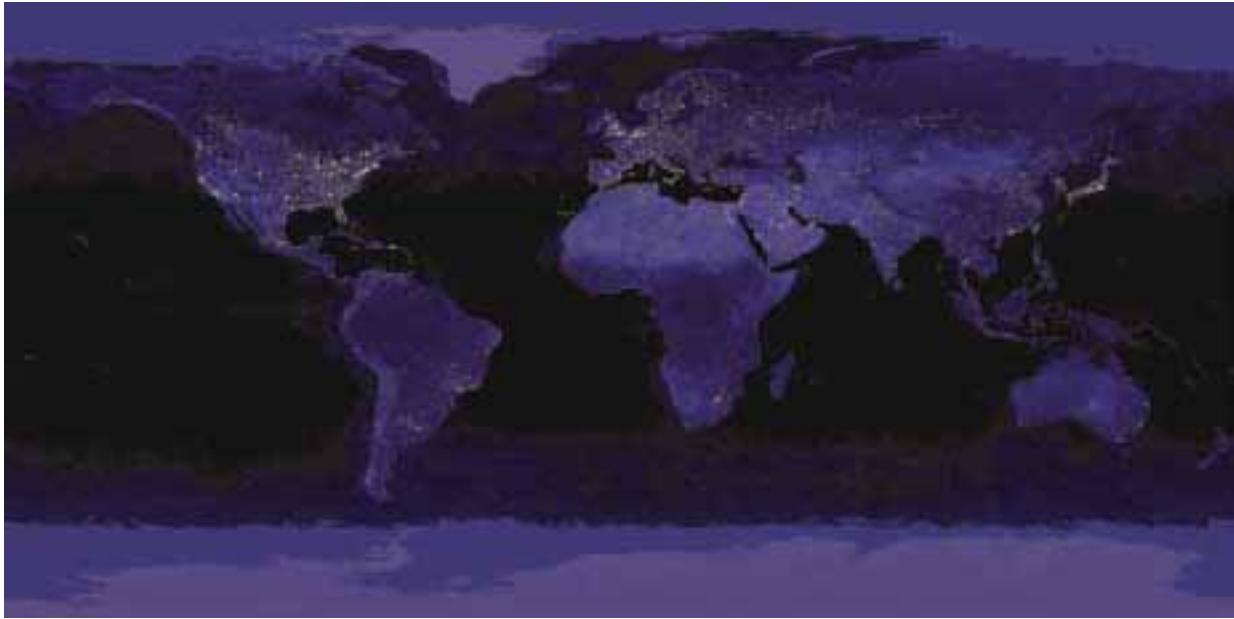
Partnerships. The Cities Alliance secretariat participated in these meetings and contributed to and advised on UN-HABITAT flagship reports such as the *State of the World's Cities*. With half of the world's population now living in towns and cities, the 2006/7 edition of the report shows that the battle for attaining the Millennium Development Goals will be won or lost in the urban arena. It shows for the first time that urban growth is almost synonymous with the growth of slums, and that the urban poor are just as likely as their rural counterparts to suffer from malnutrition, hunger and disease.

Other highlights include UN-HABITAT assistance to helping more than 30 countries institute new regulations for the progressive realisation of land, housing



Szilard Friska/UN-HABITAT

Rebuilding after a bombing raid in Afghanistan



© NASA/Visible Earth (<http://visibleearth.nasa.gov/>)

This image of earth's city lights was created with data from the US Defense Meteorological Satellite Program (DMSP) Operational Linescan System (OLS). Originally designed to view clouds by moonlight, the OLS is also used to map the locations of permanent lights on the earth's surface. The brightest areas of the earth are the most urbanized, but not necessarily the most populated. (Compare Western Europe with China and India.) Cities tend to grow along coastlines and transportation networks. Even without the underlying map, the outlines of many continents would still be visible.

and property rights, including women's rights. Collectively, over 80 countries in Africa, Asia, Latin America and Arab States were implementing new housing and urban infrastructure development projects in collaboration with UN-HABITAT, the United Nations Development Programme, the European Commission, the Cities Alliance, the World Bank, regional banks and bilateral donors.

In keeping with the resolutions of various UN bodies, UN-HABITAT worked to bring the urban dimension into the international climate change debate. This led to a robust cooperation programme with United Nations Environment Programme to better promote conservation in both the built and the natural environment to help offset the negative environ-

mental impacts of urbanisation. UN-HABITAT is also supporting UNEP in an initiative to improve the environmental dimension of Cities Alliance-supported projects.

Over the past months, UN-HABITAT and its partners worked on Habitat's new Medium-term Strategic and Institutional Plan (2008-2013) to ensure that urban poverty and other human settlements problems remain properly prioritised within the agency and high on the international agenda. Progress in urban development and poverty reduction is still being measured. It depends as much on the political will of governments and local authorities as communities themselves, and the degree to which all consult one another.

During the past year, the United Nations Environment Programme (UNEP) concentrated on three environmental issues affecting cities and poor urbanites: climate change, the depletion of biodiversity and ecosystems, and inadequate sanitation and discharge of untreated municipal wastewater.

Climate change. Cities in developing countries are facing the challenge of responding to the impacts of climate change. Poor urban dwellers will be most highly at risk from impacts such as natural disasters, sea-level rise, increased health risks through vector borne diseases, water shortages, and threats to food security. At the same time, cities in developing countries are the world's fastest growing urban areas. Energy consumption, increasing transport needs, and building activities will all lead to carbon dioxide emissions which contribute to climate change.

To assist cities in developing countries respond to such challenges, UNEP has developed a proposal on African cities and climate change, focusing on both adaptation to risks and mitigation of emissions. UNEP is also developing a Clean Development Mechanism project for cities, whereby developed country cities reduce greenhouse gases by, for example, investing in clean energy projects in developing country cities.

To make the voices of local governments heard in the global debate, UNEP gathered urban policymakers from Africa during a workshop at the Fourth Africities Summit (Nairobi, September 2006) to formulate a joint position on climate change. This message was transmitted to the 12th conference of the parties of the UN Framework Convention on Climate Change (Nairobi, November 2006).

Sustainable urban policy decisions have far-reaching impacts on the global climate, and at the same time benefit a city. For example, by increasing

efficiency and reducing emissions in the energy, construction and transport sectors, cities will also reduce air pollution, thereby improving citizens' health. A climate action handbook for cities developed by International Council for Local Environment Initiatives (ICLEI), UN-HABITAT and UNEP seeks to support urban policymakers in monitoring carbon dioxide emissions and guiding them in ways they can improve their city's resilience while at the same time reduce carbon dioxide emissions.

Ecosystems and biodiversity. Cities draw on their surrounding ecosystems for goods and services, and city by-products and emissions can affect regional and even global ecosystems. Therefore, cities are important managers of ecosystems and users of biodiversity.

The international community has set a target to reverse the loss of biodiversity by 2010. Together with international organisations such as the Convention on Biological Diversity, ICLEI, the World Conservation Union, and others, UNEP assists cities in meeting this target. During the recent international meeting "Cities and Biodiversity: Achieving the 2010 Target" (Curitiba, March 2007), cities welcomed UNEP's initiative to form a global partnership to meet this challenge. UNEP collected case studies and recommendations for cities during a 2006 African regional workshop in Nairobi. The collection was published in the booklet "Viumbe hai. African Cities, Ecosystems and Biodiversity."

Sanitation and wastewater. Discharge of untreated municipal wastewater into rivers, lagoons, estuaries and the ocean is one of the most serious threats to the health of coastal populations and to sustainable development worldwide. Many cities are facing daunting challenges in addressing municipal wastewater



Nairobi National Park, Kenya

disposal and keeping pace with rapid urbanisation. There is an overall need to adopt and implement alternative and sustainable approaches to municipal wastewater management, with the goal of reducing the large proportion of the population without access to adequate sanitation.

As one of the responses to this need, UNEP, jointly with the UNESCO Institute for Water Education and the United Nations Division for Ocean Affairs and the Law of the Sea, has developed a training course entitled "Improving Municipal Wastewater Management for Coastal Cities." In 2006, this course was delivered in China, Egypt, Guam, Papua New Guinea and Saudi Arabia. To date, some 160 professionals from ten countries have been trained. The content is based on the UNEP/WHO/UN-HABITAT/Water Supply and Sanitation Collaborative Council (WSSCC) Guidelines on Municipal Wastewater Management. UNEP offers assistance to former course participants in the formulation of feasible and environmentally-friendly project proposals.

Linking with cities. The environment is the biggest asset of the poor—it is under this premise that UNEP works with cities and national governments. UNEP promotes city planning which allows cities to develop

on the basis of the continued availability of environmental resources. Sustainable urban development will also minimise health risks and reduce environmental impacts at local and global levels. For example, UNEP is giving technical support to a CDS in Sana'a, Yemen on air quality and water management.

UNEP's primary objective of its engagement in the Cities Alliance has been to improve the environmental dimension of Cities Alliance-supported projects with the goal of achieving sustainable urban development. To this end, UNEP and the Cities Alliance commissioned a study from ICLEI on ways to integrate the environment into city planning. The report will be published in the latter part of 2007.

Also, the November 2006 Public Policy Forum of the Alliance focused on the theme "Environment, Poverty and Development in an Urbanising World," the first PPF to deal with the environment. UNEP organised a session which made the case that ecosystem services are an asset for cities. UNEP made concrete recommendations to the 2006 Cities Alliance Consultative Group on how the environment could be included in Alliance-supported projects to the benefit of recipient cities. The forthcoming Cities Alliance medium-term plan provides options for operationalising this concept.

Urban development activities. City regions and megacities serve as magnets for people, enterprise and culture. In the next 20 years, another 1.1 billion people will live in Asia's already congested cities. Without effective urban management, this growth will only exacerbate the existing problems of pollution, lack of potable water, slums and traffic congestion, among others. Though Asian cities on average provide 80 percent of the economic base of the economy, large disparities have emerged as poverty has urbanised. Today, over 200 million people live in poverty in Asia's cities and many more are vulnerable to economic and environmental shocks. These serious and growing problems have overwhelmed urban managers. The response cannot be simply "business-as-usual." We need to develop new modes for engagement in this sector, reflecting new roles and types of clients. Today's responses must address the factors key to a sustainable future: economic, environmental and social.

Urbanisation is a mega-trend in Asia and the Asian Development Bank's (ADB's) Long-Term Strategic Framework, 2001 to 2015 marked it as one of its main challenges. ADB has a long history of working in the urban sector. Around 10 percent of ADB lending, both in amount and number of loans, has been for urban sector projects and totalled over \$11 billion. There appears to be a strong demand from cities for ADB financing, particularly in China, India and Pakistan. However, total borrowing from ADB must be consistent with overall macroeconomic and public debt considerations.

Project completion reports show that urban multisector projects have generally performed well, with 81 percent rated successful or highly successful between 1995 and 2005. The performance of water and sanitation projects has been somewhat weaker (67 percent were rated successful). Urban sector

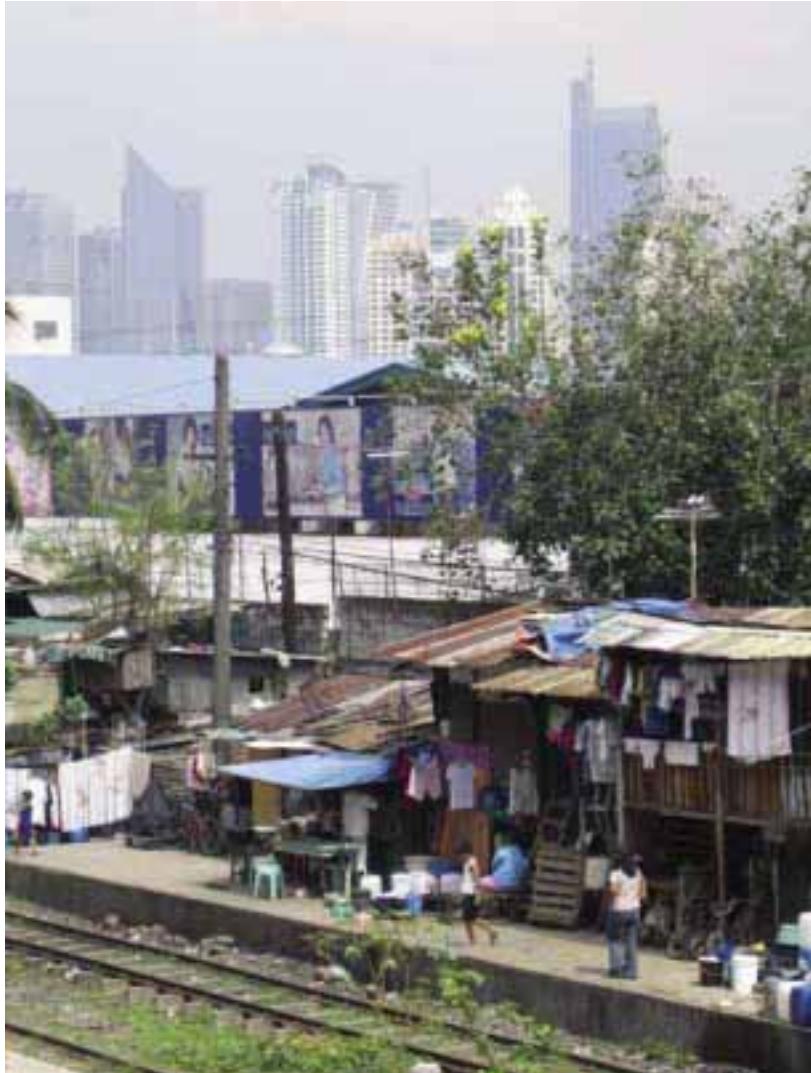
projects were generally rated as relevant, effective, and efficient. Because of their complexity and the often lower capacity at the local government level, urban sector projects require more technical assistance support than some other sectors.

Policy decisions, events and other highlights. ADB's new Cities Development Initiative for Asia (CDIA), as part of its Urban Services Initiative, aims to reshape ADB's engagement in the sector to deliver the technical and financial resources needed to respond effectively to client needs. In particular, ADB has introduced new lending products including sub-sovereign lending, local currency financing, and refinancing, among others, which are suited for application in this sector. The newly established CDIA is an important step forward. Germany's BMZ participated in the development of this initiative and Sida is supporting CDIA as well. A well-coordinated, multi-donor initiative can contribute significantly towards improving the living conditions of people in Asian cities. CDIA will facilitate international dialogue, training and advice to help Asia's urban decision-makers build problem-solving capacity, to support them in preparing municipal infrastructure investment, and to assist in finding financiers.

The CDIA is an innovative way to address the key elements of the Paris Declaration— scaling up investments in the urban sector, fostering ownership, aligning support with national priorities, harmonising systems of support, and providing for clear and monitorable outcomes. CDIA will give cities the central role in (i) determining the approach to building coordination, financial management and procurement capacities to complement assistance programmes; (ii) coordinating among donors to effectively deliver that assistance; and (iii) ensuring assistance produces the desired outcomes.

Complementing Cities Alliance funding, the CDIA will provide technical support to cities to prepare and support implementation of city development strategies and cities without slums programmes. As urban projects are multi-faceted and multi-sectoral, several activities go into establishing the enabling framework for, and strengthening the institutions involved in, investment projects. CDIA will provide support to address these issues in (i) national urban strategies; (ii) strengthening agencies prior to implementation of investment programmes; (iii) financial structuring, due diligence and negotiation; and (iv) support to project implementation.

Challenges to achieving Cities Alliance's goals in the medium term. ADB aims to support Cities Alliance partners in financing identified investments in their region focused on urban infrastructure development and urban renewal. As a financing institution, it will be challenged to provide expanded financial options, at affordable terms and conditions, for governments and beneficiaries. Governments and international financial institutions will need to find ways to creatively involve the private sector in these endeavours, as active partners for programmes that reach out to all segments of the urban population.



Florian Steinberg/ADB

Informal settlement near railroad tracks and Manila's commercial district, the Philippines



Portfolio update. World Bank lending approvals for urban operations in fiscal year 2007 amounted to \$1.7 billion. The number of explicitly urban operations supported has been stable over the last 3 years although within the Bank's overall programme there are an increasing number of "urban space" operations.

Notable among the twenty-three new urban operations approved in the past fiscal year are the following projects: *Lagos (Nigeria) Metropolitan Development and Governance*, which highlights transparency and accountability in delivering basic services to the urban poor in Africa's largest city; *Sichuan (China) Urban Development Project*, which tackles head-on the issue of land supply for urban expansion; *Sri Lanka Puttalam Housing*, which takes a comprehensive view of the needs of those displaced by internal conflict and provides public services as well as regularising land titles; and *Bolivia Urban Infrastructure*, which seeks to strengthen local government in the area of infrastructure investment targeted to low-income areas.

Urban strategy update. The Bank has begun updating its 2000 Urban Strategy seeking to integrate various urban activities into five thematic areas: cities and economic growth; land, housing and urban expansion; decentralisation, urban governance and financing of city services; healthy and safe cities, and; poverty in the city.

Highlights from the past year

4th Urban Research Symposium 2007 which focused on *urban land use and land markets* was sponsored by the World Bank and several partners including Sida, the Lincoln Land Institute, GTZ and the Cities Alliance. The symposium featured commissioned

research on salient topics and highlighted empirical work from cities around the globe, with a notable contribution from Africa.

World Urban Forum 3. Vice President Katherine Sierra led a World Bank delegation to the *World Urban Forum 3* held in Vancouver, Canada in June 2006. In her keynote address, Ms. Sierra remarked that the task ahead to accommodate the next two billion urbanites requires attention to the strategic building blocks of good governance, a healthy business environment, well-coordinated cross-sectoral policies, functioning urban land and labour markets and effective mobilisation of domestic resources.

City indicators initiative. The first phase of developing a comprehensive set of city indicators to help cities monitor their performance and quality of life is complete. The indicators, intended to be used worldwide, are collected by participating cities, and on behalf of the cities by a City Indicators Facility.

The indicators build on UN-HABITAT's extensive experience. Pilot cities focus on the Americas and include: Belo Horizonte, Porto Alegre, and São Paulo, Brazil; Bogota and Cali, Colombia; Montreal, Toronto, and Vancouver, Canada; and King County, Washington, United States. The second phase of development of the indicators will be supported for three years through the World Bank's Development Grant Facility. A City Indicators Facility will initially be established at the University of Toronto. New cities will be added from all regions (www.cityindicators.org).

The Global Facility for Disaster Reduction and Recovery (GFDRR), a major partnership of donors, United Nations organisations, and the World Bank,

and designed to help meet the global demand for increased investment in disaster prevention and mitigation, was launched in September 2006. More than 14 donors have already pledged over \$50 million to support national capacity development for disaster risk reduction in natural disaster hotspot countries.

Urbanisation and the Growth Commission. The recently established independent Growth Commission has selected urbanisation as one of the key themes for

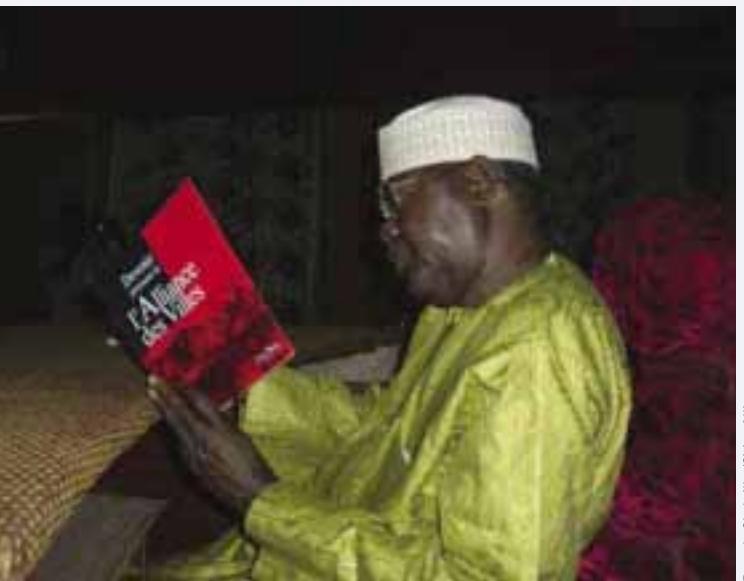
its deliberations leading to state-of-the-art reviews on: urban productivity, regional inequalities and rapid growth, policies for housing affordability, and financial innovations and housing.

New publications: The Bank released a monograph, *Thirty Years of World Bank Shelter Lending: What Have We Learned*, that describes the Bank's lending for housing and a book entitled *Financing Cities*, which presents cross-country experience.



Erika Puspa/Cities Alliance

Informal settlement in the centre of Jakarta, Indonesia



Pascal Chabri/lat/Cities Alliance

President of Maradi's Municipal Council, Idi Malé,
reviewing a Cities Alliance publication (Niger)

The Cities Alliance needs to adopt a far more systematic and well-planned approach to strengthening partnerships and knowledge management, including the identification of new partners and opportunities.

COMMUNICATIONS AND KNOWLEDGE SHARING

One of the central messages contained in the second independent evaluation of the Cities Alliance, which was considered and adopted at the November 2006 meeting of the Consultative Group, was the need for more attention to be paid to knowledge management, dissemination, and advocacy. The Cities Alliance Secretariat had already demonstrated the value of this approach through its decision to put additional emphasis and effort into selected events, including the highly successful World Urban Forum III held in Vancouver, and the Africities Summit held in Nairobi in September 2006.

Subsequent to these two events, the Cities Alliance clearly needs to adopt a far more systematic and well-planned approach to strengthening partnerships and knowledge management, including the identification of new partners and opportunities.

Other components of this evolving strategy included:

- Taking the first steps in strengthening the urban environment within the Cities Alliance work programme, as had been proposed by the United Nations Environment Programme (UNEP) at the Marrakech Consultative Group meeting. The initiative was captured in the Cities Alliance's 2006

Annual Report and was the focus of its November 2006 Public Policy Forum.

- The very successful decision to hold the spring 2007 Policy Advisory Board meeting in conjunction with the African Development Bank's review of its draft urban policy.
- Collaboration with Worldwatch Institute on the worldwide launch of the *State of the World 2007: Our Urban Future*.

Knowledge Sharing Activities

Seventh Cities Alliance Public Policy Forum on “Environment, Poverty and Development in an Urbanising World,” Washington, D.C., November 2006

Due to the political situation in Thailand, the venue for the Cities Alliance annual meetings was moved from Bangkok to Washington, D.C. This, in turn, necessitated an adjustment to the Public Policy Forum (PPF), which was reduced to a single day's event. However, the PPF was still able to benefit from the active involvement of UNEP in retaining the focus and theme: “Environment, Poverty and Development in an Urbanising World,” reflecting the evolving Cities



Panelists at the November 2006 Public Policy Forum in Washington, D.C.

Alliance-UNEP Environment Initiative. Sessions were chaired and moderated by members of the Policy Advisory Board.

UNEP's Chief of the Natural Resources Branch Tim Kasten first presented the preliminary findings of an International Council for Local Environment Initiatives (ICLEI) study with the working title, "More Urban, Less Poor and More Sustainable." This study, jointly commissioned by the Cities Alliance and UNEP, focuses on the potential environmental benefits of urban development, and identifies different methods to integrate the environment into urban planning. This report will be published by the Cities Alliance in the course of the 2008 fiscal year. Mary Jane Ortega, Mayor of the city of San Fernando in the Philippines and chair of the recently established World Mayors Council on Climate Change, highlighted the need for her city and others to secure reliable energy supplies, while reducing greenhouse gas emissions and managing climate change risks. The environment-climate change nexus was further extended in the presentation by Kai Lee and Danielle Nierenberg of the Worldwatch Institute from their (now published) report, *State of the World 2007: Our Urban Future*.

Three city case studies then helped to ground the discussions on the urban environment and the role of the Cities Alliance and its members. The first, "Government Policy on Urban Development as a Tool for

the Struggle against Poverty," by Roberto Mousallem de Andrade, Bahia Secretary of State for Urban Development, Brazil, outlined his state government's efforts at impacting urban poverty and successes.

Key ingredients for this include:

- Community participation at the planning, execution, and post-intervention phases, and deft organisation.
- Prioritisation of land tenure regularisation to guarantee rights and promote self-investment.
- Social inclusion in the form of well-targeted, articulated and complementary actions, such as job and income generation, education, health, crime prevention, culture, and sport.
- Post-intervention actions at the community level to ensure sustainability.

The Secretary's overview was complemented by the detailed and rich presentation of the Ribera Azul programme, presented by Mário de Paula Guimarães Gordilho, President, Bahia Urban Development Company (CONDER), Brazil. This integrated programme for the reduction of poverty aims to improve the lives of over 140,000 people, and is executed in partnership with Italian Cooperation and the World Bank. It has proven to be one of the Cities Alliance's success stories in terms of its promotion of the core messages of coherence of effort and scaling up.

Ajit Kumar Jain, Manager of the Mumbai Transformation Support Unit (MTSU), presented a detailed analysis of progress in the transformation of Mumbai into its goal of becoming a world-class city. This is being spearheaded by the Government of Maharashtra with the support of a wide range of partners, including the Cities Alliance, United States Agency for International Development (USAID), the World Bank and local private sector and community-based organisations. The project is predicated on a number of core strategies to achieve a higher rate of growth and greatly enhanced tax revenues, with improved infrastructure at the core of a long-term strategy. Mr Jain focused on the process to date, highlighting the increasing convergence within such a diverse group of stakeholders, and the speedier approval of projects through the institutional framework of the Mumbai transformation. He also pointed to the fact that reforms are not only underway, but are already showing visible results.



Cities Alliance Consultative Group Meeting, November 2006,
Washington, D.C.

The final presentation by Professor Shlomo Angel of New York University highlighted the findings of the study, *The Dynamics of Global Urban Expansion*. This study, commissioned by the World Bank, defines a new universe of 3,943 cities with populations in excess of 100,000, and draws a stratified global sample of 120 cities from this universe. The results highlight, in a striking and dramatic manner, the visible impacts that urbanisation trends are having on the built form of cities around the world, made all the more apparent as most urban growth is taking place at reduced densities. For those countries and regions still urbanising, this is a clear call to anticipate future urban growth, and undertake realistic plans for urban expansion. It also highlights the need for local (and national) authorities to designate adequate areas to accommodate projected expansion, invest in basic trunk infrastructure and protect sensitive land from incursion.

ILO Workshop on Integration of Job Creation in Cities Alliance Projects, Geneva, February, 2007

As part of its growing engagement with the Cities Alliance, the International Labour Organization (ILO) organised a two-day brainstorming session in Geneva to discuss methods to improve the integration of job creation into Cities Alliance activities, particularly city development strategies. The discussions were a follow-up to the November 2006 Cities Alliance Consultative Group meetings in Washington, D.C.,

where urban employment issues had been highlighted. Participants in the February meetings included representatives of the ILO, the Swedish International Development Agency (Sida), the UK Department for International Development (DFID) and UN-HABITAT. Pascale Chabillat, Urban Economist, represented the Secretariat.

As a result of the talks, a core group (Sida, DFID, UN-HABITAT, World Bank and ILO) was set up to assess urban co-operation programmes on job creation, with the expectation that this group could strengthen and expand. Group members also discussed evaluating the impacts of their bilateral or multilateral development and infrastructure investment funding for job creation. With the findings, the ILO, with support from the Cities Alliance Secretariat, will lead group efforts in preparing a concept note policy paper on local economic development (LED) and urban employment, and developing a joint work programme. Both will be presented by ILO at the Cities Alliance annual meetings in Manila, 5–9 November 2007.

UCLG Executive Bureau Meeting, Paris, March 2007

This year's annual United Cities and Local Governments' (UCLG) Executive Bureau meetings were held in Paris, 15 to 16 March 2007, and hosted by Bertrand Delanoë, Mayor of Paris and Co-President of UCLG. Some 200 mayors and local and regional councilors focused on the impact of climate change and the risks to cities worldwide. Paco Moncayo Gallegos, Co-President of the UCLG and Mayor of Quito, led the discussions and highlighted the threats to Quito, which is threatened by water shortages as a result of climate change and shifts in glacial runoff. He advocated that cities work together to tackle the risks of climate change. At the conclusion of the meeting, the Executive Bureau adopted the Paris Declaration on Climate Change that stresses the urgent need to launch concerted, local government efforts to combat climate change to safeguard populations and their futures.

The Executive Bureau also discussed upcoming initiatives and events, including the proposed UN "International Guidelines on Decentralisation," which were subsequently approved at the 21st UN-HABITAT Governing Council (GC) meetings in

Nairobi in April. If adopted by the United Nations General Assembly in September, the guidelines would allow local government to enhance their role in the international development agenda.

Delegates also finalised planning details of the second UCLG World Congress, with the theme “Changing Cities are Driving our World,” to be held in Jeju, Korea from 28 – 31 October 2007. Secondary conference themes will include the future of humanity and climate change, local governments as peacemakers, and a fairer world through a new model of governance by 2015.

The 21st Governing Council of UN-HABITAT, Nairobi, April 2007

This year’s Governing Council, the 21st, also marked the 10th anniversary of the adoption of the Habitat Agenda at the City Summit in 1996 in Istanbul, Turkey. In her opening remarks, Mrs. Anna Tibaijuka, Executive Director of UN-HABITAT, focused the meeting’s attention by declaring that, “The year 2007 is a year when human beings will become an urban species, *homo urbanus*. From now on the majority of people will no longer be rural but urban. And there is no going back for this demographic shift. The transition is irreversible,” she proclaimed.

Major outcomes of the Governing Council included the approval by member states of a resolution providing International Guidelines on Decentralization: “This success constitutes an important step towards the adoption by the UN General Assembly of an international legal framework on decentralisation that national governments could adopt,” said S mangaliso Mkhatshwa, President, United Cities and Local Governments of Africa (UCLGA) and municipal councillor of the city of Tshwane (South Africa).

The Cities Alliance Secretariat also participated in a number of different side events and publications launches with members, including the regional launch of the *State of the World 2007: Our Urban Future* in collaboration with the Worldwatch Institute.

PAB attends AfDB's review of a draft Urban Development Policy, Tunis, April, 2007

The spring meeting of the Cities Alliance’s Policy Advisory Board (PAB), held this year in Tunis, afforded

the first opportunity for real and focused dialogue with the African Development Bank (AfDB) on what is perhaps the continent’s most urgent development imperative, rapid and unplanned urbanisation. The occasion was AfDB’s Stakeholder Review Workshop to revise its draft urban development policy. Other parties involved in the two-day meeting included Agence Française de Développement, GTZ, Municipal Development Partnership, UCLGA, UN-HABITAT, UN Economic Commission for Africa, the World Bank, nongovernmental organisations (NGOs), and representatives of the private sector.

The draft AfDB policy acknowledged the organisation’s need for an urban and city focus in the face of the fundamental facts of urbanisation on the continent:

- 72 percent of sub-Saharan urban dwellers already live in slums and projections are for 300 million more city dwellers between 2000 and 2030.
- Africa is more urbanised than South Asia, with the urban population growing at 5 percent per year, thus doubling every 15 years.
- National policy frameworks are silently hostile to cities, and there is a need to shift from considering urbanisation as a threat to embracing it as an opportunity, as is being done in China.
- Urbanisation should be seen in a positive light: as an engine of growth, a platform for better and more efficient delivery of infrastructure services, a market for private sector development, and a scale and means for improving the environment in and around human settlements.

In opening remarks at the 24-25 April 2007 AfDB Stakeholder Review Workshop in Tunis, Tunisia, Mandla Gantsho, Vice President for Infrastructure, Regional Integration and Private Sector Development, said, the AfDB had so far “invested only 15 percent of its support to cities, and in a compartmentalised way—cities have growing independent management while AfDB continues to deal with central governments in a fragmented fashion and without tailored instruments. As AfDB establishes itself as a knowledge institution, it is important that it moves beyond what may be perceived today as a ‘rural-only’ Bank.”

In his view, this requires a fundamental shift in the African Development Bank’s development paradigm



Cities Alliance

AfDB President Kaberuka with PAB Members and Cities Alliance Secretariat Staff

with a pro-city outlook placing urbanisation at the core of the work programme.

Key lessons learned from an open and constructive workshop to drive the repositioning and the revised urban policy are:

- The AfDB should assume a leadership role on urban development in Africa, supported by strong partnerships with international, public and private institutions.
- With AfDB assistance, urban development needs to rise on the New Partnership for Africa's Development (NEPAD) agenda.
- Urban development requires large investments in infrastructure and services, as well as the development of innovative financial instruments and options, especially lending to cities and providing guarantees.
- A strong communications strategy is needed within AfDB and with external partners and audiences to share information, pass key messages, and engage stakeholders.

Fourth World Bank Urban Research Symposium, Washington, D.C., May 2007

A number of Cities Alliance members sponsored and participated in this year's Urban Research Symposium, which this year focused on the theme, "Urban Land Use and Land Markets." Opening plenary presentations by two World Bank staff, Laszlo Lovei, Director, Finance, Economics and Urban Development, and Praful Patel, Regional Vice President for South Asia, set the global context for the discussions. These were followed by the presentation of survey papers commissioned for the symposium that:

- Clarify ongoing debates on the links between various aspects of urban land management and welfare by providing a robust analytic foundation to existing findings or supporting/questioning existing analytic work with empirical applications and case studies.
- Examine the implications of commonly used urban land and related policies when conventional

wisdom is scrutinised using a common methodological framework.

- Highlight priority policy and program design and implementation questions which cannot be answered due to limited research and data, and propose a research agenda that sets out to address these questions.

Other urban land-related issues examined at the symposium were: i) the impact of land market distortions on urban welfare and the quality of life, particularly for the poor; and consequences of these distortions on the efficacy of World Bank and government interventions; ii) the continuum of property rights that exist in developing country cities and the linkages to access to credit, municipal infrastructure and public services; iii) elements of good practice for public land management; iv) institutions for urban land management and economic performance; and v) practices and experience with public land acquisition, particularly as related to infrastructure and to urban development and redevelopment.

City Development Strategy Workshop for Vietnamese City Leaders, Can Tho, May 2007

Held in conjunction with the annual meeting of the Association of Cities of Vietnam (ACVN), workshop participants discussed and disseminated the city development strategy (CDS) experiences of Vietnamese cities. Over 200 representatives of these cities attended, with presentations prepared by the National Institute for Urban and Rural Planning (NIURP), technical consultants from the Technical University of Sydney, and Can Tho city representatives. Pelle Person, Senior Programme Officer represented the Cities Alliance Secretariat.

The cities of focus were Can Tho, Ha Long, Hai Phong, and Nam Dinh. The workshop reiterated the importance of utilising a participatory approach, the need to integrate economic and physical planning and the prioritisation of investments. CDSs were not viewed as supplanting other plans, but as providing a holistic process for integrating and implementing the different plans. Future challenges for the implementation of the process were identified as: (i) scaling up the use of CDSs to more cities; (ii) institutionalising the legal status of CDSs; and (iii) creating a support structure for cities aiming at doing their own CDS.

Before



Courtesy Government of Can Tho City

After



Courtesy Government of Can Tho City

Can Tho Urban Upgrading Project (Alley 85 Detham, ANCU Ward, Ninhkieu District, Can Tho City)

Publications Review

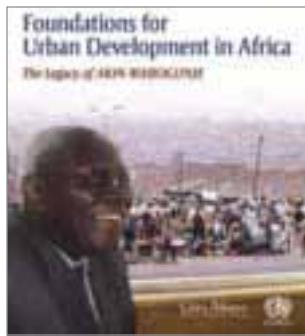
About Cities Alliance Brochure, Cities Alliance, September, 2006



Originally prepared as promotional material for Africities 2006 in Nairobi, the brochure has proved to be an effective tool for promoting awareness about the Cities Alliance. Using a simple question and answer (Q & A) format, it outlines basic information about the Cities Alliance; it tells how to access grant funding; it provides global, national and city-wide examples of the impacts of Cities

Alliance activities so far; and it features a map identifying Cities Alliance cities worldwide. The brochure will be revised periodically and is being translated into Arabic, Chinese, French, Japanese, Russian, Portuguese, Spanish, and Swahili.

Foundations for Urban Development in Africa: The Legacy of Akin Mabogunje, Cities Alliance and UN-HABITAT, October 2006.



Foundations for Urban Development in Africa: The Legacy of Akin Mabogunje is the first co-publication of UN-HABITAT and the Cities Alliance. The book was a contribution to a ceremony of tributes to honour

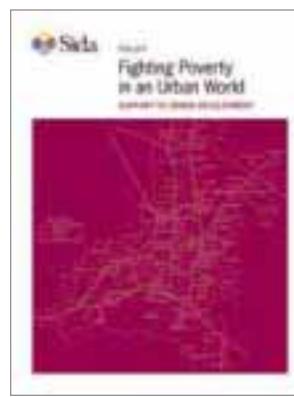
Professor Akin Mabogunje, Africa's pre-eminent urbanist and former Cities Alliance Policy Advisory Board member, on his 75th birthday. Researched and edited by a trio of Professor Mabogunje's protégés at the University of Ibadan—Sylvester Abumere, Michael Filani and Stanley Okafor—the book examines Mabogunje's colossal contributions to development, to the urban paradigm, and to its African referent in particular, primarily through the discussion of a selection of his works. The works examined cover a wide range of issues but urban development remains the

common thread. There is also a special focus on four cross-cutting themes:

- Urbanisation and urban development
- Regional development
- Environment and development
- Governance and social issues.

A detailed biography of Professor Mabogunje at the end of the discussions paints a broad picture of the range of his intellectual contributions to the urban debate. In a postscript to the book, Professor Mabogunje shares his views on the topics discussed and closes with this caution: The path to the 'worn-out' concept of sustainable development can be realised as a "country puts in place the institutions required to facilitate its effective transition to a full-fledged free market economy and fosters the consolidation of real democratic culture in its society—it is to the extent that significant development is made on these two fronts over the next two decades that emerging urban Africa can stand up to the intense competitiveness of the 21st century and meet the diverse and pervasive challenges of globalization."

"Fighting Poverty in an Urban World—Support to Urban Development," Sida, Stockholm, October 2006



During the year under review, the Swedish International Development Agency (Sida) published its new policy document, "Fighting Poverty in an Urban World: Support to Urban Development." Captured in a short, 8-page document with simple direct language, the policy is based on a number of supporting documents, the most significant being *More Urban—Less Poor*, the challenging book by Sida's Goran Tannerfeldt and Per Ljung promoting sustainable cities. The publication was launched at the Third World Urban Forum in Vancouver in June 2006.

Guided by key national and international protocols like the Universal Declaration of Human Rights, the Millennium Development Goals and the Swedish

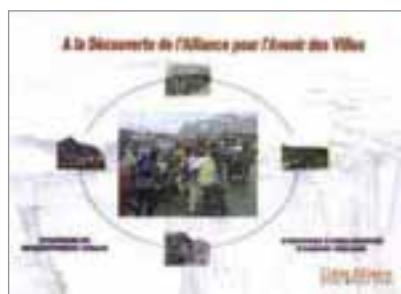
Policy for Global Development, the new policy focuses on urban poverty reduction from both a poverty and a rights perspective, supporting and encouraging the active participation of the urban poor, the expression of their needs and their rights to a decent life.

The five key areas of urban development support identified are:

- Integration of local and national development
- Local governance and urban management
- Infrastructure and municipal services
- Land and housing
- Environmental sustainability.

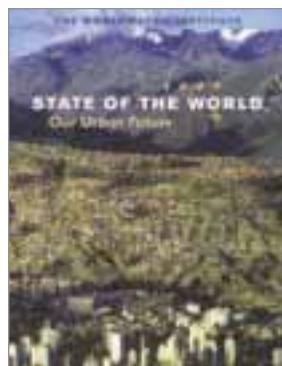
Implementation will involve the participation of a multitude of stakeholders, including central and local governments, communities, civil society and the private sector in participatory processes to define the priorities for local government.

"A la Découverte de l'Alliance pour l'avenir des villes," Cities Alliance, December 2006



needs of a West/Central African, francophone market segment. The first half of the booklet is dedicated to addressing the general developmental context for the Cities Alliance work programme—rapid population growth and the increasing urbanisation of poverty, the Millennium Summit of 2000, and the adoption of the Cities Without Slums Target 11 of the Millennium Development Goals. It also describes the role and work of the Cities Alliance. The second half examines specific sub-regional issues such as the establishment of the Cities Without Slums facility for Africa, supported by the Norwegian Government, and how to access it; the creation of the office of the regional advisor in the Secretariat of the Municipal Development Partnership, and its mandate; and the charting of the key elements of five proposals from the region submitted to the Cities Alliance for approval.

Cities Alliance supports dissemination of *State of the World 2007: Our Urban Future*, Worldwatch Institute, February, 2007



The publication and Washington, D.C. launch of Worldwatch Institute's *State of the World 2007: Our Urban Future*, a book whose key messages resonate with those of the Cities Alliance, created a unique opportunity for an advocacy partnership to disseminate key messages on urbanisation.

The Cities Alliance subsequently provided support to the launches of the book in major cities worldwide: Nairobi (during the 21st Governing Council meetings), Rio de Janeiro, Frankfurt, New Delhi, Rome, Tokyo, and Nelson Mandela Bay. The South African launch was organised with the South African Cities Network (SACN) around a seminar on Sustainable African Cities. Cities Alliance provided support for the travel and participation of the publication's coordinator, Molly Sheehan, and for the distribution of 100 copies of the book to sustainable cities practitioners in Africa. Copies were also distributed to the media, urban municipalities, national and provincial government, academic institutions and non-governmental organisations in South Africa.

The book puts into perspective the challenges as well as the opportunities presented by an urbanised world in the year 2007, a watershed year when half of the world's population became urban. It avers that rapid and often chaotic urbanisation is taking a large toll on human health and the quality of the environment, contributing to social, ecological, and economic instability in many countries.

Policymakers need to address the urbanisation of poverty by stepping up investments in education, healthcare, and infrastructure, and by maximising opportunities. "The task of saving the world's modern cities might seem hopeless—except that it is already happening," said Christopher Flavin, president of the Worldwatch Institute. "Necessities from food to energy are increasingly being produced by urban pioneers inside city limits." Community groups and local governments have emerged as pioneers of groundbreaking

policies to address both poverty and environmental concerns, in some cases surpassing the efforts of their national governments.

Examples of cities taking the lead in shaping a sustainable future cited in the report are:

- **Karachi, Pakistan.** The Orangi Pilot Project has linked hundreds of thousands of low-income households in informal settlements with good-quality sewers. By taking charge of the pipes connecting their houses to lane sewers, local residents cut costs to one-fifth of charges made by the official water and sanitation agency.
- **Freetown, Sierra Leone.** Following the cessation of a multi-year civil war, a swelling population has successfully turned to urban farming to meet much of its food demand.
- **Rizhao, China.** A government programme enabled 99 percent of households in the central districts to obtain solar water heaters, while most traffic signals and street and park lights are powered by solar cells, limiting the city's carbon emissions and urban pollution.
- **Bogotá, Colombia.** Engineers improved upon the iconic bus rapid transit system of Curitiba, Brazil to create the TransMilenio, which has helped decrease air pollution, increase quality of life, and inspire similar projects in Europe, North America, and Asia.

Cities around the world have also begun to take climate change seriously, many in response to the direct threat they face. Of the 33 cities projected to have at least 8 million residents by 2015, at least 21 are coastal cities that will have to contend with a rising sea levels.

While no single set of best practices would enable all cities to successfully address the challenges of poverty and environmental degradation, *State of the World 2007* focuses on areas where urban leadership can have huge benefits for the planet and human development. These include providing water and sanitation services to the urban poor, bolstering urban farming, and improving public transportation. Additionally, the report recommends devoting more resources to information gathering on urban issues so that city, national, and international entities can better assess development priorities. "A city is a collective dream. To build this dream is vital," observes Jaime

Lerner, the former governor of Paraná, Brazil, and the former mayor of Curitiba, in his foreword to the report. "It is in our cities that we can make the most progress toward a more peaceful and balanced planet, so we can look at an urban world with optimism instead of fear."

Villes en développement, No. 75, Cities Alliance and Isted, Paris, March 2007



This special edition of the Institut des Sciences et des Techniques de l'Equipement et de l'Environnement pour le Développement (Isted) newsletter spotlights city development strategies and their key role in improving urban performance. In her foreword to the newsletter Elisabeth Gateau, Secretary-General of the UCLG, asserts that, "Many UCLG members have created and implemented CDSs which have reduced poverty and improved the quality of life."

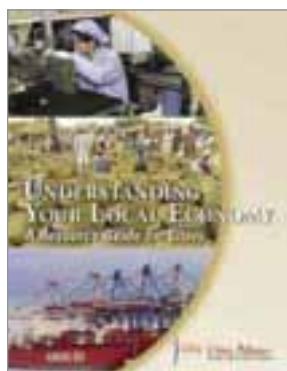
The newsletter highlights three best practice examples of the CDS process—all conducted with the support of the Cities Alliance—in Lima, Peru, the Philippines, and Alexandria, Egypt to illustrate the link between CDS and improved urban performance.

Each experience exemplifies the fundamentals of the CDS process as captured in the *Cities Alliance Guide to City Development Strategies* and similar publications. They are also adapted to individual city needs in the way they use participatory processes, assessments, analyses, implementation, and monitoring and evaluation.

The success of the CDS experience in the Philippines, for example, can be attributed in large measure to the participation of mayors throughout the entire process. Mayors are now the most vocal advocates. Overall local governance in the Philippines has improved, though challenges still remain with regard to the replication and scaling up of city successes. However, this challenge did not arise in the Alexandria

CDS: which serves as a test of strategic reforms, including CDS and urban upgrading regulations, to be scaled up nationwide, with a similar process already underway in the greater Cairo Metropolitan area. In Lima the improved coordination among institutions and local actors enabled by the CDS process has helped pave the way for city authorities to make Lima a more competitive and liveable city.

Understanding Your Local Economy: A Resource Guide for Cities, Cities Alliance and the Netherlands Ministry of Foreign Affairs, June 2007



including the World Bank, UN-HABITAT, and USAID. The *Guide* addresses the challenges of analysing local economic conditions and a city's comparative and competitive advantages. It presents practical approaches to conducting citywide and regionwide economic assessments, and includes advice on how to choose local economic development (LED) indicators and tools that can assess a local economy's competitiveness.

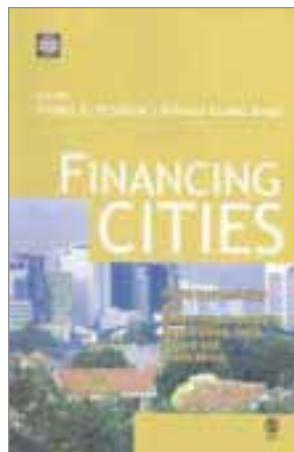
The *Guide* targets people and organisations involved in local economy assessment and city strategy development processes. To make it accessible to different audience needs, the *Guide* is split into two sections. The first provides an overview of key issues and tools. The second provides detailed guidance useful for conducting local economy assessments.

The role of local authorities in developing and delivering sound LED strategies, often as part of city development and slum upgrading strategies, is crucial. Cities can better perform, and provide an envi-

ronment conducive to employment and productivity, through strategies that are attuned to local economic circumstances. To design efficient city strategies, it is essential to understand a city's economic base and its constraints, as well as its competitive advantage.

Drawing on 15 case studies, and the methods and experiences of Cities Alliance members and partners, this publication offers practical guidance to the basic components of local economic assessments and how to undertake them. It should promote the development of better informed city strategies, and help improve the economic performance of cities as they seek to support the creation of opportunities for the urban poor.

Financing Cities: Fiscal Responsibility and Urban Infrastructure in Brazil, China, India, Poland and South Africa, the World Bank and Sage Publications, June 2007



Edited by George Peterson of the Washington D.C.-based Urban Institute and Patricia Clarke Annez of the World Bank, this book examines the question: *How can the goal of increasing public investment in urban infrastructure be reconciled with the need for prudent fiscal management?*

The backbone of a well-functioning city is its urban infrastructure—the networks of roads, distribution of electricity, water supply and waste removal—which allows the residents and firms to work productively under high density conditions. The urban infrastructure challenge is a challenge for public finance; in a federal system it is also a challenge for intergovernmental finance. The book argues that large sums will be required in all countries to invest adequately in urban infrastructure, and to operate and maintain systems once they are built.

Different countries have approached this challenge in different ways—from tight central controls on local investment to decentralised fiscal choices. This book discusses the case studies of Brazil, China, India, Poland and South Africa in this regard, analysing the fiscal implications of different infrastructure financing options. Country experiences are recounted and assessed from the perspectives of central government fiscal managers and local government officials who must provide infrastructure services to their citizens. Subjects covered include the impact of political and fiscal decentralisation, limitations on borrowing, managing moral hazard, the role of the financial sector, and achieving balance between stringent financial controls and encouraging local governments to take responsibility for fiscal and market discipline.

The case studies show that sometimes forces that have nothing to do with intergovernmental relations or finance can create opportunities or tensions in the framework for fiscal management. They also show that the risks can be managed if the framework is well structured, and avoiding risk altogether can have a high opportunity cost. On the other hand, inability to adapt the set of relationships that make up a system of both decentralised fiscal responsibility and strong infrastructure finance to take account of a changing environment can be a risky strategy. All of the cases show systems adapting to changed circumstances. Many of the successes described offer heterodox approaches that worked in one country, while having failed in others. None of them were arrived at with a one-off reform, but emerged incrementally. One lesson from all of the cases is that finding the right framework for balancing competing objectives may be less important than knowing when the current system needs to change and how to shift it in the right direction.

UNFPA State of World Population 2007: Unleashing the Potential of Urban Growth, United Nations Population Fund, June 2007



Produced in time for the annual celebration of World Population Day, the United Nations Population Fund's (UNFPA's) flagship publication turned its focus on the challenges of urbanisation in a very direct and telling publication. Focusing on the latent potential of urbanisation,

the report acknowledges that the current concentration of poverty, slum growth and social disruption in cities paints a threatening picture. Yet no country in the industrial age has ever achieved significant economic growth without urbanisation. Echoing the message of the Cities Alliance, the UNFPA notes that cities concentrate poverty, but they also represent the best hope of escaping it.

The report is a call to action: action now by governments, civil society and the international community to make a huge difference in social, environmental and living conditions. The report highlights the need for three main initiatives:

- Accept the right of poor people to the city, abandoning attempts to discourage migration and prevent urban growth.
- Adopt a broad and long-term vision of the use of urban space. This means, among other things, providing minimally-serviced land for housing and planning in advance to promote sustainable land use, looking beyond the cities' borders to minimise their ecological footprint.
- Begin a concerted international effort to support strategies for the urban future.

CITIES ALLIANCE ORGANISATION

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

The Consultative Group

The Consultative Group—the Cities 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 organisation of local authorities) and Metropolis (a world association of major metropolises), who have pledged their commitment to achieving Cities 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 the Governments of Chile and the Philippines as well as the European Union expected to formalise their membership before the 2007 Consultative Group meetings.

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 conjunction 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”), Con-

sultative Group review of application guidelines and approval of the Cities Alliance Vision Statement.

Rome, December 2000—Second Public Policy Forum (“Local Partnerships: Moving to Scale”), Consultative Group approval of amendments to 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”), Consultative Group review of procedures for the first independent evaluation of the Cities Alliance and approval of the 2002 work programme.

Brussels, October 2002—Panel discussion at the European Commission (“Achieving the Millennium Development Goal of Cities without Slums”), Consultative Group review of the independent evaluation of the Cities Alliance and approval of the 2003 work programme.

São Paulo, October 2003—Fourth Public Policy Forum (“Sustainable Financing Strategies for Cities and Financial Services for the Urban Poor”), Consultative Group approval of procedures for developing country membership in the Consultative Group and approval of the 2004 work programme.

eThekweni, November 2004—Fifth Public Policy Forum (“Making City Development Strategies Come Alive in South Africa”), Consultative Group approval of new Policy Advisory Board members and the 2005 work programme.

Marrakech, November 2005—Sixth Public Policy Forum (“Morocco’s Cities Without Slums Programme”), Consultative Group review of procedures for the second independent evaluation of the Cities Alliance and approval of the 2006 work programme.

Washington, D.C., November 2006—Seventh Public Policy Forum (“Environment, Poverty and Development in an Urbanising World”), Consultative Group discussion and approval of the findings of the second independent evaluation.

Members as of June 2007

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
- Netherlands
- Nigeria
- Norway
- South Africa
- Sweden
- United Kingdom
- United States

Multilateral organisations

- 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 Cities 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 ex-

pertise that spans the leadership of community-based organisations, nongovernmental organisations and their networks, local authority organisations, 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—spring and during the Consultative Group meetings—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 industrialised countries. The members serve on a rotating basis, typically between two and four years.

The board's annual spring meeting this year was held jointly with the African Development Bank (AfDB), on the occasion of the AfDB's review of its Urban Development Policy. Meeting in Tunis, Tunisia in April 2007, board members participated in the AfDB's Stakeholder Review Workshop, where discussions on Africa's urban future were designed to support the revision of the African Development Bank's urban development policy and preparation of an Urban Development Strategy Paper. They were joined by a number of Cities Alliance members, including AfD, GTZ, UCLGA, UN-HABITAT and the World Bank. Board members also had an opportunity to further discuss Africa's urban agenda with AfDB President Donald Kaberuka.

The board meeting in Tunis marked the annual rotation of Policy Advisory Board members, as incoming members, Lajana Manandhar, of Nepal, and President Nicéphore Soglo, of Benin, filled the regional representative positions of exiting members, Sheela Patel and Jean-Pierre Elong Mbassi, respectively. Cities Alliance partners hope to continue drawing on the wealth of experience and knowledge that they and all exiting members have offered since the board's formation.

Departing Members Policy Advisory Board Members

Sheela Patel is founding director of the Society for the Promotion of Area Resource Centres (SPARC), in Mumbai, India, which works in alliance with the

National Slum Dwellers Federation and Mahila Milan in a federation of community-based organisations 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.

Jean-Pierre Elong Mbassi is Secretary-General of United Cities and Local Governments of Africa, based in the interim in Pretoria, South Africa; former Secretary-General of the Municipal Development Partnership for Africa; and an experienced practitioner in urban management and slum upgrading. He is the organiser of the Africities Summit, the most important platform for dialogue on decentralisation in Africa.

Policy Advisory Board Members as of June 2007

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 fifteenth 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.

Lajana Manandhar is Director of the Lumanti Support Group for Shelter NGO in Kathmandu, advocating for housing and other rights for the urban poor at the city, national and international levels. She has also worked to implement community-based upgrading projects in Nepal's slum and squatter communities. The 'Slum and Squatter Community Empowerment Programme', initiated in Kathmandu under her leadership, and which has brought change in the living conditions of slum dwellers through improving access to housing and basic facilities, empowering women through microfinance and improving relationships with government, has now been replicated in three cities in Nepal.

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 Youthaid and the Unemployment Unit, she also worked at the Home Office and as Director of All Faiths for One Race, a community-based organisation 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.

Nicéphore Soglo

Benin's Prime Minister from 1990 to 1991 and President from 1991 to 1996, he was elected Mayor of Cotonou in 2003 by the city's council. During his earlier years in government, he worked within the Ministry of Finance, becoming Minister of Economy and Finance. With an educational background in private and public law from the University of Paris, Sorbonne, and the École Nationale d'Administration in France, he has served in numerous international financial institutions, including at the International Monetary Fund, as a member of the World Bank's Board of Executive Directors, and as an Executive Director of the Central Bank of West African States. He was also involved in drafting the Articles of Agreement of the African Development Bank.

Paulo Teixeira is a Member of Parliament in Brazil and Chair of the Urban Reform Caucus in the Brazilian House of Representatives (*Frente Parlamentar da Reforma Urbana*). He is former 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. He was recently elected Chair of the Urban Reform Caucus in the Brazilian House of Representatives

Ana Vasilache is founding Director of the Partners Romania Foundation for Local Development, a Bucharest-based NGO that supports democratic processes of governance and decentralisation 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.

The Secretariat

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

Staff as of June 30, 2007

Akporji, Chii—Communications Officer
Aubry-Kendall, Françoise—Resource Management Analyst
Carlin, Anne—Communications Consultant
Chabrilat, Pascale—Urban Economist
Clark, Mark—Consultant/Programme Assistant
Cobbett, William—Manager
Csorba, Ildiko—Programme Assistant
Haer, Andrea—Operations Consultant
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
Tebbal, Farouk—Senior Urban Specialist



Curt Carnemark/World Bank Photo Library

Housing in Yemen

FINANCIALS

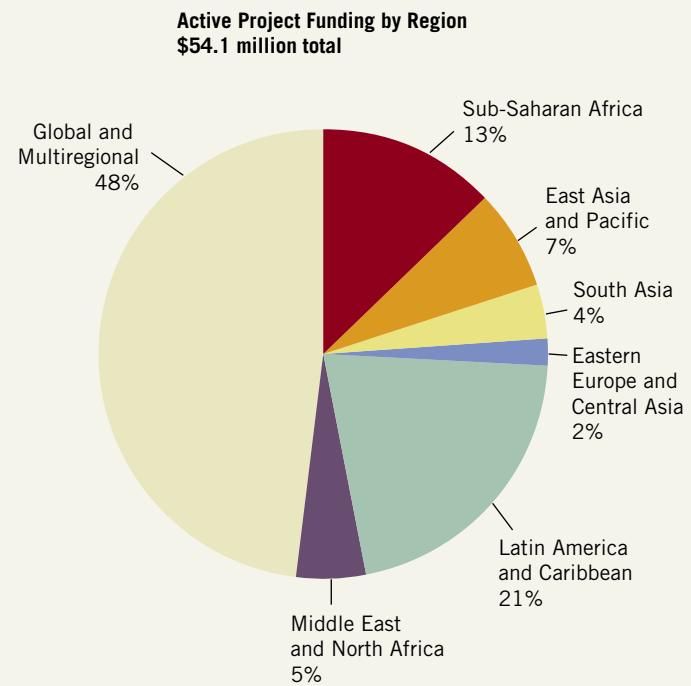
Fiscal Year 2007 Highlights

Cities Alliance members sponsored 18 new CDS and slum upgrading projects as part of the \$10.1 million work programme approved during fiscal year 2007, including \$4.7 million approved from core funds. More than \$13 million was disbursed during the year, including \$8.3 million from core funds. As of 30 June 2007, funding committed to active projects totalled \$54.1 million. (See figure 2 for active project funding by region.)

Nearly \$43.8 million in core funding has been paid in to date by Cities Alliance members. An additional \$52.7 million has been paid in for non-core (earmarked) purposes.

A distinctive feature of the 2007 work programme was that direct project beneficiaries (cities and local government associations) will receive the Cities Alliance grant funds for nearly half of the approved activities. A Cities Alliance member will receive and implement the funding, on behalf of the beneficiaries, for the remainder of the projects. This trend reflects the Cities Alliance secretariat's increased advocacy for "client execution" of Cities Alliance grant funds. During the first eight years of Alliance operations, less than 20 percent of all Cities Alliance projects have

Figure 2. Active project funding by region



Data as of 30 June 2007

been directly executed by cities or their local development partners.

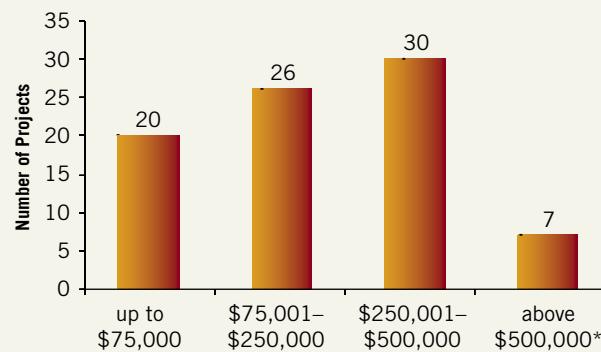
Another feature of the 2007 work programme was the large number of small grants approved for assistance to help cities and national local government associations to prepare CDS and slum upgrading programmes. Half of the 2007 approvals for new projects were for these preparatory assistance grants—five in Sub-Saharan Africa and four in Asia (see figures 3 and 4 for data by grant size). Most of these will result in full funding applications to the Cities Alliance over the coming year or two. Combined with a pipeline of proposals totalling more than \$8 million at the end of fiscal year 2007, the 2008 work programme is expected to rival the record levels approved during 2006.

In membership news, Ethiopia became the fourth developing country to join the Alliance, signing a five-year agreement. The Netherlands renewed its membership, signing a three-year agreement, and France renewed for two years.

A major new non-core funding contribution of nearly \$2.4 million was made by Sweden for the continuation and expansion of the Community-Led

Infrastructure Finance Facility (CLIFF). This funding will be implemented by Homeless International and its partner organizations in India, Kenya and the Philippines; and, by Shack / Slum Dwellers International (SDI) for the design of a “global urban poor development fund.”

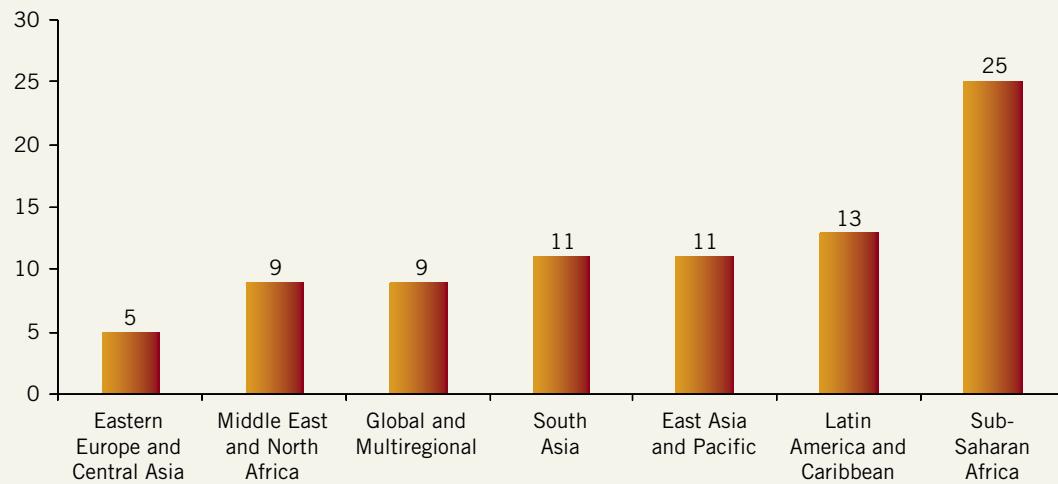
Figure 3. Active Projects by Grant Size: 83 Total



Data as of 30 June 2007

*includes non-core funds

Figure 4. Active Projects by Region: 83 Total



Data as of 30 June 2007

SOURCES OF FUNDS FY00–FY07 (Unaudited)

(US\$ as of 30 June 2007)

SUMMARY

Type of funding	Pledges	Paid-in
Core funding	48,910,000	43,799,711
Non-core funding	54,774,000	45,306,847
Non-core Secretariat funding	7,945,600	7,390,002
Total Funding	111,629,600	96,496,560

Donor	Pledges	Duration	FY07	Paid In ^a Cumulative
Core funding				
ADB	1,250,000	2002–2003, 2005–2007	500,000	1,000,000
Brazil	150,000	2004–2006	100,000	150,000
Canada	1,500,000	2000–2001, 2003–2006	0	1,585,293
Ethiopia	250,000	2006–2010	50,000	50,000
France	1,850,000	2000, 2002–2007	417,213	1,607,540
Germany	2,200,000	2000–2007	320,450	2,064,502
Italy	3,580,000	2000–2007	506,720	3,139,625
Japan	2,000,000	2000–2006	0	1,750,000
Netherlands	3,500,000	2000–2004, 2006–2008	250,000	3,000,000
Nigeria	50,000	2005	0	50,000
Norway	3,055,000	2000–2006	560,296	3,172,382
South Africa	250,000	2006–2010	50,000	50,000
Sweden	4,125,000	2000–2007	1,455,020	4,284,404
UNEP	1,000,000	2003–2006	100,000	1,000,000
UN-HABITAT	200,000	2004–2005	0	200,000
United Kingdom	7,100,000	2000–2007	266,247	7,243,546
United States	2,000,000	2000–2007	250,000	1,750,000
World Bank	14,850,000	2002–2008	2,956,093	11,702,419
Total core	48,910,000		7,782,039	43,799,711
Non-core funding^b				
Canada	75,000	2004	0	73,608
Italy	13,135,000	2001–2008	2,545,068	10,007,016
Japan	5,000,000	2000–2006	0	4,250,000
Netherlands	350,000	2003–2004	0	350,000
Norway	2,300,000	2002–2006	240,127	2,371,929
Sweden	8,454,000	2003–2008	3,110,283	8,655,144
UNEP	15,000	2007	15,000	15,000
United Kingdom	22,620,000	2001–2008	1,334,414	18,129,150
United States	2,125,000	2003–2007	290,000	755,000
World Bank	700,000	2001	0	700,000
Total non-core	54,774,000		7,534,892	45,306,847
Non-core Secretariat funding^c				
World Bank	3,050,600	2000–2002, 2006–2007	7,600	3,050,600
UN-HABITAT	1,983,000	2000–2008	150,000	1,783,000
Sweden	685,000	2005–2007	273,996	729,402
Other	2,227,000	2001–2009	270,000	1,827,000
Total	7,945,600		701,596	7,390,002

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

(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–FY07 (Unaudited)

(US\$ as of 30 June 2007)

SUMMARY		FY07	Cumulative ^a	
Funding source	Allocations	Disbursements	Allocations	Disbursements
Core activities	4,714,625	8,264,149	45,673,425	33,535,866
Non-core activities	5,371,299	4,874,676	57,755,206	39,611,055
Total Uses of Funds	10,085,924	13,138,825	103,428,631	73,146,921

APPROVALS BY TYPE OF ACTIVITY				
Type of activity	Core Funds	FY07	Non-core funds	Cumulative ^a
			Core funds	Non-core funds
City development strategies	962,006		56,775	13,686,249
Scaling up upgrading	205,000		3,864,000	11,981,111
CDS and upgrading	2,047,619		847,924	12,956,065
Secretariat	1,500,000		602,600	7,050,000
Total approved grants	4,714,625		5,371,299	45,673,425
				57,755,206

APPROVALS BY REGION				
Region	Core funds	FY07	Non-core funds	Cumulative ^a
			Core funds	Non-core funds
Sub-Saharan Africa	238,281		818,450	8,861,521
Asia	806,644		14,775	10,414,720
Eastern Europe & Central Asia	0		0	2,159,227
Latin America & the Caribbean	1,344,700		0	7,412,865
Middle East & North Africa	245,000		0	3,858,231
Global/Multiregional	580,000		3,935,474	5,916,861
Secretariat	1,500,000		602,600	7,050,000
Total approved grants	4,714,625		5,371,299	45,673,425
				57,755,206

SECRETARIAT EXPENDITURES				
Expense	FY07	FY06	FY05	Cumulative
<i>Operational</i>				
Secretariat staff	1,040,371	910,708	885,442	5,152,942
Consultants, other labour	104,053	52,387	951	570,969
Travel	332,892	342,524	374,504	1,938,356
Other costs	35,374	36,798	24,945	733,784
Subtotal	1,512,690	1,342,417	1,285,842	8,396,051
<i>Management and administration</i>				
Secretariat staff	859,494	772,551	782,318	4,970,281
Rent, computing, other costs	259,544	293,068	273,658	1,351,414
Subtotal	1,119,038	1,065,619	1,055,976	6,321,695
TOTAL	2,631,728	2,408,037	2,341,818	14,717,747

(a) Data adjusted to include allocations for in-kind Secretariat contributions.

NEW AND ON-GOING ALLOCATIONS

(as of 30 June 2007)

	Grant Amount (US\$)	Start Date	Country	Activity
SUB-SAHARAN AFRICA REGION				
	380,640	Mar–03	Burkina Faso	CDSs and local Poverty Reduction Strategy Papers for the local governments of Bobo-Dioulasso, Banfora and Ouahigouya
	330,000	Apr–06	Burkina Faso	Strategy for Developing Greater Ouagadougou and Improving Basic Infrastructure and City Services in Underprivileged Areas
	330,000	Apr–06	Benin	Development Strategy for Greater Cotonou
	500,000	Feb–07	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
	75,000	Oct–05	Ghana	Preparatory Assistance for Ghana Municipal Finance and Management Initiative
FY07	75,000	May–07	Kenya	Preparation of Cities Development Strategy (CDS) and State of the Cities Report (SoCR) Programme for Kenyan Urban Local Authorities
	75,000	Oct–05	Mozambique	Slum Improvement Demonstration Project for Maputo City
	500,000	May–06	Mozambique	Improving Water and Sanitation in Quelimane City
FY07	42,000	Apr–07	Mozambique	Preparatory Grant for the Development of a CDS and Slum Upgrading Strategy for Chimoio
FY07	42,000	Apr–07	Mozambique	Preparatory Grant for the Development of a CDS for Vilankulo
FY07	89,325	May–07	Namibia	Preparatory Study: Participatory City Development Strategies in Namibia
FY07	364,450	Mar–07	Regional	Building Partnerships for Cities Without Slums in Eastern and Southern Africa increase
FY07	270,000	Mar–07	Regional	Cities Without Slums: Toward Implementing a Support Program for Countries and Cities of Western and Central French-speaking Africa Increase
	246,600	Dec–04	Regional	Housing Upgrading Finance Initiative
	240,000	May–06	Rwanda	Financial Management Modernization and Development Strategy for Kigali
	380,000	Apr–06	Senegal	Greater Dakar Urban Development Strategy
	430,000	Feb–07	Senegal	National Programme for Slum Improvement and Slum Upgrading in Senegal's Cities: "Senegalese Cities without Slums"
	500,000	Jun–06	South Africa	Upgrading for Growth: Implementing the Breaking New Ground Policy within Ekurhuleni's City Development Strategy

NEW AND ON-GOING ALLOCATIONS—continued

(as of 30 June 2007)

	Grant Amount (US\$)	Start Date	Country	Activity
FY07	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 Program for Mbabane
	360,000	Sep–04	Tanzania	Action Plan to Upgrade All Informal Settlements in Dar Es Salaam by 2015
	73,956	May–07	Tanzania	Establishment of Tanzania State of the Cities Report (Preparatory Phase)
	75,000	Jun–06	Zambia	Linking CDSs to Zambia's Emerging Intergovernmental Fiscal System
ASIA REGION				
FY07	215,000	Nov–05	Bhutan	Bhutan National Urban Development Strategy and Thimphu City Development Strategy
	14,775	Dec–06	Bhutan	UNEP Co-financing of Bhutan National Urban Development Strategy and Thimphu CDS
	298,450	Dec–05	China	Urban Upgrading Strategy, Yangzhou
	500,000	Oct–05	China	Economic Revitalization by Cities in Heilongjiang Province
	250,000	Sep–06	China	Shanghai Development Strategy in Regional Context
	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
	154,700	Mar–05	India	Visakhapatnam City Development Strategy and Slum Upgrading Action Plan
FY07	184,268	Dec–05	India	City Development Strategy for Hubli-Dharwad
	237,933	Nov–06	India	City Development Strategy for Pro-poor Economic Growth for the Heritage City of Agra
	75,000	Jan–07	India	Urban Institutional Strengthening and Capacity Enhancement Project
	75,000	Mar–07	India	Urban Strategy for India 2025 and Mega Cities Strategy
	74,419	Apr–07	India	Bruhat Bangalore Comprehensive Development and Slum Upgradation Strategy
FY07	500,000	Nov–05	Mongolia	Citywide Pro-poor Ger Upgrading Strategy and Investment Plan (GUSIP)
	75,000	Mar–07	Nepal	Preparation of a Proposal—Nepal: Slum Upgrading Strategies and Investment Program
	500,000	Mar–05	Philippines	Integrated Approaches to Poverty Reduction at the Neighborhood Level—a Cities Without Slums Initiative

NEW AND ON-GOING ALLOCATIONS—continued

(as of 30 June 2007)

	Grant Amount (US\$)	Start Date	Country	Activity
FY07	541,100	Oct–05	Philippines	City Development Strategies in the Philippines: An Enabling Platform for Good Governance and Improving Service Delivery
	500,000	Jul–06	Philippines	A Metro Manila ‘Cities Without Slums’ Strategy
	357,225	Dec–06	Vietnam	City Development Strategy Focusing on Urban Environment Management in Haiphong City
	75,000	Apr–07	Vietnam	Urban Planning in a Rapidly Urbanizing Setting—Danang
FY07	75,000	May–07	Vietnam	Preparation of a Proposal on “Viet Nam: City Development Strategy for Thanh Hoa City in a Regional Development Context”
EASTERN EUROPE AND CENTRAL ASIA REGION				
	500,000	Jul–05	Azerbaijan	City and Regional Development Strategies in Azerbaijan
	71,000	Mar–06	Moldova	Moldova—City Development Strategy
	230,000	Jul–05	Russian Federation	Vologda Development Strategy Alliance
	250,000	Sep–05	Russian Federation	Stavropol Regional Development Strategy— Financial Assessment and Investment Review
	250,000	Sep–05	Russian Federation	Chuvash Republic Regional Development Strategy—Financial Assessment and Investment Review
LATIN AMERICA AND THE CARIBBEAN REGION				
FY07	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)
	7,208,280	Dec–05	Brazil	Bahia Integrated Urban Development Program—Viver Melhor/BIRD: Technical and Methodological Assistance Project
	232,000	Apr–06	Brazil	Enhancing Territorial Equity and Social Inclusion in Brasilia’s Land Markets
	75,000	Oct–06	Brazil	Preparation of Materials for Dissemination and Capacity-Building in Sustainable Land Regularization Actions—Regularization Toolkit
FY07	500,000	Apr–07	Brazil	Poverty-Focused City Development Strategy for the Metropolitan Region of Belo Horizonte
FY07	498,200	Jun–07	Chile	Support for the Implementation of the Programme to Recover 200 Neighbourhoods through Capacity Building and Strengthening among Local Actors and Public Services
	324,120	May–04	Colombia	Slum Upgrading and Land Tenure Regularization
	298,000	Apr–05	Colombia	Housing and Land for the Urban Poor

NEW AND ON-GOING ALLOCATIONS—continued

(as of 30 June 2007)

	Grant Amount (US\$)	Start Date	Country	Activity
FY07	216,500	Oct–06	Ecuador	Urban Expansion Strategy for Intermediate Cities in Ecuador
	500,000	Apr–06	El Salvador	Preparation of an Urban Development Strategy for the Region La Paz in the Department of La Paz and San Vicente
	75,000	Sep–05	Guatemala	Program for Slum Upgrading through Financing from the Private Banking Sector—Phase 1—Project Preparation
FY07	55,000	Sep–06	Jamaica	Preparation Grant for Squatter Management and Low-Income Housing Policy Development and Program Implementation
	879,195	Jul–04	Regional	Scaling Up Successful Methodologies in the Latin America and Caribbean Region (Italy)
MIDDLE EAST AND NORTH AFRICA REGION				
	350,000	Dec–05	Egypt	Alexandria City Development Strategy for Sustainable Development: Phase II
	200,000	Mar–04	Jordan	Greater Amman Development Strategy
	379,231	Oct–06	Lebanon	Al Fayhaa Sustainable Development Strategy
	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 Program 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
FY07	245,000	Jun–07	Tunisia	Greater Sfax Development Strategy—Phase 2
	200,000	Jan–05	Yemen	Medium to Long Term City Development Strategy for Local Economic Development for Hodeidah and Mukalla Cities
	250,000	Nov–06	Yemen	Sana'a City: Medium to Long-Term City Development Strategy for Sustainable Development
GLOBAL AND MULTIREGIONAL ACTIVITIES				
FY07	150,000	Dec–06	Global	Knowledge Dissemination—increase (Web site, publications, etc.)
FY07	150,000	Dec–06	Global	Knowledge Generation and Learning—increase
FY07	75,000	Dec–06	Global	Consultative Group and Public Policy Forum meetings—increase (Washington)
FY07	100,000	Dec–06	Global	Policy Advisory Board Semi-Annual Meeting increase
FY07	15,000	Dec–06	Global	Technical Peer Reviews—increase

NEW AND ON-GOING ALLOCATIONS—continued

(as of 30 June 2007)

	Grant Amount (US\$)	Start Date	Country	Activity
	10,000,000	Oct–02	Global	Development of the Community-led Infrastructure Finance Facility (CLIFF)—UK-DFID
	2,300,000	Apr–03	Global	The Development of the Community-led Infrastructure Finance Facility (CLIFF)—Sida
FY07	2,364,000	Feb–07	Global	The Development of the Community-led Infrastructure Finance Facility (CLIFF)—increase in Sida funding
FY07	90,000	Dec–06	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 Committee on Local Finance and Development (formerly Municipal Finance Commission)
	517,000	Apr–06	Global	Mainstreaming Cities Alliance Engagement with UCLG
	685,000	Feb–05	Global	Secondment to Cities Alliance Secretariat (Sweden)
	10,000,000	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 co-financing
	610,000	Oct–05	Global	Enhancing Urban Development in National Policy Dialogues
	100,000	Jan–06	Global	CA Urban Environment Initiative
	75,000	Jan–06	Global	Peer Review on Slum Estimations
FY07	71,474	Jul–06	Global	World Urban Forum: Sustainable Urban Financing
FY07	100,000	Aug–06	Regional	Optimising Cities Alliance Participation in Africities Summit 2006

ACTIVITIES CLOSED OR CANCELLED DURING FY07

	Grant Amount (US\$)	Completion Date	Country	Activity
SUB-SAHARAN AFRICA REGION				
	215,000	Mar-07	Regional	Building Partnerships for Cities Without Slums in Eastern and Southern Africa
	215,000	Feb-07	Regional	Cities Without Slums: Toward Implementing a Support Program for Countries and Cities of Western and Central French-speaking Africa
	500,000	Feb-07	South Africa	South African Municipal Water and Sanitation Partnership Initiative
	75,000	Sep-06	South Africa	Preparation of the South African National Upgrading Support Programme
	500,000	Dec-06	South Africa	Support for the Preparation of 2006 State of South African Cities Report
ASIA REGION				
	478,300	Cancelled	India	Cauvery Agamana—Extension of Water Supply and Sanitation Services to the Urban Poor in Bangalore City
	70,000	Jun-07	India	Tamil Nadu Urban Land Market Assessment for Chennai, Coimbatore, and Tiruppur
	75,000	Dec-06	Pakistan	Towards a CDS System in Punjab
	248,320	Aug-06	Democratic Republic of Timor Leste	City Upgrading Strategy for Urban Dili
	250,000	Jun-07	Vietnam	CDSs in Medium Cities
	500,000	Aug-06	Regional	City Networking and Investment Marketplace Development initiative in Asia
EUROPE AND CENTRAL ASIA				
	458,427	Jun-06	Latvia	Cities Programme—CDS for Economic Development
LATIN AMERICA AND THE CARIBBEAN REGION				
	500,000	Jun-06	Brazil	National Urban Development Policy: Support to the National Program for Land Tenure Regularisation and Socio-Environmental Risk Prevention in Precarious Settlements
	256,445	Mar-06	Jamaica	Kingston and St. Andrew Sustainable Development Plan

ACTIVITIES CLOSED OR CANCELLED DURING FY07—continued

Grant Amount (US\$)	Completion Date	Country	Activity
MIDDLE EAST AND NORTH AFRICA REGION			
74,000	Sep–06	Egypt	Preparatory Assistance Proposal for Egypt Urban Sector, Slum Upgrading and City Development Strategies
75,000	Sep–06	Iran	Preparatory Assistance to the Ministry of Housing and Urban Development for the Institutionalization of the CDS into the Urban Planning Process in Iran
250,000	Feb–07	West Bank and Gaza	Establishment of an Integrated Strategic Planning Process for the Neighboring Towns of Ramallah, Al-Bireh and Beitunia
GLOBAL AND MULTIREGIONAL ACTIVITIES			
249,666	Apr–07	Global	Building a Solid Foundation: Overcoming the Obstacles to Scalability of Housing Microfinance for the Poor
75,000	Oct–06	Global	CLIFF Independent Evaluation
240,000	Dec–06	Global	CA Independent Evaluation 2006
125,000	Jun–07	Global	CA Management Succession

ABBREVIATIONS AND ACRONYMS

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

ACVI	Associazione Volontari per il Servizio Internazionale
ACVN	Association of Cities of Vietnam
ADB	Asian Development Bank
AfD	Agence française de développement (French Development Agency)
AfDB	African Development Bank
AMN	Association of Cities of Niger
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CAIXA	Caixa Econômica Federal (Brazil's Housing and Urban Development Bank)
CDIA	City Development Initiative for Asia
CDS	city development strategy
CLIFF	Community-Led Infrastructure Finance Facility
CONDER	Urban Development Company of the State of Bahia (Brazil)
CPSCL	Caisse des Prêts et de Soutien aux Collectivités Locales (Tunisia)
DFID	Department for International Development (United Kingdom)
EU	European Union
FINDETER	Financiera de Desarrollo Territorial (Colombia)
GC	Governing Council (UN-HABITAT)
GDP	gross domestic product
Gemdev	Groupement d'Intérêt Scientifique pour l'Etude de la Mondialisation et du Développement (France)
GOLD	Global Report on Decentralisation and Local Democracy (of UCLG)
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICLEI	International Council for Local Environment Initiatives

IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank Group)
IGFR	intergovernmental fiscal relations
ILO	International Labour Organization
INCA	Infrastructure Finance Corporation Limited (South Africa)
HIV/AIDS	human immunodeficiency/acquired immune deficiency syndrome
ISTED	Institut des Sciences et des Techniques de l'Equipement et de l'Environnement pour le Développement (France)
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JNNURM	Jawaharlal Nehru National Urban Renewal Mission (India)
KUDIFC	Karnataka Urban Development Infrastructure Finance Corporation (India)
LCP	League of Cities of the Philippines
LED	local economic development
LGU	local government unit (Philippines)
MDG	Millennium Development Goal
MFI	microfinance institution
MFMA	Municipal Finance Management Act (South Africa)
MFTF	Municipal Finance Task Force
MINVU	Ministry of Housing and Urbanism (Chile)
MTSU	Mumbai Transport Support Unit (India)
NEEDS	National Economic Empowerment Development Strategy (Nigeria)
NEPAD	New Partnership for Africa's Development
NGO	nongovernmental organisation
OECD	Organisation for Economic Co-operation and Development
PAB	Policy Advisory Board (Cities Alliance)
PAC	<i>Programa de Aceleração do Crescimento</i> (Accelerated Growth Programme in Brazil)
PASDEP	Plan for Accelerated and Sustained Development to end Poverty (Ethiopia)
PPF	Public Policy Forum (Cities Alliance)
PRUD	Programme de recherche urbaine pour le développement (France)
pS-Eau	Programme Solidarité Eau
RUB	Russian rouble
RUSPS	Rapid Urban Sector Profiling Studies (Nigeria)
SACN	South African Cities Network
SBS	Swaziland Building Society
SDI	Shack/Slum Dwellers International
Sida	Swedish International Development Cooperation Agency
SMME	small, medium and micro enterprises
SoCR	<i>State of the Cities Report</i>
SOGEGOL	Société Générale de Solidarité
SPARC	Society for the Promotion of Area Resource Centres (India)
SUF	Slum Upgrading Facility (UN-HABITAT)
TNUDF	Tamil Nadu Urban Development Fund (India)
UCLG	United Cities and Local Governments
UCLGA	United Cities and Local Governments of Africa
UK	United Kingdom
UN-HABITAT	United Nations Human Settlements Programme
UNEP	United Nations Environment Programme

UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization
WSSCC	Water Supply and Sanitation Collaborative Council
WUF	World Urban Forum

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