Cities at the Front Lines of Development, United Cities and Local Governments Meeting, Washington D.C.

Remarks by President Wolfowitz
February 9, 2006

I’d like to welcome all of you to this Executive Bureau meeting of the “United Cities and Local Governments” (UCLG) organization and to World Bank headquarters.

The World Bank is pleased to co-host this event with the City of Washington DC because we know that cities—and the people who make them run—have a vital role to play in creating opportunity for some of the 1.2 billion people who today live on less than $1 a day.

In fact, the importance of cities is increasing daily in every sphere: demographically, administratively, economically, and politically.

The Importance of Cities

In 2003, 48 percent of the world’s population lived in urban areas, and that number will keep going up—to 50 percent by 2007 and 61 percent by 2030.

For the first time in history, the world will have more people living in urban areas than there are in rural areas.

London took 130 years to grow from 1 to 8 million people, but Manila took 40 years, and Seoul less than 30.

By 2030, China alone will add 342 million new urban residents, and India 271 million. Africa will add 395 million people and more than half (54 percent) of its population will be living in urban areas.

If we consider that in the past 20 years, the number of poor people in Africa has nearly doubled, it means that in the next 20 years, the poverty challenge there, and elsewhere, will have a more urban dimension.

More people in cities mean more people’s lives will be affected by the decisions made by mayors, and the work done by the people in mayors’ offices.

Many cities today are struggling to bring economic opportunity and decent living conditions for their people. Mayors and their staff aren’t the only people who determine the success of cities, but they play an essential role. When they do well, they help bring us all one step closer to fighting global poverty.

Cities: The Centers for Growth, Opportunity—and Challenge

Across the world, we have seen per capita income increase as people moved to cities, to break free of poverty.
Urbanization is not the only condition for growth and development, but few countries can improve their living standards without it.

Over the past 15 years in low- and middle-income countries, economic activities that tend to be located in urban areas—particularly services and manufacturing—are growing twice as fast as agriculture.

In some of the fastest growing developing countries, such as India and China, the growth rate over the past 20 years in urban sectors was nearly three times faster than in agriculture.

Urbanization has the potential to create opportunity, but it can also create challenges.

On the opportunity side of the equation, rural migrants usually move to cities because they want jobs. For some, urbanization has helped them escape poverty and enabled them to contribute to the urban economy and significantly improve their living conditions.

For example, in Bangladesh, people who moved to Dhaka increased their monthly consumption by 40 percent—even after accounting for cost of living differences.

But with opportunity comes challenge, including the challenge of poverty. As cities grow, so does the number of poor. In the most urbanized regions, such as Latin America and Eastern Europe, already more than half of poor people live in cities.

Today, about 1 billion people, or 32 percent of the world’s urban population, live in slums. If nothing is done, this number will eventually double to 2 billion in the next 30 years.

When you live in a slum, that usually means you have little infrastructure or services, and you’re also subjected to environmental hazards such as flood prone areas and multiple pollutants. Also, poor neighborhoods are often situated in geographically marginalized areas.

The stark inequality between the living conditions of poor people and rich people contribute to the feeling of social exclusion which has been linked to the problems of crime and violence.

Mayors on the Frontlines

Mayors are on the frontlines of these development challenges. The choices you make can either alleviate these challenges or aggravate them. And the policies you pursue can either draw upon the strengths and opportunities of urban areas or dilute them.

A mayor’s job is, essentially, coordinating multi-sectoral issues at the local level within a constrained environment. And that’s a tough job.

Political and administrative decentralization have placed mayors on center stage. In the early 90s, the World Bank estimated that, with the exception of 12 countries, nearly all of the 75 countries with populations above 5 million had initiated some form of transfer of administrative and political power to local government.

In Latin America, 13,000 units of local government are now elected, compared to only 3,000 in 1973.

These changes place an increasing burden on mayors to implement solutions to global poverty at the local level.
The World Bank and Cities in Development

The World Bank has been working with cities to respond to this challenge.

We established a dedicated urban unit more than 30 years ago. Since then, we have lent roughly $25 billion in real 2001 dollars to urban projects.

Our early urban lending efforts focused on poverty, with an emphasis on shifting government attention to the problems of poor people and away from policies of bulldozing slums.

Since these early programs, our urban lending has evolved based on our learning and on our clients’ needs. In the 1980s, we expanded urban projects to include municipal development to build local capacity to manage improved infrastructure, develop and execute investment plans, and improve infrastructure city-wide, not only in slums.

We have also increasingly provided loans for specific municipal services such as solid waste and urban transport. Now the Bank is contributing to the GEF carbon fund to reduce methane emissions from landfills. More recent slum upgrading programs in Jamaica and Brazil are explicitly addressing problems of crime and violence.

Besides lending from dedicated urban units, Bank lending reaches urban areas through other sectors such as health and education, power, and transport. Estimated lending to “urban spaces” in 2005 was just over $7 billion.

Building Partnerships

We want to continue to learn from and strengthen our partnerships with local governments.

We have been paying more attention to the importance of cities to development and have systematically increased our engagement with organized local governments all over the world.

With the formation of the UCLG in 2004, we have seen a unified global voice emerge for local government. We have been very pleased to engage with UCLG as a partner on the Consultative Group of the Cities Alliance.

The Cities Alliance is now working with over 170 cities worldwide, supporting cities in preparing their own development strategies that link economic growth with fighting poverty. These have included citywide slum upgrading strategies, and assisting cities in becoming proactive developers of urban infrastructure by mobilizing domestic capital.

Cities Alliance grants have been linked to over $6 billion in investments, including close to $4 billion in World Bank loans. The Bank and UCLG are collaborating with the Cities Alliance to help cities and local governments contribute to National Poverty Reduction Strategies by developing city development strategies based on the Millennium Development Goals.

This meeting provides an important forum for exchanging ideas and experiences—we look forward to learning from you and hearing your views on how the World Bank Group can work with you to improve the lives of the poor in cities across the world.